

برنامج
الأغذية
العالمي



Programme
Alimentaire
Mondial

World
Food
Programme

Programa
Mundial
de Alimentos

**Executive Board
Third Regular Session**

Rome, 11–14 October 2004

RESOURCE, FINANCIAL AND BUDGETARY MATTERS

Agenda item 5

For consideration

E

Distribution: GENERAL
WFP/EB.3/2004/5-B/1
3 September 2004
ORIGINAL: ENGLISH

FOLLOW-UP ON THE RECOMMENDATIONS OF THE EXTERNAL AUDITOR



This document is printed in a limited number of copies. Executive Board documents are available on WFP's WEB site (<http://www.wfp.org/eb>).

NOTE TO THE EXECUTIVE BOARD

This document is submitted for consideration to the Executive Board.

The Secretariat invites members of the Board who may have questions of a technical nature with regard to this document to contact the WFP staff focal points indicated below, preferably well in advance of the Board's meeting.

Director, Finance Division (FS): Mr S. Sharma tel.: 066513-2700

Chief, Accounts Branch (FSA): Mr A. Diaz tel.: 066513-2230

Should you have any questions regarding matters of dispatch of documentation for the Executive Board, please contact the Supervisor, Meeting Servicing and Distribution Unit (tel.: 066513-2328).



REPORT ON THE IMPLEMENTATION OF THE EXTERNAL AUDITOR'S RECOMMENDATIONS

1. The Executive Director is pleased to submit this Report on the Implementation of the External Auditor's Recommendation.
2. The report is divided in two sections. The first section contains the Final Report on the Implementation of the Recommendations of the former External Auditor contained in the Long-form Report on the Biennium 2000–2001. These recommendations have either been fully implemented or will be addressed through the Finance Manual or other policy directives before the end of 2004.
3. The second section contains the First Report on the Implementation of the Recommendations of the current External Auditor as set out in the reports to the Board on the audit work undertaken during the biennium 2002–2003. This section is divided in five parts to address the recommendations on the five reports of the External Auditor, which are considered by the Executive Board at different sessions, as follows:
 - a) Long-form of the External Auditor with comments on Financial Matters. (WFP/EB.A/2004/6-B/1/3);
 - b) Review of WFP's Human Resources Strategy (WFP/EB.3/2003/5-B/1);
 - c) Review of WFP's Air Operations (WFP/EB.3/2004/5-A/1); info (WFP/EB.A/2004/INF/8-A);
 - d) Review of WFP's Vulnerability Analysis and Mapping (WFP/EB.3/2004/5-A/1); info (WFP/EB.A/2004/INF/8-B);
 - e) Review of Corporate Governance at WFP (WFP/EB.3/2004/5-A/1); info (WFP/EB.A/2004/INF/8-C).
4. The status of the implementation of 2002–2003 audit recommendations is summarized in the table below.

Audit Report	Recommendations	Completed	In progress
Long-form Report on the Audited Biennial Accounts 2002–2003	8	1	7
Human Resources Strategy	5	1	4
Air Operations	9	3	6
Vulnerability Analysis and Mapping	7	1	6
Corporate Governance	4	2	2

5. The Executive Director is committed to ensure that all recommendations are implemented in full and without undue delay. The status of implementation is being closely monitored and a second progress report will be submitted to the Executive Board at its Third Regular Session in 2005.



FINAL REPORT ON THE IMPLEMENTATION OF RECOMMENDATIONS IN THE 2000–2001 AUDIT REPORT OF THE EXTERNAL AUDITOR

External Auditor's recommendations (as per 2000–2001 Audit Report)	Importance	Timeframe for completion	Actions taken to date or to be taken as at 30 June 2003	Actions taken to date or to be taken as at 30 June 2004
FINANCIAL MATTERS				
Commodity valuation methods				
The previous recommendation is reiterated for the design and implementation of a comprehensive procedure, including a more specific definition of what constitutes a donor invoice that complies with General Rule XIII.6 and Financial Rule 104.2. [para.15]	Significant	Before the end of 2002	A comprehensive finance manual is being prepared incorporating these provisions; it is expected to be completed by the end of 2003.	The draft consolidated finance manual, to be issued before the end of 2004, will include procedures on the valuation of in-kind contributions and define the term "donor invoice".
Contribution from the Friends of WFP				
In view of the current intention of WFP to generate more funding from the private sector, it is recommended that a policy and detailed guidelines be established in this regard. Since the issue may have repercussions on ISC, as in the case of the Friends of WFP, the Executive Board should be consulted prior to the issue of the policy. The Programme indicated that this would be one of the issues raised in respect of the resource and long-term financing policy (R<F). [para. 22]	Significant	By the end of 2003	The policies on WFP's relationship with the private sector were outlined in "Issues on Financial Policies" and endorsed by the Executive Board at the 2003 Annual Session. FRD is preparing detailed guidelines.	Principles under consideration for private-sector engagement were presented to the Board and addressed at an informal consultation on 5 May 2004. A request for further information was fulfilled in a further consultation on 13 July 2004. As a result of these consultations, guidelines will be finalized and distributed for staff guidance in September 2004; research will be continued and management analysis carried out.



External Auditor's recommendations (as per 2000–2001 Audit Report)	Importance	Timeframe for completion	Actions taken to date or to be taken as at 30 June 2003	Actions taken to date or to be taken as at 30 June 2004
Interest				
It is recommended that a new accounting instruction on the computation of interest be promptly issued. [para. 29]	Merits attention	Before the end of 2002	The accounting procedures on the automated computation and recording of interest for trust funds and special accounts is being incorporated in the new comprehensive finance manual, which is expected to be completed by the end of 2003.	The allocation of corporate interest income to various trust funds and special accounts is done through WINGS every six months. The written procedures will be included in the finance manual.
Bank reconciliation				
It is recommended that all effort be made to shorten the delays currently encountered in the bank reconciliation process. [para. 39]	Significant	Immediate effect	<p>Two new reports that became operational in WINGS in May 2003 are now being used to monitor the status of bank reconciliations in WINGS and the number and age of outstanding items that need to be cleared.</p> <p>On 20 June 2003, FS issued instructions to all regional, country and liaison office directors and all finance officers on bank reconciliations and reporting requirements.</p> <p>Biennial closure guidelines were issued in August 2003 to ensure that bank reconciliations will be complete before the preparation of the 2002–2003 biennial financial statements.</p>	<p>The monthly reconciliation of bank accounts is ongoing, further facilitated by the recent release of the updated WINGS Training Manual on Bank Statement Upload and Reconciliation.</p> <p>Bank reconciliation monitoring procedures are now in place in country offices, regional bureaux and Headquarters.</p>



External Auditor's recommendations (as per 2000–2001 Audit Report)	Importance	Timeframe for completion	Actions taken to date or to be taken as at 30 June 2003	Actions taken to date or to be taken as at 30 June 2004
Monitoring of field bank accounts				
It is recommended that FSF reconcile on a regular basis its list of country office accounts with the country offices concerned. It is also recommended that country offices be reminded of the COAG prescriptions. [para. 42]	Significant	Immediate effect	The list of field bank accounts is being continuously updated to enhance monitoring of bank reconciliations.	In a recent workshop of senior finance staff from Headquarters and regional bureaux, it was concluded that the regional bureau would have oversight financial functions over their respective country offices. Specifically, from June 2004 the regional bureau finance officers will take over the responsibility for monitoring and updating the list of bank accounts and updating financial statements at Headquarters accordingly.
Monetized funds held in trust				
<p>The following is recommended:</p> <ul style="list-style-type: none"> ➤ Existing discrepancies should be investigated until fully resolved. ➤ Reconciliation between assets and liabilities should be performed on a regular basis. ➤ As prescribed by the Executive Director's circular, local external auditors should be appointed to audit these funds on an annual basis. [para. 43] 	Significant	Immediate effect	<p>As part of 2002–2003 closure strategy, the country offices concerned will be required to ensure that the assets and liabilities of monetized funds are reconciled at the 30 September 2003 closure.</p> <p>Country offices will also be required to ensure that accounts of the monetized funds are audited by local external auditors.</p>	As part of the financial oversight function, regional bureau finance officers will also be responsible for monitoring the reconciliation of monetized funds and having them audited annually.



External Auditor's recommendations (as per 2000–2001 Audit Report)	Importance	Timeframe for completion	Actions taken to date or to be taken as at 30 June 2003	Actions taken to date or to be taken as at 30 June 2004
Number of accounts (chart of accounts in WINGS)				
It is recommended that a review be conducted with the objective of streamlining the chart of accounts. [para. 48]	Significant	Immediate effect	To date, the chart of accounts has been streamlined through: (i) establishing the procedures on opening and closing, (ii) locking/deleting those that are no longer being used, and (iii) grouping related accounts through a mapping table. Detailed descriptions and sample accounting entries will be included in the new comprehensive finance manual to be completed before the end of 2003.	No further action required on streamlining the chart of accounts. The Consolidated Finance Manual will be issued before the end of 2004.
Despatch and demurrage accounts				
It is recommended that items still outstanding be cleared as soon as possible and that a monthly reconciliation be carried out thereafter. Prompt issue of the directive on "Policies and Procedures for Demurrage and Despatch" is further recommended. [para. 49]	Significant	Immediate effect	A full reconciliation of WINGS and OTS databases has been completed and will be conducted monthly. The joint directive (OT2003/001 OD2003/002 FS2003/004) was issued on 10 April 2003.	No further action required.
Insurance accounts				
It is recommended that, once finalized, the detailed plan of action for the insurance accounts clearing be reviewed by OEDA and that progress be regularly reviewed thereafter. [para. 52]	Significant	Immediate effect	The insurance accounts under question have now been cleared and adjusted in the books. A new system on monitoring and accounting for insurance claims is currently being developed and is expected to be operational by the end of 2003. This system will be linked with WINGS and will be using WINGS database.	No further action required on the clearing of the insurance accounts. The new system on monitoring and accounting for insurance claims has been developed and is currently undergoing final testing. It will be placed into production in the fourth quarter of 2004.



External Auditor's recommendations (as per 2000–2001 Audit Report)	Importance	Timeframe for completion	Actions taken to date or to be taken as at 30 June 2003	Actions taken to date or to be taken as at 30 June 2004
Staff-benefit funds				
The previous recommendation is reiterated to obtain accurate information on UNDP local staff accrued liabilities for appropriate disclosure in the 2002/03 financial statements. [para. 53]	Merits attention	For the 2002–2003 biennium closure	The process to estimate the value of accrued liabilities in respect of local staff is under way for the biennial closure.	The Secretariat used the template provided by UNDP to estimate the accrued liabilities included in the disclosure note in the 2002–2003 financial statements.
Different accounting policies for PSA income and expenditure				
It is recommended that WFP continue its efforts to record both its income and expenditures on an accrual basis. [para. 64]	Fundamental	For the 2004–2005 biennium at the latest	The new policy on income accrual is being implemented for the presentation of 2002–2003 financial statements.	No further action required.
PSA expenditure				
It is recommended that a comprehensive document on PSA expenditures be presented to the Executive Board for its review as soon as possible or at least well in advance of the 2004–2005 biennium budget preparation. [para 68]	Significant	In 2003	Any changes in the Financial Policy Framework will be made in tandem with the Strategic Plan and Management Plan, as decided by the Executive Board. The Management Plan for 2004-2005 deals with the nature of PSA expenditures.	No further action required.
MANAGEMENT MATTERS				
Treasury management				
WFP Investment Committee (IC) membership				
It is recommended that IC include more members with professional and practical treasury experience. [para. 91]	Significant	Before the end of 2002	The FAO Treasurer was made a member of the WFP IC in December 2002.	In addition to the FAO Treasurer, from July 2004 a representative from the World Bank acting as Investment Advisor has participated as an external member.



External Auditor's recommendations (as per 2000–2001 Audit Report)	Importance	Timeframe for completion	Actions taken to date or to be taken as at 30 June 2003	Actions taken to date or to be taken as at 30 June 2004
Rules of procedure				
To make it a more valuable tool, it is recommended that efforts be made to adopt the IC's annual work plan prior to the commencement of the year. [para. 95]	Merits attention	From the 2003 plan onwards	The IC 2003 annual work plan was adopted on 20 January 2003 at the fifteenth IC meeting.	The annual work plan is adopted at the IC meetings in January 2003.
It is recommended that preparation of IC meetings be improved to allow for distribution of the provisional agenda and documentation in a timely manner. [para. 96]	Merits attention	Immediate effect	The IC agenda and related documentation are issued on a timely basis. A provisional agenda is issued to IC members at least a week before the scheduled regular meeting. Documents related to the provisional agenda are issued at least five days before the scheduled meeting	No further action required.
It is recommended that WFP be consistent in the prompt issue of IC meeting minutes in line with the Rules of Procedure mentioned above. [para. 97]	Merits attention	Immediate effect	The minutes of IC meetings are issued promptly, usually five working days after the end of each meeting.	No further action required.
Annual report of the IC				
Since the Executive Director's circular does not contain any provisions relating to the submissions date of the IC's annual report nor to its content, it is recommended that such be included. [para. 98]	Merits attention	Immediate effect	The IC Annual Report for 2002 was issued on 28 April 2003, in accordance with IC's decision during its 2002 first quarterly meeting on 19 April 2002 to issue the Annual Report by the end of April each year.	The IC Annual Report for 2003 was issued on 29 April 2004.





External Auditor's recommendations (as per 2000–2001 Audit Report)	Importance	Timeframe for completion	Actions taken to date or to be taken as at 30 June 2003	Actions taken to date or to be taken as at 30 June 2004
Headquarters banking arrangements				
It is recommended that, depending on the outcome of the review of banking arrangements, a Request for Proposal for cash management services be issued in compliance with Financial Rule 112.17 mentioned above. [para. 110]	Fundamental	Before mid-2003	A review is being undertaken to assess the current banking arrangements and to benchmark the services received based on industry standards and best practices. Consultants are being identified to submit proposals.	The banking review has been completed. The Consultant reported that the current banking arrangement meets WFP's needs and that the Treasury's practices are comparable with the best practices in other organizations.
Field banking arrangements				
It is recommended that WFP continue to extend zero-balance accounts as part of overall banking strategy mentioned above. [para. 111]	Significant	Before the end of 2002	FST has signed agreements with Standard Chartered Bank and Citibank to extend ZBA facilities to 22 additional field offices. The first rollout of the system was in April 2003 in Zimbabwe and Tanzania, followed by another rollout in June 2003 to Jordan, Syria and Iraq. Completion of rollout to the rest is targeted to be completed for September 2003.	As of 30 June 2004, ZBAs and e-banking have been rolled out in 21 countries. An additional 18 countries are targeted by the end of 2004.
Custodian arrangements				
Since the returns for the funds invested in the money market fund operated by the current custodian were lower than the ones achieved by the investment managers (IMs), it is recommended that the level of these funds be kept to a minimum and that a competitive process be organized for this service. Since the previous tender was organized five years ago, it is recommended that a new competitive process be organized for custodial services in the near future. [para. 114]	Fundamental	Before mid-2003	A minimum level of approximately 10 days' requirement is being maintained in the money market fund. The IC is dealing with the issue of selecting a global custodian, issuing an RFP or endorsing retention of the current custodian.	This level of cash is maintained on a continuing basis. The Global Custody Services Agreement has been renewed for three years ending January 2007 on the basis of the current custodian's satisfactory service to WFP, good experience of IFAD and WHO in selecting the same custodian through competition, and the favourable pricing on services. The decision to extend the contract of the agreement for another

External Auditor's recommendations (as per 2000–2001 Audit Report)	Importance	Timeframe for completion	Actions taken to date or to be taken as at 30 June 2003	Actions taken to date or to be taken as at 30 June 2004
				three years took into consideration the advice of the FAO Advisory Committee on Investments on the merits of keeping the current custodian as long as the service requirements of WFP are adequately met. Nevertheless, an RFP will be issued in mid-2005 to allow sufficient time to implement a new global custody agreement beginning 1 January 2007.
Investment guidelines				
It is recommended that the circular on investments be made more comprehensive by addressing, in particular, issues relating to the benchmark and the investment instrument quality. [para. 128]	Significant	Before the end of 2002	Investment guidelines were discussed in the Investment Committee and revised in early 2003. These will be further reviewed in the course of the selection of new investment managers. New guidelines were prepared for long-term investments.	No further action required.
Long-term investments for staff-related schemes, separation payments scheme and compensation plan reserve fund				
Considering that FAO will not be in a position to implement in the near future the less risky strategy it had contemplated for the past four years, it is recommended that WFP take over management of its long-term assets from FAO as soon as possible. [para. 145]	Fundamental	As soon as possible	In October of 2002 WFP took over the management of long-term funds previously held by FAO. On 1 April 2003, the IC selected two investment managers for long-term fixed-income securities and global equity securities. Contracts with these investment managers were finalized in June 2003 and \$65 million was invested.	No further action required



External Auditor's recommendations (as per 2000–2001 Audit Report)	Importance	Timeframe for completion	Actions taken to date or to be taken as at 30 June 2003	Actions taken to date or to be taken as at 30 June 2004
Actuarial review				
It is recommended that future actuarial and asset/liability studies be planned well in advance to allow time for selecting an actuary through competitive bidding and including the results in the financial statements to be submitted for audit. [para. 151]	Fundamental	For the 2002–2003 biennium	Planning for the actuarial valuation and asset/liability studies and the selection of actuary will be completed by the second half of 2003, with a view to incorporating the most recent actuarial valuation in the 2002–2003 biennial accounts.	The actuarial study was completed in March 2004, in time for inclusion of the results in the 2002–2003 biennial financial statements.
Currency management policy and foreign exchange instruments				
<p>The following is recommended:</p> <ul style="list-style-type: none"> ➤ An exhaustive study on the extent and implications of receipts and disbursements in currencies other than the US dollar should be prepared and discussed by the IC. ➤ The outcome should be formalized in an amendment to the existing policy and should be communicated to the Executive Board for information. [para. 163] 	Fundamental	Study to be finalized before the end of the 2002–2003 biennium	A consultant is to be engaged in September 2003 to formulate a comprehensive foreign-exchange policy and to propose accounting procedures for foreign-exchange transactions	<p>A review of WFP's foreign-exchange accounting policies on valuation of contributions, obligations and disbursements, and revaluation of assets and liabilities, has been completed. A policy directive undergoing initial review will be issued in the fourth quarter of 2004 after consultations with a wider audience in WFP.</p> <p>Currency management policies will be developed with the assistance from World Bank, a representative of which is a member of IC.</p> <p>This portion of the comprehensive foreign exchange policy is planned to be completed by the end of 2004.</p>



External Auditor's recommendations (as per 2000–2001 Audit Report)	Importance	Timeframe for completion	Actions taken to date or to be taken as at 30 June 2003	Actions taken to date or to be taken as at 30 June 2004
Decentralization process				
Choice of the host cities for the new regional bureaux				
It is recommended that for any future establishments of regional offices or bureaux a comparative study always be conducted and kept on record. [para. 176]	Significant	Future regional offices or bureaux	A thorough review was carried out when a new location for the Latin America and Caribbean Regional Bureau was being considered.	A thorough review was carried out when a new location for the Middle East, Central Asia and Eastern Europe regional bureau was being considered in early 2004.
Government contributions				
<p>The following are recommended:</p> <ul style="list-style-type: none"> ➤ A new agreement, or an amendment to the agreement concluded for the RO, should be concluded for ODY. It should notably detail the form of the present Government's contribution (rent-free premises) and indicate precisely who should pay for utilities, maintenance and repairs. ➤ As far as the country office is concerned, once WFP has defined its overall policy, a new agreement should be concluded. In the meantime, the situation regarding the arrears should be addressed. [para. 186] 	Significant	Negotiations to be initiated in 2002	<p>An agreement was signed between WFP and the host Government on 23 January 2002 regarding the WFP office in Yaoundé, Cameroon. The agreement states that the building is provided rent-free to a WFP regional office covering 11 countries in the region. The Government contributed GCCC in 2002. The country office now shares offices with the Central Africa regional office in the free-rent premises; the arrangement has not changed since the regional office, now covering six countries, was set up. At its annual meeting in May 2003, the Executive Board decided that in future:</p> <ul style="list-style-type: none"> ◇ WFP will issue an annual request to governments of recipient countries for a contribution towards PSA costs of country offices, emphasizing that recipient governments should contribute a significant portion of such costs; 	With the approval of the 2004–2005 PSA biennial budget, the Executive Board approved new modalities of how to manage host Government contributions towards the country office local operating costs. Local contributions (except non-LDCs/LIFDCs) will remain in-country at the disposal of the country office to be used as incremental support cost budget.



External Auditor's recommendations (as per 2000–2001 Audit Report)	Importance	Timeframe for completion	Actions taken to date or to be taken as at 30 June 2003	Actions taken to date or to be taken as at 30 June 2004
			<p>◇ agreements will be reached with governments on the amount to be contributed; these agreements will be in the format used for other donor contributions and will be accounted for in the same way; they will be in line with Financial Regulation 4.7, which requires an agreement to record the extent of such contributions.</p>	
<p>It is recommended that WFP renegotiate its agreement for ODB to bring its contribution more into line with the actual costs incurred by the RB. [para. 191]</p>	Significant	Negotiations to be initiated in 2002	<p>ODB will continue to pursue prospects to increase the host Government's contribution. The Government already pays for 33% of the rent of the ODB regional bureau premises.</p>	No further action required.
<p><i>Physical set-up and inventory control and management</i></p>				
<p>It is recommended that prompt action be taken by all RB in order to ensure compliance with the directive issued on 16 April 1997 for the management and control of inventory. [para. 195]</p>	Significant	Immediate effect	<p>MS rolled out the new Asset Management Database (AMD) system and had trained all country offices and regional bureaux by the end of 2002. The AMD was successfully used by all WFP locations to report inventory as of 31 December 2002. AMD will be used to monitor and control WFP's assets in inventory.</p>	<p>Detailed procedures for inventory management are included in the MS Administration Manual on WFPgo. Additionally, the AMD training manual is available on WFPgo, which provides details on AMD use. MS will revise the directives on inventory by the end of 2004.</p>



External Auditor's recommendations (as per 2000–2001 Audit Report)	Importance	Timeframe for completion	Actions taken to date or to be taken as at 30 June 2003	Actions taken to date or to be taken as at 30 June 2004
Roles and functions of each level				
It is recommended that a new directive on RB, RO and country office roles and functions be finalized as soon as possible. [para. 201]	Merits attention	Before the end of 2002	ODO will update the draft directive, taking into account the restructuring of the Africa regional bureaux in late 2002 and the recommendations of the ongoing external review of decentralization.	Although the respective roles and responsibilities of the regional bureaux, country offices and Headquarters were clearly delineated in OD Directive no. OD 2000/004 of 10.11.2000, they will be updated as part of WFP's imminent overall operations review, which will address issues such as decentralization and delegations of authority in light of WFP's business process overview.
FMIP implementation				
Data clean-up and migration				
It is recommended that the work on outstanding migration issues be pursued until all the discrepancies are fully explained, all items duly reconciled and all missing documentation duly filed. On the basis of precise estimates of the workload, deadlines should be established and closely monitored, and progress regularly reviewed by OEDA. [para. 227]	Fundamental	Before the end of 2002	The only remaining post-migration issue refers to negative fund balances of approximately US\$34 million, most of which were migrated from the old system. FS, FRD and ODP are taking action to adjust expenditures, obtain funding from multilateral or other donors, or propose write-offs of certain accounts before the end of 2003.	The migrated negative fund balances have been cleared except for \$3.7million pertaining to funds pending final accounting and/or agreement with donors on payment or utilization. Clearing of this remaining balance is expected to be completed before the end of 2004.
Segregation of duties				
Since this review was closely related to the review of authorized users by transaction code mentioned above, it is recommended that they be completed as soon as possible. [para. 236]	Fundamental	Before the end of 2002	The business rules adopted to eliminate violation of the segregation of duties rule noted by the External Auditor forbid access by the same person to the following combination of functions: ◇ post-Invoice document and payment run; and	The two profiles are no longer given to the same user.





External Auditor's recommendations (as per 2000–2001 Audit Report)	Importance	Timeframe for completion	Actions taken to date or to be taken as at 30 June 2003	Actions taken to date or to be taken as at 30 June 2004
			<ul style="list-style-type: none"> ◇ enter vendor Invoice and payment run. <p>The rule to centralize vendor master-data creation will be addressed in 2004 as explained below. OEDA will review this process in September 2003.</p>	
<p>In view of the potential risks of fraud, especially in the field, it is still recommended that "vendor" master data management should be centralized as soon as possible, at least at the level of each RB for all the country offices in their respective area. [para. 238]</p>	Fundamental	Before the end of 2002	<p>Centralization of vendor master-data creation at Headquarters and regional bureaux remains impractical because of the ongoing roll-out of WINGS. By the end of 2003, WINGS will have been rolled out to 56 field offices, and most vendors will have been created in the system. It is therefore planned to centralize implementation of vendor creation for Headquarters and regional bureaux from January 2004.</p>	<p>WINGS has now been rolled out to 59 WFP offices where vendor master data have been created accordingly. The Secretariat views vendor master data management as part of the decentralization policy for regional bureaux and country offices.</p> <ul style="list-style-type: none"> ◇ Only three vendor creators are allowed for each regional bureau/country office. ◇ Granting of access to create vendor master data requires the clearance of FS. ◇ A new validation process in WINGS forces the user to go through a list of existing vendors with similar names before creating a new one.
Controls on the integrity of financial data				
<p>It is recommended that a procedure be established to review batch input sessions on a regular basis. It is recommended that a similar procedure be established for the regular review of "parked" transactions or documents. [para. 240]</p>	Significant	Before the end of 2002	<p>Procedures have been developed to review unposted parked documents; these are conducted during production of monthly financial statements. The formal procedure for reviewing unprocessed batch input sessions will be finalized before the closure of 2002–2003 biennial accounts.</p>	<p>Part of the preparation of monthly financial statements includes an ongoing review of parked documents and batch input sessions.</p> <p>The originators are reminded to either post the document/run the session or delete them from the system if no longer needed.</p>

External Auditor's recommendations (as per 2000–2001 Audit Report)	Importance	Timeframe for completion	Actions taken to date or to be taken as at 30 June 2003	Actions taken to date or to be taken as at 30 June 2004
<p>Since WFP is in agreement with the suggested improvements, it is recommended that they be implemented as soon as possible. [para. 242]</p>	Significant	Before the end of 2002	<p>The revised version of COAG-SAPInt issued last year improved the quality of data inputs. The number of field offices using COAG-SAPInt has been reduced as WINGS has been rolled out to 35 field offices; only 12 were connected at the time of the audit review. Roll-out to 13 more field offices is planned for the rest of 2003. The number of rejected transactions from COAG-SAPInt uploads to WINGS has therefore fallen significantly.</p>	<p>On 1 July 2004, a new version of the Country Office Accounting Guide - SAP Interface (COAG SAPInt) was circulated to all field offices with the following additional features:</p> <ul style="list-style-type: none"> ◇ Input of fund reservation ◇ A new field for Agency Reference Number regarding UNDP transactions ◇ Download in Excel of Form 25, i.e. the summary of transactions for the month.
Access to the commodity movement tracking and analysis system (COMPAS)				
<p>The recommendations are as follows:</p> <ul style="list-style-type: none"> ➤ The shortcomings reported for training should continue to be addressed and documentation should be translated into other languages (Spanish and French at least) as soon as possible. ➤ Long-term improvements to COMPAS should be considered on the basis of experience in country offices that have been working with COMPAS since its inception. [para. 248] 	Significant	Before the end of 2002	<p>Funding for Commodity Tracking System (CTS) officers based in regional bureaux was approved, strengthening WFP's support to country offices in commodity tracking. The 2004–2005 Management Plan includes CTS posts at regional bureaux. The translation of the new user guide will be completed with the implementation of the 2004–2005 Management Plan.</p>	<p>Roll-out of COMPAS version 2.0 to all WFP country offices is ongoing. By 30 June 2003, COMPAS Version 2.0 had been implemented in 60% of country offices. It is expected that COMPAS Version 2.0 will be available in all WFP country offices and regional bureaux by the end of 2004.</p> <p>COMPAS manuals are being updated or developed in all the main WFP working languages. They include a User Manual, a COMPAS Business Guide and an Invoice Processing Manual. Important COMPAS-related correspondence, such as the COMPAS directive, are also being translated into the WFP languages.</p>




External Auditor's recommendations (as per 2000–2001 Audit Report)	Importance	Timeframe for completion	Actions taken to date or to be taken as at 30 June 2003	Actions taken to date or to be taken as at 30 June 2004
				During the fourth quarter of 2004 WFP will undertake a global review of COMPAS with the support and expertise of one of its private sector partners. The purpose is to ensure that the Commodity Tracking System (CTS) keeps up with the best technology and functionality possible in WFP's operating environment.
Use of COAG-SAPInt				
<p>The recommendations are as follows:</p> <ul style="list-style-type: none"> ➤ The shortcomings reported for training should be addressed and documentation should be translated into other languages (Spanish and French at least) as soon as possible. ➤ Priority should be given to the roll-out of SAP, at least to all large country offices on the basis of adequate connectivity and training. [para. 252] 	Significant	Before the end of 2002	<p>WINGS has so far been rolled out to 35 field offices—6 regional bureaux and 29 country offices; the target for 2003 is to have 56 field offices online by the end of the year.</p> <p>WINGS Explorer, the read-only version, is being rolled out to 40 country offices. The software enables users to access basic budget, financial and other business-monitoring functions.</p> <p>The introduction of Spanish and French versions of the User Guide will be addressed as part of the current review of the COAG-SAPInt.</p>	<p>All WFP offices now have WINGS but 35, including seven liaison offices, are still using COAG-SAPInt for data entry.</p> <p>The Secretariat intends to further reduce the number of COAG-SAPInt users before the end of the year as follows:</p> <ul style="list-style-type: none"> ◇ Inputs for liaison offices will be done at Headquarters in WINGS. ◇ Inputs for country offices with low-level monthly transactions will be done by regional bureaux in WINGS. This process has been successfully pilot-tested at ODB and will gradually be replicated in other bureaux.



REPORT ON THE IMPLEMENTATION OF EXTERNAL AUDIT RECOMMENDATIONS ON 2002–2003 OPERATIONS

External Auditor's recommendations	WFP response	Actions taken to date or to be taken as at 30 June 2004
<p>Long-form Report of the External Auditor with comments on Financial Matters (WFP/EB.A/2004/6-B/1/3)</p>		
<p>Accounting and Disclosure of Project Expenditures</p>		
<p>Recommendation 1. To ensure accuracy in the reporting of financial information, particularly in financial statements and donor reports, I recommend that senior management undertake regular reviews of the information recorded in WINGS to confirm that expenditure is correctly posted to the project to which it relates.</p>	<p>Accurate and timely recording of project expenditure is an important issue to be addressed through clear guidelines, training, reporting and accountability of managers. FSR – SMF project management reports?</p>	<p>To enhance its capacity to conduct such reviews, WFP has:</p> <ul style="list-style-type: none"> ◇ enhanced the project reporting capacity of WINGS by adding new customized project management reports; ◇ developed "quick-access" guides to the most useful financial management reports for release by September 2004; ◇ provided targeted training on reporting to country directors and other project managers; and ◇ initiated the development of a data warehouse, which includes project management information as a priority output.
<p>Recommendation 2. I also recommend that management improve the internal processes for ensuring the prompt programming of funding to field offices in WINGS, to facilitate the accurate recording and reporting of project expenditure.</p>	<p>A business process review (BPR) was initiated in March 2003 to improve efficiency in WFP, including prompt programming of funds.</p> <p>The primary objective of BPR is to ensure maximum use of resources to meet the needs of the greatest number of beneficiaries. The new business process envisages issuing allotments on the basis of forecast contributions at the required time using advancing mechanisms, as appropriate. This will remove delays in implementation resulting from a timing mismatch between operational needs and confirmed contributions, and will ensure greater on-time availability of food aid.</p>	<p>An advance funding mechanism has been implemented for the PRRO pilot project in the Democratic Republic of Congo (DRC) on a test-case basis. The advance was provided from the Operational Reserve against forecast contributions in order to alleviate the timing mismatch described previously.</p> <p>Other pilot projects will be implemented in Cambodia, Indonesia, the Palestinian Territory and West Africa. The procedures will be improved based on lessons learned from these pilot projects. Subject to Board approval, the resulting improved business processes arising will be implemented throughout WFP.</p>



External Auditor's recommendations	WFP response	Actions taken to date or to be taken as at 30 June 2004
Long-form Report of the External Auditor with comments on Financial Matters (WFP/EB.A/2004/6-B/1/3)		
	<p>Consequently, the process of making funds immediately available through advance funding mechanisms will facilitate the recording of expenditures to the appropriate project. Cross-charging of expenditures will no longer be an issue, because there will be no need to charge the expenditures of projects awaiting confirmed contributions against other projects that have funds.</p> <p>The actual programming of related funds after directed contributions have been confirmed will be decentralized to country offices so that the country directors have direct management of their funds, thus eliminating an unnecessary layer in the business process.</p>	
 <p>Recommendation 3. Once operations are complete, I recommend that projects should be closed promptly in financial terms; and that any remaining balances identified should only be redeployed on receipt of further instructions from the donor on their use and application.</p>	<p>A joint directive from the Operations Department and the Administration Department was issued on 31 October 2003 to provide guidelines to project managers on closing projects on a timely basis after projects cease to be operational. The directive defines the procedures for operational and financial closures, pre-closure and post-closure requirements, and resource transfers.</p> <p>Under the directive, all directed multilateral resource transfers from one project to another are subject to donor approval. The directive provides for resource transfers that may be processed within four weeks of operational closure and those that may be processed within three months of financial closure.</p>	<p>The directive has been implemented and financial closure of projects has now become a regular feature of operations.</p>

External Auditor's recommendations	WFP response	Actions taken to date or to be taken as at 30 June 2004
Long-form Report of the External Auditor with comments on Financial Matters (WFP/EB.A/2004/6-B/1/3)		
<i>Disclosure of Support Costs</i>		
<p>Recommendation 4. I recommend that management more clearly define Programme Support and Administration (PSA) and direct support costs (DSC) in terms of the type of expenditure each category is to cover, to ensure that administrative and support costs which cannot be directly attributable to a programme category or activity are consistently recorded as Programme Support and Administration in the financial systems.</p>	<p>WFP's financial policy framework defines PSA and DSC in terms of their relationship to a project rather than in terms of expenditure type.</p> <p>PSA costs are fixed for a biennium based on the PSA budget as approved in the Management Plan. In country offices, these costs provide a standard structure meant to cover the basic costs. DSC costs are support costs that are deemed to be incremental to this standard structure.</p>	<p>The constraint imposed by the approved Management Plan for 2004–2005 prevents the Secretariat from defining PSA and DSC in terms of type of expenditures. The constraint refers to the cost structure of country office PSA budgets where the PSA budget was defined in terms of a fixed amount and not by expenditure type.</p> <p>The classification of DSC and PSA will be considered and further clarified in the course of the review of the minimum fixed costs of WFP country offices.</p>
<i>WINGS Reporting Functions</i>		
<p>Recommendation 5. WINGS is to be subject to a forthcoming upgrade and I recommend that WFP consider reconfiguring the system, to enable it to provide expenditure reports by field office and business unit; and to be capable of tracking individual donations from income through to expenditure.</p>	<p>The Secretariat recognizes the current limitations of WINGS in this respect and will address this issue in the forthcoming upgrade. In the meantime, the system can be used to generate project-based reports.</p>	<p>A new functionality in WINGS has been developed that allows managers to report on all projects within their field office. Guidelines have been developed and training has been conducted for the country directors and other managers in ODD Dakar on the use of the Project Overview Report and related information.</p> <p>The issue will be further examined as a priority during the planning of the forthcoming upgrade.</p>
<i>Financial Oversight and Guidance</i>		
<p>Recommendation 6. I recommend that the management update the Country Office Accounting Guide as a matter of priority to provide a comprehensive manual to field offices which reflects the changes to the finance system introduced since 1999; and consider the issue of French and Spanish language versions of the Guide where appropriate. This recommendation was also made by my predecessors.</p>	<p>The Secretariat agrees with this recommendation and has initiated this process.</p>	<p>A new comprehensive finance manual is in the final stages of development. The draft is being circulated in-house for comments and will be issued before the end of 2004. This manual will replace all current financial manuals (including the Country Office Accounting Guide) and will act as an up-to-date repository for all financial policy guidance.</p> <p>This manual aims to be available electronically in all required locations and will be available in French and Spanish.</p>



External Auditor's recommendations	WFP response	Actions taken to date or to be taken as at 30 June 2004
Long-form Report of the External Auditor with comments on Financial Matters (WFP/EB.A/2004/6-B/1/3)		
<p>Recommendation 7. I recommend that the regional bureaux should have a clear responsibility to oversee and monitor the financial performance of the country and project offices in their region, to be in a position to ensure the integrity of the Programme's systems for budgetary and financial control.</p>	<p>The role of the regional bureau finance officer evolved in response to WFP's decentralization initiatives. This allowed the unique needs of each regional office to be addressed, but certain aspects of the role were initially unclear.</p> <p>This role was reviewed at a recent workshop of senior finance staff from Headquarters and regional bureaux where it was concluded that the oversight and monitoring of country offices should be included in the regional finance function.</p>	<p>The job description of the regional bureau finance officer was updated to include the oversight and monitoring function.</p> <p>A financial analyst post and a national officer post have been added in each regional bureau, allowing the bureau to carry out its responsibilities. Systems tools including bank reconciliation summary reports and a list of open items have been developed to facilitate the monitoring of risk areas such as bank reconciliations and outstanding receivables and payables.</p>
<p>Recommendation 8. I recommend that WFP provide refresher training on WINGS for field staff, to ensure the full and proper use of the system's functionality and adequate levels of internal control.</p>	<p>WINGS refresher training has been developed to address this issue.</p>	<p>WINGS refresher training has been developed and delivered to 15 country offices of ODD Dakar. Training sessions for the other bureaux are being scheduled during the second half of 2004.</p> <p>This training is aimed at two groups:</p> <ul style="list-style-type: none"> ◇ finance managers such as country directors and programme officers, and ◇ field finance staff. <p>"Quick-access" guides have been developed for the most useful financial management reports.</p> <p>Targeted training on reporting has been developed and delivered to country directors and other project managers.</p> <p>Plans have also been developed to provide targeted WINGS training on financial issues in all regions in October / November this year.</p>



External Auditor's recommendations	WFP response	Actions taken to date or to be taken as at 30 June 2004
Review of WFP's Human Resources Strategy (WFP/EB.3/2003/5-B/1)		
<i>Current arrangements for accounting and needs assessment of staffing requirements</i>		
<p>Recommendation 1. I recommend that WFP consider the merits of identifying and disclosing staff costs on a comprehensive and systematic basis; and review whether current and future informational needs are being fully met by WINGS as presently configured.</p>	<p>WFP recognizes the need for managers to have access to staff costs in a comprehensive and systematic manner.</p> <p>The current configuration of WINGS does allow staff costs to be collated and reviewed; for national and local staff, however, it is only the cost that is recorded. The current configuration does not permit for details on numbers/grades, etc. of national and local field-based staff.</p>	<p>The Secretariat has taken action to include commitments for staff paid through the payroll system in all reports. Managers now have a more complete picture of their budgetary status related to staff.</p> <p>The Secretariat intends to pursue the inclusion of all staff in the human resources system, including the national staff, particularly in light of the upcoming upgrade of the WINGS system.</p>
<i>Competency development and career management</i>		
<p>Recommendation 2. I recommend that the Human Resources Division analyse the impact of the competency based system on the grade profile of WFP; and as a matter of sound financial management practice, carry out an assessment of the financial consequences of the new arrangements and other aspects of the new HR strategy.</p>	<p>The competency profile was developed using the current generic job profiles, which are based on the International Civil Service Commission (ICSC) classification standards. This is not expected to cause any differences in position grading.</p>	<p>Finalization of the competency profiles and the generic job profiles have been completed.</p> <p>The competencies were based on generic job profiles that are in line with ICSC classification standards, so WFP does not anticipate a difference in the grades of positions. By the end of 2006, however, generic job profiles and competencies will have been reviewed.</p>
<p>Recommendation 3. I recommend that the Human Resources Division review the role and additional responsibilities of the Staffing Coordinators, to ensure that they have the capacity to be fully effective in supporting a strategic approach to resource management in addition to the management of individual staff members and their operational responsibilities.</p>	<p>The staffing coordinators have various levels of responsibilities based on the numbers of staff in their area. For example, the programme staffing coordinator with 400 staff is full-time, but the HR staffing coordinator, who oversees about 40 staff, devotes only a small percentage of his/her time to this.</p>	<p>The Secretariat will evaluate the extent of staff oversight of the programme staffing coordinator and identify sub-profiles within the programme officer category if necessary. The evaluation will be done at the end of 2005, after one full year in the role.</p>



External Auditor's recommendations	WFP response	Actions taken to date or to be taken as at 30 June 2004
Review of WFP's Human Resources Strategy (WFP/EB.3/2003/5-B/1)		
<i>Use of WINGS in recruitment</i>		
<p>Recommendation 4. Appropriate use of WINGS can offer considerable benefits to the effectiveness and efficiency with which the Programme's Human Resource Strategy and resource management arrangements can be implemented. I recommend that WFP give appropriate management emphasis to the review of technical needs for new electronic tools, so that future requirements can be integrated with wider system development in a cost effective way.</p>	<p>Consideration is being given to introduce the WINGS career development module in the next SAP upgrade. In the meantime, the WINGS system has been interfaced with Staffnet, a web-based system which captures the skills and experience of staff members and external candidates through their online CVs. The interface ensures that contractual data in WINGS is reflected in the staff profile</p>	<p>The Secretariat will evaluate the extent to which WINGS upgrade can address human resource management for international and national staff. The Secretariat will also determine cost-effectiveness/benefits of using WINGS versus other programmes that can be interfaced with WINGS data.</p>
<i>Performance management</i>		
<p>Recommendation 5. The consistency and objectivity of the assessment process is important to aid WFP in its long-term goal of achieving excellence amongst its staff and I therefore recommend that WFP consider the desirability of further steps to ensure consistency of appraisals across the organisation in any future arrangements.</p>	<p>The Performance and Competency Enhancement (PACE) programme is being introduced across WFP; training will be completed by 31 August 2004. The PACE programme introduces competence profiles that will allow baseline criteria to be used by staff members and their supervisors when talking about performance. Support training and materials will be available to all staff through intranet and training courses.</p> <p>The application of the form is through a Lotus Notes database that will allow HR to analyse in a timely manner the consistency of ratings and other information necessary to assist management and WFP to plan and be more consistent in performance management.</p>	<p>PACE training throughout WFP began in April 2004 and will be completed by August 2004.</p>



External Auditor's recommendations	WFP response	Actions taken to date or to be taken as at 30 June 2004
Review of WFP's Air Operations (WFP/EB.A/2004/INF/8-A)		
Financial management of air operations		
<p>Recommendation 1. I recommend that WFP improve the budgetary control of air operations generally, to ensure the adequacy and availability of funding for individual operations; and to ensure the accuracy and reliability of financial information to support effective budget management, through an appropriate standardized form of financial recording for all air operations.</p>	<p>Budget control is being addressed through the management procedures for the Aviation Special Account (ASA). Aviation-related funds that are currently outside the financial purview of the WINGS are being absorbed into ASA to streamline the accounting and fund management process. A one-month advance and one-month deposit based on monthly contracted flying hours are also being instituted to prevent WFP from running into debt with operators as a result of funding shortfalls. A central invoicing system is being installed to enhance the tracking and accounting of (i) outstanding debts by user agencies and (ii) an advance deposit.</p>	<p>The procedures for the operation of ASA are being formulated jointly by FS and OT and will be published before the end of 2004.</p>
<p>Recommendation 2. I recommend that WFP reviews the effectiveness of the present policy and practice on charging, to improve cost recovery and cash flow in air operations and minimize the risk of debts adversely affecting the services provided.</p>	<p>Continued funding by donors will usually be addressed well before the funding runs out. Where donors are no longer interested in funding an air transport service, the transition from a donor-funded to a cost-recovery air transport service will be initiated 30 days before donor funds are exhausted, with the agreement of users. If no agreement is reached 14 days before the date funds are expected to be exhausted, notice will be given to terminate the operation when funds are depleted to avoid debts.</p>	<p>A financial-performance monitoring system for each operation is being established and will be functional before the end of 2004.</p>
<p>Recommendation 3. I recommend that prior to undertaking additional activities in the management of air operations, WFP draws up clear and comprehensive agreements with the third parties involved, in particular to clearly identify the respective financial liabilities of all parties involved.</p>	<p>Technical Service Agreements (TSAs) between WFP aviation and all clients are being instituted pursuant to Operations Department Directive OD2004/001 dated 13 January 2004.</p>	<p>A TSA has been signed with UNHCR; TSAs are in the process of being concluded with all user agencies including WFP country offices.</p>



External Auditor's recommendations	WFP response	Actions taken to date or to be taken as at 30 June 2004
Review of WFP's Air Operations (WFP/EB.A/2004/INF/8-A)		
<i>Operational management</i>		
<p>Recommendation 4. I recommend that WFP take more effective and prompt action to ensure implementation of the recommendations of the ICAO report for the improved safety management of air operations: specifically to ensure that it addresses issues concerning the contracting of appropriately qualified aircraft providers and the establishment of adequate insurance or liability cover arrangements.</p>	<p>Surveillance of aircraft operators depends on the funding available. There is no longer a reliable donor-funding mechanism to undertake these activities, so the funding for safety activities will be borne by a fixed administrative charge, currently US\$35 per hour, included in the flying-hours rate.</p> <p>WFP aviation follows the policies regarding insurance established by the United Nations as a whole. The current policy is a US\$50,000 third party liability cover and US\$135,000 per passenger, in line with the Montreal Convention dated November 2003.</p>	<p>WFP Aviation has adopted a system where aircraft providers seeking business with WFP undergo a registration process that includes inspection of its operations, training programmes and infrastructure.</p> <p>Two professional training programmes on air transport and safety management were conducted by TPG to maintain the technical competence of the staff.</p> <p>Four Aviation Safety Officers and two additional Air Transport Officers have been recruited. The insurance policy has been increased from US\$20,000 to US\$50,000 for third party liability and from US\$75,000 to US\$135,000 per passenger.</p>
<p>Recommendation 5. I recommend that as a matter of priority, WFP should adopt coherent, comprehensive aviation standards and operating procedures commensurate with ICAO standards; and put in place appropriate arrangements to ensure compliance with the standards on a continuing basis.</p>	<p>The United Nations Aviation Standards for Peacekeeping and Humanitarian Air Transport Operations (AVSTADS) has been adopted as a contracting standard since Dec 2002; it is currently being reviewed and refined by WFP in conjunction with the International Civil Aviation Organization (ICAO) and the United Nations Department of Peace-Keeping Organization (DPKO).</p>	<p>The review of AVSTADS was made in January 2004, together with ICAO and DPKO. Another meeting will be held in October 2004 at which the conclusions of the review will be adopted with immediate effect.</p>
<p>Recommendation 6. I recommend that WFP review the existing staffing and related budget provision for air operations against the requirements indicated by the ICAO recommendations, to ensure that the Programme benefits from appropriate levels of technical skills to deliver safe management of air operations.</p>	<p>This recommendation is being addressed through the implementation of the SDED Ops Directive in conjunction with WFP country offices.</p>	<p>Three of the four aviation safety officers have been deployed in the region. Professional development has been secured, and eight staff have been trained as air transport officers and have successfully received flight despatch licences.</p>



External Auditor's recommendations	WFP response	Actions taken to date or to be taken as at 30 June 2004
Review of WFP's Air Operations (WFP/EB.A/2004/INF/8-A)		
<p>Recommendation 7. I recommend that WFP establishes systematic risk assessment procedures to be applied to each air operation, to identify and respond to areas of operational and safety risk, and move towards a safer operating environment for the Programme as a whole.</p>	<p>Risks are currently being assessed in the decision-making process by air transport officers managing air transport service operations in the field and in WFP Headquarters. The tools supporting risk information are:</p> <ul style="list-style-type: none"> a) the aviation safety reporting (ECCAIRS), and audit (CPSS) systems, which gather and analyse information regarding hazards and airworthiness; b) the security reporting system monitors and reports on any hostile activity in the aircraft's area of operation; and c) the airspace management system comprising Notices to Airmen (NOTAMS) and Notices on Danger/Prohibited Areas. 	<p>The methodology for analysis and application of the information in relation to the tools is being refined and standardized; it should be fully in place by the end of 2004. The following are being implemented:</p> <ul style="list-style-type: none"> a) The Aviation Safety Oversight Unit collects, collates and analyses data on occurrences, incidents and accident reports from WFP-contracted aircraft providers. Information on trends and remedial action is disseminated to all field aviation staff and aircraft operators. b) Assessment of area and route security situations is continuously evaluated. Reports from UNSECOORD and humanitarian agencies, which include any hostile activity, are analysed and disseminated to air transport officers, who take these into account before releasing flights. c) The first batch of WFP trainers in aviation security and passenger and cargo handling was recently completed through TPG. The trainers will instruct user agencies and partners, especially in locations where no authority is responsible for these activities.
<p>Recommendation 8. I recommend that WFP carry out a central review of the status of all Memorandums of Understanding with government authorities on air operations, to ensure that they are appropriate for the activities of the individual operations currently in place.</p>	<p>The need and urgency for this has been recognized and is currently being addressed by WFP's Legal Branch (OTI), which is working with country offices on updating the basic agreement to include privileges and immunities in respect to aircraft operations.</p>	<p>An addendum to the basic agreement will be prepared to address such matter as security of aircraft and other equipment and access to aviation fuel. The addendum is expected to be completed before the end of 2004.</p>



External Auditor's recommendations	WFP response	Actions taken to date or to be taken as at 30 June 2004
Review of WFP's Air Operations (WFP/EB.A/2004/INF/8-A)		
<p>Recommendation 9. I recommend that WFP strengthens its internal systems for data collection, incident reporting and data sharing, to facilitate appropriate evaluation by staff that are able to effectively interpret, implement and enforce operational and safety controls.</p>	<p>WFP Safety has implemented an improved reporting system; through the United Nations Aviation Technical Advisory Group (ATAG), which is chaired by WFP this year, the system for sharing safety information between DPKO and WFP is in place and being refined. Implementation and enforcement of operational and safety controls is being regularly monitored through safety and management audits of air transport service operations. Management standards have been established through the personal performance reporting system and recruitment of suitably qualified personnel.</p>	<p>The Aviation Safety Unit has adopted European Coordination Centre for Aviation Incident Report Systems (ECCAIRS) as the primary reporting mechanism. The system is currently functioning and producing quarterly safety summaries to monitor safety trends and facilitate timely corrective action.</p>



External Auditor's recommendations	WFP response	Actions taken to date or to be taken as at 30 June 2004
Review of WFP's Vulnerability Analysis and Mapping (WFP/EB.A/2004/INF/8-B)		
Application of VAM		
<p>Recommendation 1. To improve the effectiveness and benefits of the analyses carried out, I recommend that WFP improve knowledge management through systematic collation and dissemination of the information and good practice gained from VAM.</p>	<p>Without a comprehensive food security and vulnerability analysis it is not possible to design food-oriented preparedness responses because the country-specific relationship between risk and household food security is not known. Similarly, without a comprehensive food security and vulnerability analysis it will be difficult to provide benchmarks against which to measure the impact of a shock.</p> <p>The Secretariat acknowledges the need for improved knowledge management and better information dissemination. To address this issue, the Vulnerability Analysis and Mapping (VAM) Unit in Headquarters has developed the VAM Spatial Information Environment (SIE), a web-based information system designed to enable VAM staff to share VAM products with partners and donors. This information system is also available at the regional bureau level and is meant to facilitate information dissemination.</p>	<p>VAM-SIE, the VAM information system, has already been rolled out in ODC, ODJ, ODK and ODD.</p> <p>Actions have been taken to install the system and train VAM field officers in ODB by the end 2004.</p> <p>The system will be set up in ODPC as soon as funds are secured.</p> <p>The VAM web page has been recently updated to include all new reports, studies and maps produced in the field.</p> <p>In January 2004, the VAM Unit published a report entitled <i>Vulnerability Analysis: Concepts and Case Studies</i>, which highlights best practices. This report is to be updated and published annually.</p>
<p>Recommendation 2. I recommend that, at the beginning of VAM studies, WFP assess the relative cost benefits of using primary and secondary data.</p>	<p>Secondary data alone are not always sufficient, because the purpose of analysing food insecurity is to understand the underlying causes and to determine whether food aid is an appropriate response.</p>	<p>The April 2004 <i>VAM Global Meeting Report</i> provides the minimum information requirements for a VAM study.</p> <p>Guidelines on when and how to collect primary data will be finalized by December 2004.</p> <p>The June 2002 <i>VAM Standard Analytical Framework</i> outlines the use of primary and secondary data in vulnerability analyses.</p>





External Auditor's recommendations	WFP response	Actions taken to date or to be taken as at 30 June 2004
Review of WFP's Vulnerability Analysis and Mapping (WFP/EB.A/2004/INF/8-B)		
	<p>Like other organizations working with poverty and nutrition issues, WFP needs to collect its own data to be able to determine when the food insecurity situation requires food aid intervention, the extent to which food aid should be used and how it can make a difference.</p> <p>The issue should therefore focus on ensuring that the right data are collected and correctly analysed to answer these questions.</p>	
<p>Recommendation 3. I recommend that WFP strengthen the role and use of the VAM unit in headquarters, to provide advice and quality control in all VAM studies.</p>	<p>WFP is a decentralized organization and VAM is mainly a field tool. Given the diversity of situations within which WFP operates, offices apply VAM in different ways. We agree that a form of quality control needs to be put in place at the regional bureau level with Headquarters as second level, adding value to the work undertaken at the county office level. This should go hand in hand with the issue of detailed normative guidance from the VAM Unit.</p> <p>Applying a standardized methodology based on best practices and lessons learned would also allow for a comparison of vulnerabilities among countries, in terms of numbers of people and causes.</p>	<p>An OD directive will be issued before the end of 2004 to clarify the role of VAM in WFP, in particular the role and responsibility at the regional bureau and Headquarters levels.</p> <p>The VAM Unit continues to provide technical support when possible to VAM work in ODC, ODD, ODJ, ODK and ODPC.</p>
<p>Recommendation 4. I also recommend that WFP establish arrangements to ensure that feedback from local surveys is channelled through the VAM unit in headquarters, so that best practice may be identified, promoted and incorporated into training courses, manuals and the VAM website.</p>	<p>The Secretariat agrees with this recommendation that the VAM Unit is best placed to identify and promote best practices and facilitate innovative techniques, methods and approaches.</p>	<p>Based on the above-mentioned directive, the VAM Unit will install a mechanism to receive regular updates and feedback from the regional bureaux.</p> <p>Similarly, it will ensure that best practices are disseminated through an annual publication of case studies via the VAM webpage and VAM SIE.</p>

External Auditor's recommendations	WFP response	Actions taken to date or to be taken as at 30 June 2004
Review of WFP's Vulnerability Analysis and Mapping (WFP/EB.A/2004/INF/8-B)		
Partnerships		
<p>Recommendation 5. I recommend that WFP ensure the availability of timely, consistent and reliable information, through an established VAM methodology, to all parties for the support of operations and to monitor the need for food aid intervention.</p>	<p>The VAM Unit is currently preparing guidelines for field use. The need for guidelines and toolkits was also raised as an important area of work at the Global VAM meeting in April 2004.</p>	<p>Guidelines, methods and tools for VAM food security data collection and analysis will be issued in December 2004.</p> <p>To date, on-the-job training activities have been carried out by staff from the VAM Unit in ODD, ODK, ODC and ODPC to overcome the lack of written guidelines and ensure consistent, validated methods of analysis.</p>
Funding		
<p>Recommendation 6. I recommend that WFP review the adequacy of the funding arrangements for VAM against its context as a strategic and management priority in strengthening the organization's knowledge base and advocacy of food-assisted intervention.</p>	<p>Most of the VAM work is currently funded from direct support costs (DSC) and consequently focuses more on targeting, particularly geographic targeting, for existing programmes and projects.</p> <p>An expanded analytical process needs to be developed to identify entry points for food assistance and inform other aspects of humanitarian or development policy related to food security. This expanded process can help WFP to extend its knowledge base on food security and vulnerability issues and serve as a point of departure for advocacy and dialogue with governments, civil society and the United Nations system.</p> <p>To address this recommendation, it would be necessary to secure a significant amount of resources.</p>	<p>Extra budgetary funding proposals have been submitted to ISP, DFID, ECHO and the Belgian Government. Resources requested from ISP have been approved for VAM activities for 2004–2005. This represents only a partial funding of overall resource requirements, however.</p>





External Auditor's recommendations	WFP response	Actions taken to date or to be taken as at 30 June 2004
Review of WFP's Vulnerability Analysis and Mapping (WFP/EB.A/2004/INF/8-B)		
<i>Performance measurement</i>		
Recommendation 7. I recommend that WFP develop measurable targets against which the performance of VAM can be judged, so that the data collected by VAM can establish a benchmark against which the operational success of WFP may be measured.	The Secretariat recognizes the significance of this recommendation, because the most important aspects of VAM work are analysis and interpretation of data to strengthen WFP's operational performance. Within the new WFP Management Plan for 2004-2007, VAM has a performance indicator "percentage of VAM baseline surveys available for identified priority areas". The VAM Unit has also prepared an analytical checklist to assess the quality of VAM analyses worldwide. The checklist will be disseminated for feedback purposes and then finalized, incorporating comments and suggestions from colleagues in regional bureaux and country offices.	Priority countries where VAM analyses are to be undertaken have been identified in collaboration with regional bureaux and country offices. A draft copy of the analytical checklist has been prepared and will be sent out to the field. It is anticipated that the checklist will be finalized and ready for use during the third quarter of 2004.

External Auditor's recommendations	WFP response	Actions taken to date or to be taken as at 30 June 2004
Review of Corporate Governance at WFP (WFP/EB.A/2004/INF/8-C)		
Audit Committee		
<p>Recommendation 1. I recommend that WFP revise the practice and terms of reference of the Audit Committee to include appropriate arrangements for reporting formally to the Executive Director. In conjunction with the Governance Group, an informal working group of the Bureau, it might also consider its reporting relationship to the Executive Board.</p>	Agreed.	<p>The terms of reference of the Audit Committee have been revised; they include formal reporting to the Executive Director.</p> <p>The Audit Committee is essentially internal and reports to the Executive Director. Its interface with the Executive Board is not foreseen. The Executive Director may choose, however, to inform the Board of any significant issues arising from the reports of the Audit Committee.</p>
<p>Recommendation 2. To afford a greater level of independence and objectivity in the advice available to corporate management, I recommend that WFP should introduce non-executive independent members to the Audit committee, but I recognize that this is another matter where the practical implementation would need to be considered fully by the Executive Board.</p>	Agreed.	<p>After consultation with the Bureau and the Steering Group on Governance, the Board welcomed the Executive Director's proposal for an Audit Committee composed of external financial experts and chaired by an external member. The Executive Director has selected and appointed new members to the Audit Committee, which will be composed of three external and two internal members.</p>
Review of the internal control systems		
<p>Recommendation 3. I repeat the recommendation made by my predecessor that WFP define the respective roles and responsibilities of the regional bureaux and country offices and delineate clearly the accountability and monitoring arrangements necessary to ensure the delivery of the Programmes' objectives.</p>	Agreed.	<p>Although the roles and responsibilities of the regional bureaux, country offices and Headquarters were clearly delineated in the OD directive 2000/2004, they will be updated as part of WFP's imminent overall operations review, which will address issues such as decentralization and delegation of authority in the light of WFP's business process overview.</p>



External Auditor's recommendations	WFP response	Actions taken to date or to be taken as at 30 June 2004
Review of Corporate Governance at WFP (WFP/EB.A/2004/INF/8-C)		
<i>Oversight arrangements</i>		
<p>Recommendation 4. I recommend that WFP consider what steps might be taken to improve accountability and the effectiveness of line management's response to audit recommendations.</p>	<p>Agreed.</p>	<p>One of the performance indicators for OEDA in 2004 is the percentage of audit recommendations implemented. OEDA is developing a more effective follow-up mechanism to ensure that audit recommendations are implemented.</p> <p>The new Audit Committee will also have a monitoring role in ensuring that audit recommendations are implemented as part of its terms of reference.</p>

