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**Executive Board
Third Regular Session**

Rome, 20–24 October 2003

RESOURCE, FINANCIAL AND BUDGETARY MATTERS

Agenda item 5

*For information**

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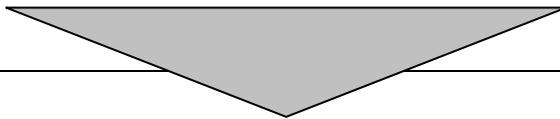
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SECOND PROGRESS REPORT ON THE IMPLEMENTATION OF RECOMMENDATIONS IN THE 2000–2001 AUDIT REPORT OF THE EXTERNAL AUDITOR

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Note to the Executive Board



This document is submitted for information 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 point indicated below, preferably well in advance of the Board's meeting.

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).



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

1. The Executive Director is pleased to submit this report, which sets out information on actions taken as at 30 June 2003 by the Secretariat and on actions that will be taken to implement the recommendations contained in Section III of the Audited Biennial Accounts (2000–2001): “Long-Form Report of the External Auditor with Comments on Financial and Management Matters” (WFP/EB.3/2002/5-A/1/3).
2. The External Auditor’s report contained 36 recommendations. Twenty-three have been implemented; actions are being taken on 13 and are expected to be completed before the end of 2003. Below is a summary of the status of these actions, by relative priority.

Relative priority	Recommendation	Implemented	In progress
Fundamental	9	5	4
Significant	20	14	6
Merits attention	7	4	3
Total	36	23	13



SECOND PROGRESS 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	WFP response and actions taken to date or to be taken as at 31 July 2002	Actions taken to date or to be taken as at 30 June 2003
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	Agreed. A directive will be prepared that will set out procedures for commodity valuation, provide a definition of an invoice or its equivalent and identify the units responsible for ensuring compliance with the rules mentioned.	A comprehensive finance manual is being prepared incorporating these provisions; it is expected to be completed by the end of 2003.
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	Agreed that a policy on the handling and accounting of donations from the private sector should be developed. This should include a policy for recovery of indirect support costs (ISC). A consultant has been engaged to review private sector fund-raising arrangements; any proposals on the policies will be developed and presented to the EB in the context of the review of R<F policies.	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.
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	Agreed. Accounting instructions will be issued to formalize the present practice of automatic computation of interest in WINGS.	The accounting procedures on automated computation and recording of interest for trust funds and special accounts are being incorporated in the new comprehensive finance manual, which is expected to be completed by the end of 2003.



External Auditor's recommendations (as per 2000–2001 Audit Report)	Importance	Timeframe for completion	WFP response and actions taken to date or to be taken as at 31 July 2002	Actions taken to date or to be taken as at 30 June 2003
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	To date, progress has been made on the completion of 2002 reconciliations for all 35 of WFP's Headquarters bank accounts. Priority has been given to the higher dollar value accounts; approximately 75 percent of total cash was reconciled up to June 2002.	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. 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. 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.
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 present list of country office accounts (monthly cash book balances report), which is generated from a database maintained in Headquarters, has been circulated to finance officers and regional directors. As an additional process, the list will be reviewed against the COAG-SAPInt uploads of banking transactions to detect any bank accounts that are not in this list of authorized bank accounts. FSF will continue to use this list as a basis for reviewing and communicating to management the status of bank accounts, including decisions or actions to open or close bank accounts.	The list of field bank accounts is being continuously updated to enhance monitoring of bank reconciliations.





External Auditor's recommendations (as per 2000–2001 Audit Report)	Importance	Timeframe for completion	WFP response and actions taken to date or to be taken as at 31 July 2002	Actions taken to date or to be taken as at 30 June 2003
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>Existing discrepancies will be investigated and adjustments made as appropriate.</p> <p>Agreed. All relevant assets and liabilities accounts will be reviewed and reconciled regularly.</p> <p>Agreed. A review will be conducted with OEDA to ascertain the extent of compliance to this ED circular.</p> <p>Reconciliation work has begun. When it is completed, the adjustments will be made.</p>	<p>As part of 2002–2003 closure strategy, country offices 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>
Number of accounts (chart of accounts in WINGS)				
<p>It is recommended that a review be conducted with the objective of streamlining the chart of accounts. [para. 48]</p>	Significant	Immediate effect	<p>Agreed.</p> <p>A consultant has been assigned to review the chart of accounts.</p>	<p>To date, the chart of accounts has been streamlined through: (i) establishing the procedures on opening and closing, (ii) blocking/deleting those that are no longer being used, and (iii) grouping related accounts through a mapping table.</p> <p>Detailed descriptions and sample accounting entries will be included in the new comprehensive finance manual to be completed before the end of 2003.</p>
Despatch and demurrage accounts				
<p>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]</p>	Significant	Immediate effect	<p>Agreed. A monthly reconciliation will be carried out and outstanding items will be cleared as soon as possible.</p> <p>A draft of the directive was circulated in July 2002 to the relevant offices as a step towards its completion and final issue.</p>	<p>A full reconciliation of WINGS and OTS databases has been completed and will be conducted monthly.</p> <p>The joint directive (OT2003/001 OD2003/002 FS2003/004) was issued on 10 April 2003.</p>



External Auditor's recommendations (as per 2000–2001 Audit Report)	Importance	Timeframe for completion	WFP response and actions taken to date or to be taken as at 31 July 2002	Actions taken to date or to be taken as at 30 June 2003
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	Agreed. The plan of action to clear the remaining amount will be implemented soon and submitted to OEDA for review. A list of proposals for strengthening management, accounting and reporting of the insurance accounts has been formulated and submitted to the Executive Director.	The insurance accounts in question have now been cleared and adjusted in the books. A new system for 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 use the WINGS database.
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	Agreed. WFP has obtained from UNDP the latest actuarial report. It is, however, of no use to the Programme, because the liabilities are not identified nor allocated among the participating United Nations organizations. In early August 2002, WFP consulted with the United Nations Secretariat and was advised to proceed with its own actuarial study if information on WFP local staff needs to be obtained immediately. The Programme is heading in this direction and will pursue the matter in the coming months.	The process of estimating the value of accrued liabilities in respect of local staff is under way for the biennial closure.
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	Agreed. WFP has completed the review of the implications of this change and will be presenting it to the Board as part of the review of the indirect support costs (ISC) for 2000/01 (WFP/EB/3/2002/05-C/1). The Secretariat will implement this as soon as system and procedural changes can be put in place.	The new policy on income accrual is being implemented for the presentation of 2002-2003 financial statements.



External Auditor's recommendations (as per 2000–2001 Audit Report)	Importance	Timeframe for completion	WFP response and actions taken to date or to be taken as at 31 July 2002	Actions taken to date or to be taken as at 30 June 2003
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	Agreed. The paper on the final outcome of the review of the ISC for 2000-2001, to be presented to the Board in October 2002, already includes extensive analysis of PSA expenditure. Other aspects or elements will be included in the review of the R<F.	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.
MANAGEMENT MATTERS				
Treasury management				
WFP Investment Committee (IC) membership				
It is recommended that the IC include more members with professional and practical treasury experience. [para. 91]	Significant	Before the end of 2002	Agreed. WFP has initiated discussions with FAO on the participation of its Treasurer in the WFP committee, and vice-versa. The IC invites all its members, including alternates, to its meetings to provide more comprehensive exposure on IC agenda items.	The FAO Treasurer was made a member of the WFP IC in December 2002.
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 will make every effort to adopt its annual plan prior to the commencement of the year involved.	The IC 2003 annual work plan was adopted on 20 January 2003 at the fifteenth IC meeting.
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	Agreed. Delays in the circulation of agenda items and documentation resulted from limited staff in treasury (only one professional, assisted by a consultant) and more pressing priorities on daily investment activities and decisions. During the first half of 2002, distribution of agenda items and documentation has been implemented earlier, as reflected in the audit report.	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.



External Auditor's recommendations (as per 2000–2001 Audit Report)	Importance	Timeframe for completion	WFP response and actions taken to date or to be taken as at 31 July 2002	Actions taken to date or to be taken as at 30 June 2003
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	Agreed. Efforts will be made to issue minutes immediately after IC meetings.	The minutes of IC meetings are issued promptly, usually five working days after the end of each meeting.
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	Agreed. A provision on submission of the IC annual report will be included in the amendment of the Executive Director's circular. The draft of the annual report for 2001 was submitted at the 30 July regular meeting of the IC to review second-quarter operations.	The IC annual report for 2002 was issued on 28 April 2003, in accordance with the decision of the IC during its 2002 first quarterly meeting on 19 April 2002 to issue the Annual Report by the end of April each year.
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	Agreed. However, it should be emphasized that the decision not to go through a formal competitive process for existing and new banks was made because of the imminent implementation of the payroll system, which would have been a higher risk if new banks were selected at that time. The payroll implementation was successful; one of the reasons was the familiarity and collaboration that these banks provided during that period. After reviewing existing banking arrangements, WFP assures the Board that any selection will in future be made through a competitive process. In 2001, WFP conducted a formal competitive process to select a replacement bank to be responsible for handling United States contributions for external transport. The evaluation processes will be followed in future competitions.	A review is being undertaken to assess current banking arrangements and to benchmark the services received based on industry standards and best practices. Consultants are being identified to submit proposals.



External Auditor's recommendations (as per 2000–2001 Audit Report)	Importance	Timeframe for completion	WFP response and actions taken to date or to be taken as at 31 July 2002	Actions taken to date or to be taken as at 30 June 2003
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	<p>Agreed. The zero-balance bank account is being extended in country offices.</p> <p>Discussions on the extension of zero-balance accounts with relevant banks were initiated in the latter part of 2001.</p> <p>The country offices concerned were advised, and preparatory work for structuring the accounts started. This includes installation of an electronic banking system to allow access to real-time information on transactions and balances and development of an electronic banking manual for WFP.</p>	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 in June 2003 in Jordan, Syria and Iraq. Completion of rollout to the rest is targeted for September 2003.
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	<p>Agreed.</p> <p>Funds kept with the money market accounts were maintained at the minimum level of about 10 days' requirements.</p> <p>The plan to put custodial services out to competition has been conveyed to the present custodian. This will be implemented in relation to the competition and selection of investment managers, whose contracts are expiring in January 2003, and with other banking services.</p>	<p>A minimum level of approximately ten days' requirement is being maintained in the money market fund.</p> <p>The IC is dealing with the issue of selecting a global custodian, issuing an RFP or endorsing retention of the current custodian.</p>
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	<p>Agreed. Investments guidelines and service agreements with the investment managers will be reviewed, particularly on the benchmark, prior to the new contracting period commencing in February 2003.</p> <p>The outcome of the review will be integrated in the revised agreements and/or the investment guidelines.</p>	Investment guidelines were discussed in the IC and revised in early 2003; they will be further reviewed in the course of selection of new investment managers. New guidelines were prepared for long-term investments.

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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	Agreed. These decisions to take the management of the two staff-related benefit funds from FAO have been conveyed. Decisions and actions are being taken to complete the process, including completion of an asset and liability study that will be the basis for developing long-term investment policies for these funds, including the after-service medical benefits funds.	In October 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.
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	Agreed for the future. For this particular actuarial review, competition was waived because of WFP's desire to have immediate information on the present status of estimated liabilities, considering that the joint study with FAO did not provide convincing results.	Planning for actuarial valuation and asset/liability studies and selection of an 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.
Currency management policy and foreign exchange instruments				
The following is recommended: ➤ 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	Agreed. With the new Financial Rules and implementation of WINGS, many of these issues were raised and resolved. The remaining step is to put all these into one comprehensive policy that sets out procedures for the entire transaction flow from confirmation of contribution to actual receipt, programming, and release of allotment, incurrence of obligations (PR and PO), payment and final reporting. FS is committed to completing this policy by the end of this biennium and will present it to the Executive Board for information.	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.





External Auditor's recommendations (as per 2000–2001 Audit Report)	Importance	Timeframe for completion	WFP response and actions taken to date or to be taken as at 31 July 2002	Actions taken to date or to be taken as at 30 June 2003
Decentralization process				
<i>Choice of the host cities for the new regional bureaux</i>				
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 ROs or RB	Agreed. Extensive review, discussion and evaluations are being carried out in the ongoing review to reconfigure the African regional bureaux in view of the southern African drought. The results of this review and future establishments of regional bureaux will be fully documented and kept on file.	A thorough review was carried out when a new location for the Latin America and Caribbean regional bureau was being considered.
<i>Government contributions</i>				
<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	Agreed in general. However, this will be addressed depending on the outcome of the ongoing review of the reconfiguration of the African bureaux.	<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.</p> <p>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;



External Auditor's recommendations (as per 2000–2001 Audit Report)	Importance	Timeframe for completion	WFP response and actions taken to date or to be taken as at 31 July 2002	Actions taken to date or to be taken as at 30 June 2003
				<ul style="list-style-type: none"> ➤ 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; ➤ accounting for such contributions to PSA costs will be the same as for all other contributions; recipient governments will be accorded recognition for their contributions in the same manner as other donors; and ➤ procedures for utilizing these contributions will be developed by the Secretariat.
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]	Significant	Negotiations to be initiated in 2002	Agreed. ODB will initiate these negotiations as soon as possible.	ODB will continue to pursue prospects to increase the host Government's contribution. The Government already pays 33 percent of the rent of the ODB regional bureau premises.
Physical set-up and inventory control and management				
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]	Significant	Immediate effect	Agreed. A new Lotus Notes inventory system has been completed and piloted in Cairo. In the recent meeting of the Committee on Management and Administrative Matters, a decision was reached to adopt the system for all field offices. A training strategy will be developed and implemented as soon as possible.	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.
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 has completed the draft. It should be circulated to all offices concerned for immediate issue.	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.

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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	Agreed. Post-migration clean up has continued in 2002. Items requiring further work have been identified and a plan for dealing with them will be formulated.	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.
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	Agreed. The Programme has already adopted for country offices the business rules previously implemented in Headquarters. In early August, a WINGS bulletin was drafted to allocate these responsibilities to accounting or disbursement officers only. Additional rules to address the need to reduce the business risks highlighted in this report will be finalized by the end of August 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: <ul style="list-style-type: none"> ➤ post-Invoice Document and Payment Run; and ➤ enter Vendor Invoice and Payment Run. The rule to centralize vendor master-data creation will be addressed in 2004 as explained below. OEDA will review this process in September 2003.
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]	Fundamental	Before the end of 2002	Agreed. Because of limited staff resources, the Programme has temporarily limited the responsibility for vendor creation to two staff members only (with an alternate) in each office. This will reduce the number of users from 700 to approximately 110. Once the bulk of vendor creation is complete, the situation will be reviewed.	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.





External Auditor's recommendations (as per 2000–2001 Audit Report)	Importance	Timeframe for completion	WFP response and actions taken to date or to be taken as at 31 July 2002	Actions taken to date or to be taken as at 30 June 2003
Controls on the integrity of financial data				
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]	Significant	Before the end of 2002	A procedure will be developed for the review of batch files and parked documents.	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.
Since WFP is in agreement with the suggested improvements, it is recommended that they be implemented as soon as possible. [para. 242]	Significant	Before the end of 2002	<p>Agreed. The enhancement of COAG-SAPInt is continuously under review to ensure a more reliable and efficient upload of transactions to WINGS.</p> <p>During 2001, we made significant efforts to improve, harmonize with WINGS and make the upload more reliable and efficient.</p> <p>A revised version of COAG-SAPInt was recently issued, and guidance was provided to country offices.</p> <p>A recent review of the status of uploads revealed that 100 percent of country office expenditures up to the end of July has been uploaded. The system is thus up-to-date with respect to recording expenditures by country offices without WINGS.</p>	<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.</p> <p>The number of rejected transactions from COAG-SAPInt uploads to WINGS has therefore fallen significantly.</p>
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>WFP intends to strengthen the capacity of regional bureaux to do their own training, tailored to regional needs.</p> <p>The imminent finalization and roll-out of COMPAS version 2.0 will be accompanied by translations for the new user guide.</p> <p>The system is continuously evaluated through regular contact with field offices. Improvements thus result from field office requirements and needs or from other units in the WFP food supply chain.</p> <p>A proposal to implement this strategy has been presented to the Executive Director for his approval; funding for it will be included in his proposal to the Executive Board in October.</p>	<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.</p> <p>The translation of the new user guide will be completed with the implementation of the 2004-2005 Management Plan.</p>



External Auditor's recommendations (as per 2000–2001 Audit Report)	Importance	Timeframe for completion	WFP response and actions taken to date or to be taken as at 31 July 2002	Actions taken to date or to be taken as at 30 June 2003
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>Agreed. The guidance will be translated in French and Spanish as soon as possible.</p> <p>The roll out of WINGS in all country offices is a corporate priority; it should continue at a faster pace, as recommended by the External Auditor.</p> <p>A strategy to do this has been formulated, including the roll out of WINGS—Light (capacity to read, print, etc.); it will be finalized in late August when presented to the ICT Board.</p> <p>A proposal for funding this initiative has been presented to the Executive Director; a funding proposal will be submitted to the Executive Board in October.</p>	<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 on line 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>

ACRONYMS USED IN THE DOCUMENT

AMD	Asset Management Database
COAG-SAPInt	Country Office Accounting Guide to SAP Interface
COMPAS	Commodity Monitoring, Processing and Analysis System
CTS	Commodity Tracking System
FRD	Fundraising
FS	Finance Division
FSF	Field Support Branch
FST	Treasury Branch
GCCC	Government Cash Contributions for Local Costs
IC	Investment Committee (WFP)
IM	information management
ISC	indirect support cost
ODB	Regional Bureau (Asia) (WFP)
ODO	Assistant Executive Director and Director of Operations (WFP)
ODY	Regional Bureau (Central Africa) (WFP)
OEDA	Office of Internal Audit (WFP)
OTS	Ocean Transportation Service
PO	purchase order
PR	payment request
PSA	programme support and administrative
R<F	resource and long-term financing
RB	regional bureau
RFP	request for proposal
RO	regional office
UNDP	United Nations Development Programme
WINGS	WFP Information Network and Global System

