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PROGRESS REPORT ON THE IMPLEMENTATION OF THE EXTERNAL AUDITOR'S RECOMMENDATIONS, 1992-93 AND 1994-95

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IMPLEMENTATION OF THE EXTERNAL AUDITOR'S RECOMMENDATIONS

1. Since the report of the External Auditor on the financial statements of the World Food Programme for the financial period 1 January 1994 to 31 December 1995 “includes comments on action taken in response to recommendations contained in previous reports when such matters remain significant enough to be brought to the attention of Member Nations”, the attached document reports on the status of implementation of recommendations made by the External Auditor in his last report and in the previous ones.
2. The format has been changed to adopt a columnar presentation which is easier to read and in line with the prevailing trend in the presentation of United Nations documents.



External Auditor's recommendations	WFP response	Actions	Completed or process In place	Due date
<p>1. Format of Financial Statements</p> <p>I recommend that, in the future, the grouping of activities on the face of the financial statements be based on the delineations recognized in the long-term financing model.</p>	<p>The 1996-1997 financial statements will provide information detailed by programme categories and funding windows.</p>	<ul style="list-style-type: none"> ➤ The chart of accounts is being updated. ➤ 1996 transactions are being reorganized. 		<p>Mid 1997</p> <p>Mid 1997</p>
<p>2. Surplus and Operational Reserve</p> <p>I recommend that a policy document be submitted to the Executive Board detailing the funding and replenishment modalities of the operational reserve (determination of sources of funding, authorization to draw-down, replenishment mechanism, responsibilities for monitoring operations).</p>		<ul style="list-style-type: none"> ➤ A document has been prepared for submission to the Executive Board. 		
<p>3. Undisbursed Expenditure</p> <p>Recognizing the practical difficulties of implementing such a change, I still recommend that, in the future, ITSH cost estimates be replaced by regular obligations defined and accounted for in compliance with the provisions of the UN accounting standards.</p>	<p>The changes outlined by the Executive Director in 1994 (and quoted in the External Auditor's report) have now been made. With these changes, new ITSH obligations are based on contract rates.</p> <p>Existing ITSH obligations have been analysed, and those with supporting contracts confirmed as unliquidated obligations.</p> <p>A decision needs to be formulated for those ITSH obligations whose rates are not based on contracts—to provide for them as either undisbursed expenditure or encumbered surplus.</p>	<ul style="list-style-type: none"> ➤ The matter will be studied further with the External Auditor, and an accounting policy developed for approval. 		<p>1997 closure</p>
<p>4. Country Office Expenditure</p>				



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<p>I recommend that:</p> <ul style="list-style-type: none"> • Imprest account transactions be transmitted to headquarters in an electronic form and under a format consistent with the central accounting system in order to avoid manual re-entry of data. • Considering the large number of transactions concerned, their regularity be thoroughly checked against supporting documentation on a statistical basis and the samples be selected after due consideration of risk areas. • Supporting documentation be available at headquarters for review. • The importance of the checking of expenditure against commitments be reminded to Country Directors and strictly enforced. 	<p>Imprest account transactions are now transmitted electronically from 3/4 of the country offices with electronic mail connections.</p> <p>Programs have been developed to upload FIS information to the mainframe systems via interface files. Further development of these interfaces would not be cost-effective, as the new field accounting systems will be introduced in 1998.</p> <p>Documentation is not requested from those country offices where the finance officer was previously a headquarters chief accountant.</p> <p>WFP's decentralization means that country offices will input their own expenditure, with direct connection to the WIS system. They will then keep all documentation.</p>	<ul style="list-style-type: none"> ➤ Further connections to country offices are being established, with all of them expected to be online by the fourth quarter of 1997. ➤ All transactions above \$5,000 are now checked against supporting documents. If the number of these transactions is less than 5% of a country office's total number of transactions, then those below \$5,000 are also checked. ➤ The options for checking other transactions on a random basis will be assessed. ➤ Documentation was requested from the two country offices whose finance officer was not previously an HQ chief accountant. ➤ This was re-emphasized in the notes sent to the 25 country offices whose cash is replenished on the basis of forecasts (and thus covers all the expenditure through imprest accounts). 		<p>4Q 1997</p> <p>Mid 1997</p>



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		<ul style="list-style-type: none"> ➤ It was also stressed during workshops that were organized to discuss the future field financial systems, which were held with country office finance officers and assistants. 		
<p>5. Operation of Imprest Accounts</p> <p>The management of imprest accounts should be based on determined imprest levels and replenishments should be linked to the statement of expenditure already incurred and justified.</p>	<p>New procedures were introduced (as mentioned by the External Auditor) to replenish imprest accounts based on forecasts from the Country Directors of nine country offices.</p>	<ul style="list-style-type: none"> ➤ These procedures have been extended (with effect from 1 January 1997) to cover the 25 country offices which hold the vast majority of cash in the field. The procedures have proved successful and have resulted in a reduction of the total cash holdings of country offices from \$33.8 million at the end of 1995 to \$15 million at the end of 1996. 		
<p>6. Bank Accounts and Petty Cash</p> <p>I recommend that the established regulations governing the opening and management of petty cash and imprest bank accounts by country office staff be more strictly enforced.</p> <p>7. Government Cash Counterpart Contributions (GCCC)</p> <p>I recommend that the legal status of GCCC be clarified to determine the conditions under which recipient governments are required to pay such contributions.</p>	<p>A legal opinion was obtained from the Legal Counsel of FAO. This states:</p>	<ul style="list-style-type: none"> ➤ The new Country Office Accounting Guide provides precise instructions in this respect. ➤ Efforts have been intensified to reach compliance, with the recruitment of the Chief of the Field Finance Branch. ➤ The Operations Department was reminded of the need to include provisions relevant to GCCC in the Plans of Operation. 		



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	<p>"There is no need to ask for a waiver from the Executive Board in cases where the basic agreements with non-LDC recipient governments do not provide for the payment of cash contributions. However, in view of the clear lines of the policy enunciated by the CFA and reflected in Financial Regulation 4.9, action should be taken to review such country agreements with a view to their renegotiation to include such a provision, wherever possible. The entire policy could be brought up with the Executive Board and its Open-ended Working Group in connection with the revision of the Financial Regulations, given that the Executive Board has not reviewed its policy since the adoption of the Financial Regulations. LDCs can still be considered exempt from such contributions, even though the CFA decision predates Financial Regulation 4.9."</p>			
<p>8. Services Rendered by Other International Organizations</p> <p>I recommend that, for the future:</p> <ul style="list-style-type: none"> The Programme revise its budgetary estimates of the costs of services to be requested from the FAO in order to adjust them as closely as possible to actual requests during the forthcoming biennium. The Programme request supporting documentation of the cost of services which can be individualized. The "keys" used to allocate costs that cannot be individualized be reviewed and adjusted in the light of experience. <p>9. Cash and Investments</p> <p>I recommend that the conclusion of an agreement between the FAO and the WFP be considered as a matter of priority and implemented as soon as possible.</p>	<p>The difference between budgetary estimates and actual expenditure was mostly due to unexpected savings or by the outsourcing of costly services.</p>	<ul style="list-style-type: none"> ➤ Adjustments will be made during the next budget preparation. ➤ Supporting documentation will be requested during the next budget preparation. ➤ Adjustments will be made during the next budget preparation. ➤ A memorandum of understanding was signed in October 1996. 		<p>Oct. 1997</p> <p>Oct. 1997</p> <p>Oct. 1997</p>
<p>10. Accounts Receivable and Payable</p>				



External Auditor's recommendations	WFP response	Actions	Completed or process In place	Due date
<ul style="list-style-type: none"> • I recommend that the Programme, in cooperation with FAO, monitor personnel-related receivables more closely. • I recommend that the [project preparation costs] account be monitored and cleared regularly. • I recommend that the Secretariat clearly assign responsibilities for monitoring and accounting for demurrage charges and review outstanding balances. • ... establish, as a matter of urgency, effective procedures to ensure that suspense account items are cleared on a timely basis. <p>11. Insurance Policy</p> <p>I recommend that, in the future, precise guidelines allowing for regular posting of premiums and claims to the insurance account throughout the biennium be issued.</p> <p>12. Monetization of Commodities</p> <p>I recommend that ... a "monetization policy" document be produced and comprehensive guidelines be issued spelling out the various scenarios under which WFP may get involved in the successive stages of monetization operations with the attending responsibilities.</p>	<p>FAO was asked to conduct a survey of advances granted to staff members who were no longer on WFP's payroll.</p> <p>The demurrage account is reviewed twice a year by the Finance and Transport divisions.</p> <p>The staffing of the Financial Services which should reach its normal level by the end of 1997, will allow the implementation of effective procedures.</p>	<ul style="list-style-type: none"> ➤ As a result of the survey, mistakes were corrected. ➤ Some systems problems are being corrected. ➤ An instruction was issued in November 1996 for the review of all pending advances twice a year. ➤ The 1996 closure procedure was modified to include instructions in this respect. ➤ A permanent procedure is to be written. ➤ Procedures will be written. ➤ Some system changes will be made, to enable a complete monitoring of this account. ➤ The 1996 closure procedure included instructions to this effect. ➤ Special attention will be paid to this item in the 1997 closure. ➤ Permanent procedures will be written. ➤ A procedure was issued in November 1996. ➤ The associated system changes will be made. ➤ A directive and the corresponding chapter of the Country Office Accounting Guide were issued in November 1996. ➤ They will be further updated to reflect comments and specific requests for guidance. 		<p>End 1998</p> <p>End 1998</p> <p>End 1998</p> <p>1997 closure</p> <p>End 1998</p> <p>1997 closure</p> <p>End 1997</p>
<p>13. Valuation of Transactions in Kind</p>				



External Auditor's recommendations	WFP response	Actions	Completed or process In place	Due date
<p>I recommend that the valuation system applied to transactions in kind be reviewed with a view to documenting, simplifying and unifying the recording of such transactions</p>		<ul style="list-style-type: none"> ➤ A study was undertaken and it was decided to value transactions in kind: <ul style="list-style-type: none"> – At the donor's price when it was known before shipment – At the WFP average price when it was not known before shipment – At the FAC price for FAC contributions. ➤ The relevant instruction is being prepared. 		<p style="text-align: right;">Mid 1997</p>
<p>14. Closure of Completed Projects</p> <p>I recommend that procedures for closing projects and surrendering the related budget balances be issued and implemented with a view to closing the gap between the completion of operations and the final closure of projects.</p> <p>15. Bilateral Operations</p> <ul style="list-style-type: none"> • My predecessor had recommended that the Programme review the expenditure and funding position of each bilateral operation on a monthly basis. • [I concur with the recent Internal Audit Department recommendation that] clear responsibilities for the management of all aspects of bilateral funds be determined. 		<ul style="list-style-type: none"> ➤ New procedures for project closure have been approved for the LTSH implementation. ➤ The associated systems changes are being made. ➤ A study is being done to investigate the most efficient way of closing all the currently open but inactive projects. Implementation will follow. ➤ This is now done, when the monthly reports from the financial (GL:M) system are issued. ➤ A procedure for resources mobilization, allocation and utilization is being finalized. 		<p style="text-align: right;">End 1997</p> <p style="text-align: right;">Mid 1997</p> <p style="text-align: right;">Mid 1997</p>
<p>16. Personnel-Related Liabilities</p>				



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End of service benefits should be provided for or their amount disclosed.		➤ Benefits will be provided for or disclosed at the next closure (depending on Executive Board decisions).		1997 closure
17. Country Office Physical Assets I recommend that [new policies ... to include decentralizing and computerizing inventory management] be implemented as soon as possible.		➤ Management Services are finalizing a document outlining policies and procedures in the assignment, use, maintenance, safeguarding, receiving and disposal of all WFP inventory. A computerized inventory package should be operational in country offices by the end of May.		May 1997
18. Financial Information and Accounting Systems Improvements should include: <ul style="list-style-type: none"> • Issuance of organization-wide written operational instructions defining internal control terminology and procedures and assigning responsibilities to carry them out. • Issuance and implementation of operational accounting instructions (including a revised chart of accounts adapted to the new financing model adopted by the WFP). • Creation and/or updating of systems documentation (users and development guides). • Revision of interfaces (particularly with PERSYS). 	<p>The Finance Manual and the Country Office Accounting Guide include sections on key internal controls which will be developed and updated.</p> <p>Progress in this area has been hampered by a lack of available resources.</p> <p>WFP will not keep its existing systems more than two to three years and creating systems development guides is probably not cost-effective.</p> <p>As FAO is soon to replace PERSYS, the usefulness of addressing issues linked to PERSYS will have to be assessed.</p>	<ul style="list-style-type: none"> ➤ Operational instructions on internal-control terminology, procedures, and responsibilities will be developed. ➤ Some accounting instructions have been issued. ➤ More will be progressively issued as staff are being recruited. ➤ A provisional chart of accounts has been developed, and is being finalized. ➤ Final drafts of users' manuals have been prepared for both the WIS and GL:M systems. ➤ They will be published when final comments and revisions are received. ➤ The problems with the interfaces between the various feeder systems and GL:M were investigated at the end of 1996. ➤ Systems changes recommended as a result of the investigation are being implemented. 	<p>End 1997</p> <p>End 1998</p> <p>April 1997</p> <p>April 1997</p> <p>End 1997</p>	



External Auditor's recommendations	WFP response	Actions	Completed or process In place	Due date
<ul style="list-style-type: none">• Transmission of country office accounting information to headquarters in an electronic form.		<ul style="list-style-type: none">➤ Further problems with interfaces (particularly PERSYS) will be monitored throughout 1997.➤ The continuing expansion of WFP's connectivity to its country offices will make this possible (see item 4 above).		End 1997 4Q 1997



