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**Executive Board  
Annual Session**

**Rome, 4–8 June 2012**

# **RESOURCE, FINANCIAL AND BUDGETARY MATTERS**

**Agenda item 6**

*For consideration*



Distribution: GENERAL

**WFP/EB.A/2012/6-H/1**

4 May 2012

ORIGINAL: ENGLISH

## **REPORT ON THE IMPLEMENTATION OF THE EXTERNAL AUDITOR RECOMMENDATIONS**

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

## NOTE TO THE EXECUTIVE BOARD

### **This document is submitted to the Executive Board for consideration**

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.

Acting Chief Financial Officer and Officer in Charge, RM\*: Mr S. O'Brien tel.: 066513-2682

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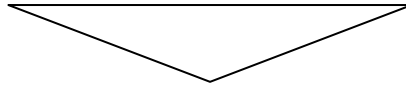
Should you have any questions regarding availability of documentation for the Executive Board, please contact Ms I. Carpitella, Senior Administrative Assistant, Conference Servicing Unit (tel.: 066513-2645).

\* Resource Management and Accountability Department

\*\* Finance and Treasury Division

\*\*\* Financial Reporting Service

## DRAFT DECISION\*



The Board takes note of “Report on the Implementation of the External Auditor Recommendations” (WFP/EB.A/2012/6-H/1).

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\* This is a draft decision. For the final decision adopted by the Board, please refer to the Decisions and Recommendations document issued at the end of the session.

1. This report sets out WFP's progress in implementing the recommendations made by the External Auditor in reports to the Board; it includes recommendations outstanding at the Board's 2011 Annual Session and those in the following audit reports:
  - "Report of the External Auditor on Procurement of Landside Transport, Storage and Handling Contracts" (WFP/EB.2/2011/5-C/1);
  - "Report of the External Auditor on Management of Projects" (WFP/EB.2/2011/5-D/1); and
  - "Audited Annual Accounts, 2011" (WFP/EB.A/2012/6-A/1).
2. Where WFP has implemented the recommendations, the External Auditor has been requested to give his view in that respect. The External Auditor has presented his view on the implemented recommendations pertaining to Audited Annual Accounts, 2009 and 2010 and this report includes the External Auditor's views.
3. Table 1 shows progress in implementing the External Auditor's recommendations during the reporting period.

**TABLE 1: IMPLEMENTATION OF THE RECOMMENDATIONS OF THE EXTERNAL AUDITOR, 2007–2012**

Audit report	Date	Outstanding audit recommendations in the previous report	Recommendations completed to date	Recommendations incomplete to date	% complete
Has Decentralisation Met the World Food Programme's Operational Needs?	September 2007	1	1	0	100
Report of the External Auditor on Strategic Planning and Reporting at a WFP Country Office – Uganda	February 2010	2	1	1	50
Audited Annual Accounts, 2009	June 2010	2	2	0	100
Audited Annual Accounts, 2010	June 2011	7	6	1	86
Report of the External Auditor on WFP Operations in Somalia*	January 2011	26	22	4	85
Report of the External Auditor on Procurement of Landside Transport, Storage and Handling Contracts	October 2011	8	6	2	75
Report of the External Auditor on Management of Projects	October 2011	11	3	8	27
Audited Annual Accounts, 2011	June 2012	6	0	6	0
<b>TOTAL</b>		<b>63</b>	<b>41</b>	<b>22</b>	<b>65</b>

\* Includes updates reported at the 2011 Annual Session in "Update on the Implementation of the External Auditor Recommendations on WFP's Operations in Somalia" (WFP/EB.A/2011/6-I) and updates on implementation during the reporting period.

## PROGRESS REPORT ON THE IMPLEMENTATION OF THE EXTERNAL AUDITOR RECOMMENDATIONS

External Auditor's recommendations	WFP response/actions taken as at last reporting date	WFP response/actions taken as at present reporting period	External Auditor's comments	
<b>Has Decentralisation Met the World Food Programme's Operational Needs? (WFP/EB.2/2007/5-C/1)</b>				
<b><i>Adequacy of guidance on oversight and management responsibilities</i></b>				
1.	<p><b>Recommendation 2</b> We recommend that the Secretariat develop improved management oversight frameworks, agreed between regional bureaux and country offices and reviewed by the Oversight Services Division,<sup>1</sup> which:</p> <ul style="list-style-type: none"> <li>i) Better clarify consistent responsibilities for management oversight of regional and country operations; and</li> <li>ii) Maintain an appropriate and independent management oversight of regional projects.</li> </ul>	<p>The Secretariat has approached this recommendation in three ways.</p> <ul style="list-style-type: none"> <li>i) As part of the normal process of developing and updating the biennial Management Plan, the Secretariat reviews the oversight role of the regional bureaux and the resources that can be made available from the Programme Support and Administrative budget for the purpose.</li> <li>ii) The Chief Operating Officer has established a task force led by the Director of Operations to review the accountabilities and responsibilities of Headquarters and the regional bureaux with a view to clarifying the respective roles and responsibilities of regional bureau and Headquarters divisions and the resources required to meet them under the headings of strategy, oversight and support. The task force is expected to complete its review by June 2011.</li> <li>iii) Under its programme Strengthening Managerial Control and Accountability (SMCA), the Secretariat has adopted the Committee of Sponsoring Organizations of the Treadway Commission (COSO) principles to assess the effectiveness of its</li> </ul>	<p>The task force recommended that all regional bureaux should have a minimum number of staff to ensure management oversight and to provide guidance and to be the first line of support for country offices. The responsibilities of regional bureaux and country offices were defined in paragraphs 183 and 184 of the Management Plan (2012–2014), which was approved by the Board in November 2011. The recommendation is deemed complete.</p>	



<sup>1</sup> WFP's organizational structure has since changed.



External Auditor's recommendations	WFP response/actions taken as at last reporting date	WFP response/actions taken as at present reporting period	External Auditor's comments
	<p>internal controls and review the accuracy and appropriateness of delegated authorities, the clarity of functions and responsibilities and the effectiveness of management supervision and oversight. The SMCA team has developed a guide for managers that will include oversight checklists for managers; a high-level self-assessment checklist was tested in the Somalia country office in March 2011 in response to more recent recommendations by the External Auditor.</p>		
<p><b>Report of the External Auditor on the Strategic Planning and Reporting at a WFP Country Office – Uganda (WFP/EB.1/2010/6-D/1)</b></p>			
<p>2.</p>	<p><b>Recommendation 5</b>            Include improved costing information, to enable a better understanding of the costs attributable to the achievement of Strategic Objectives to enable a measure of cost-effectiveness. Such attribution of costs would have a wider application as identified in our International Public Sector Accounting Standards (IPSAS) Dividend Report in moving WFP towards the achievement of results-based management and to facilitate the work of the Strategic Resource Allocation Committee.</p>	<p>Discussion of results-based budgeting has continued with a view to attributing costs to the Strategic Objectives; consideration has been given to using results-based budgeting in the forthcoming Management Plan.</p>	<p>Further to the current enhancement of the Performance Management System, WFP adopted results-based budgeting for the 2012–2014 Management Plan, including a costing of the Strategic Objectives and Management Results Dimensions.</p> <p>The recommendation is deemed complete.</p>

External Auditor's recommendations	WFP response/actions taken as at last reporting date	WFP response/actions taken as at present reporting period	External Auditor's comments
<p><b>3.</b></p> <p><b>Recommendation 8</b> Establish cost-effective, consistent and reliable methodologies for measuring and validating the number of individuals assisted by projects.</p>	<p>Project planning tools and outcome measurements guidelines refinement enabled country offices to implement reliable and consistent techniques for measuring and validating the number of individuals assisted. The work was reflected in the 2009 Annual Performance Report, which was welcomed by the Board as "excellent".</p> <p>The Standardized Project Report (SPR) guidelines have been refined and will be reviewed in 2011.</p> <p>The development of the Corporate Monitoring and Evaluation Tool for roll-out in 2012 will enhance the definition and validation of the number of beneficiaries assisted.</p>	<p>Country offices currently use the data collection for WFP reports system (DACOTA) to plan and report annual actual beneficiaries through the Blue Book and SPRs. Guidance is available through the updated SPR wiki,<sup>2</sup> which includes training materials and enables consultation with staff of the Operational Reporting and Analysis Branch.</p> <p>WFP continues to develop the Corporate Monitoring and Evaluation Tool (COMET) to enhance its capacity to track beneficiaries and related data. Pilot rollout is expected by the last quarter of 2012, with further work in 2012–2013 to bring co-operating partners' reporting online and ensure timely information about beneficiaries.</p> <p>Implementation of the recommendation is in progress.</p>	



<sup>2</sup> A wiki is a database of pages that visitors can edit live (source: Wiki.com).

External Auditor's recommendations	WFP response/actions taken as at last reporting date	WFP response/actions taken as at present reporting period	External Auditor's comments	
<b>Audited Annual Accounts, 2009 (WFP/EB.A/2010/6-A/1)</b>				
<b>WFP Audit Committee</b>				
4.	<p><b>Recommendation 8</b></p> <p>We recommend that the Executive Board should seek to place more reliance and take greater account of the work of the Audit Committee.</p> <p>Furthermore, we recommend that the Executive Board considers the way it engages with the work of the Committee through the Bureau, to ensure that the Committee is fully briefed on matters of concern to the Board; and that through these meetings the Board have a greater level of knowledge regarding the assurances it is being provided.</p>	<p>The Bureau indicated that draft amendments to the terms of reference of the Audit Committee are being prepared for EB.A/2011.</p>	<p>The revised terms of reference were approved by the Board at EB.2/2011 (WFP/EB.2/2011/5-B/1/Rev.1).</p> <p>The revised Terms of Reference were developed to clarify:</p> <ul style="list-style-type: none"> <li>➤ the responsibilities and authority of the Audit Committee;</li> <li>➤ the requirements with regard to the independence and potential conflicts of interest of Audit Committee members; and</li> <li>➤ cases requiring joint action by the Board and the Executive Director.</li> </ul> <p>The recommendation is deemed complete.</p>	<p>We welcome the action that has been taken to implement the recommendation.</p>
<b>Statement on internal control</b>				
5.	<p><b>Recommendation 11</b></p> <p>We recommend that WFP should produce a Statement on Internal Control and implement this in parallel with COSO, building on the collation of sufficient assurances from senior management and the Oversight Office (OS) to confirm that internal controls are operating effectively.</p>	<p>The Secretariat is planning to introduce a Statement of Internal Control with the 2011 Annual Accounts.</p> <p>Actions taken include:</p> <ul style="list-style-type: none"> <li>➤ development in June 2010 of internal control principles in line with COSO on the basis of advice from internal and external audits, the Audit Committee and Headquarters divisions;</li> <li>➤ development and pilot testing of a questionnaire for managers designed to gather assurances for the 2011 accounts;</li> <li>➤ significant progress in revising the Consolidated Finance Manual to ensure that guidance is up to date;</li> </ul>	<p>The Secretariat has produced a Statement on Internal Control with the 2011 Annual Accounts.</p> <p>Actions taken include:</p> <ul style="list-style-type: none"> <li>➤ development in June 2010 of internal control principles in line with COSO on the basis of advice from internal and external audits, the Audit Committee and Headquarters divisions;</li> <li>➤ preparation and issue of an Executive Director's Circular on the Internal Control Framework – definition, principles, limitations, roles and responsibilities and methods of assessment;</li> </ul>	<p>We recognize the importance of the Statement on Internal Control in messaging the effectiveness of the internal controls, and welcome the actions taken to implement the recommendation.</p>





External Auditor's recommendations	WFP response/actions taken as at last reporting date	WFP response/actions taken as at present reporting period	External Auditor's comments
	<ul style="list-style-type: none"> <li>➤ a review of delegated authorities for finance, food procurement and non-food procurement;</li> <li>➤ updating of delegated authorities in relation to human resources management;</li> <li>➤ a review of decision-making structures; and</li> <li>➤ updating of the corporate risk register and action to embed risk and performance management practices in WFP business and operations.</li> </ul> <p>The Audit Committee will be updated regularly as to progress on the new statement of internal control.</p> <p>In the report on Somalia the External Auditor discussed the findings in the light of WFP's internal control principles and made recommendations for actions to enhance internal controls.</p>	<ul style="list-style-type: none"> <li>➤ development, testing and issue of a questionnaire for managers designed to gather assurances for the 2011 accounts;</li> <li>➤ collection of questionnaire responses from all Directors to provide assurance for the 2011 accounts;</li> <li>➤ issue of the Financial Resource Management Manual in March 2012, replacing the Consolidated Finance Manual. The new manual outlines financial responsibilities and authorities assigned to staff and summarizes resource management and accountability norms;</li> <li>➤ a review of delegated authorities for finance, food procurement; non-food procurement; programme, logistics; external relations, communications, and policy;</li> <li>➤ updating of delegated authorities in relation to human resources management;</li> <li>➤ a review of decision-making structures and proposals for rationalizing internal committees, and establishment of the Executive Management Council (EMC);</li> <li>➤ updating of the corporate risk register and action to embed risk and performance management practices in WFP business and operations;</li> <li>➤ development of internal control self-assessment checklists for all units in WFP including functional areas in country offices and guidance for managers on internal control;</li> </ul>	



External Auditor's recommendations	WFP response/actions taken as at last reporting date	WFP response/actions taken as at present reporting period	External Auditor's comments
		<ul style="list-style-type: none"> <li>➤ missions to facilitate internal control self-assessments and risk-management improvements in WFP's ten largest operations in terms of needs in 2011;</li> <li>➤ training and information on internal control at Headquarters, the global Country Directors meeting, regional meetings of Country Directors and meetings of Regional Finance Officers;</li> <li>➤ review of financial processes in the WFP Information Network and Global System II (WINGS II) e-guide; and</li> <li>➤ development of guidance that provides an overview of managerial responsibilities and accountability in WFP processes.</li> </ul> <p>In the report on Somalia, the External Auditor discussed the findings in the light of WFP's internal control principles and made recommendations for actions to enhance internal controls.</p> <p>The Statement of Internal Control and the 2011 Annual Accounts were presented for Audit Committee review in March 2012 before signature by the Executive Director and submission to the External Auditor. The recommendation is deemed complete.</p>	

External Auditor's recommendations	WFP response/actions taken as at last reporting date	WFP response/actions taken as at present reporting period	External Auditor's comments	
<b>Audited Annual Accounts, 2010 (WFP/EB.A/2011/6-A/1)</b>				
6.	<p><b>Recommendation 1</b></p> <p>WFP should introduce a more rigorous process to identify the replacement cost of both food and non-food commodities and harmonise the provisions under WFP <i>Policy Guidance Manual</i> for IPSAS with the valuation process adopted.</p>	<p>The Secretariat agrees with the recommendation and will explore a more detailed process for identifying the replacement costs of food and non-food items. It will evaluate the costs involved and will seek the Board's approval to proceed. WFP will harmonize the provisions in the <i>Policy Guidance Manual</i> to ensure that the valuation process is accurately reflected. The Secretariat plans to complete this recommendation for the 2011 Annual Financial Statements.</p>	<p>The Secretariat has formulated a more rigorous process to identify the replacement cost of food and non-food items. The process for food was tested for the nine-month period ended 30 September and was applied, along with the process for non-food items, in the 2011 Annual Financial Statements. The <i>Policy Guidance Manual</i> has been updated accordingly.</p> <p>The recommendation is deemed complete.</p>	<p>We acknowledge the rigorous process that has been undertaken this year in order to estimate the current replacement cost for the valuation of inventories.</p>
7.	<p><b>Recommendation 2</b></p> <p>WFP should disclose in the Notes to the Financial Statements, the volume and value of food and non-food commodities handed over to co-operating partners but not distributed to the beneficiaries. In order to do so, the integrity of the data captured in the Commodity Movement Processing and Analysis System (COMPAS) should be ensured.</p>	<p>The Secretariat agrees with the recommendation and plans to implement this disclosure request for the 2011 Annual Financial Statements. This disclosure is not required by IPSAS, but it may be desirable to enhance understanding of WFP's operational environment.</p>	<p>In 2011, the Secretariat began gathering information and sensitizing country offices, by way of the regional bureaux, to this new disclosure requirement through the following actions:</p> <ul style="list-style-type: none"> <li>➤ In July 2011 a message was sent by the Chief Operating Officer to field staff reiterating the roles and responsibilities for reporting co-operating partner data (OD Directive OD2009/002).</li> <li>➤ In September 2011 the General Accounts Branch (RMFFG) requested food stock data held by co-operating partners with a view to establishing a procedure for year-end disclosure.</li> <li>➤ The process for obtaining data for the 2011 Annual Financial Statements was formalized in the 2011 annual closure guidelines released on 7 December 2011.</li> <li>➤ Data for the annual closure were disclosed in the 2011 Annual Accounts.</li> </ul> <p>The recommendation is deemed complete.</p>	<p>We confirm the disclosure of undistributed food commodities handed over to co-operating partners in the 2011 Annual Accounts. In this year's audit report we recommended the way forward to enhance the accuracy of the disclosed figures.</p>





External Auditor's recommendations	WFP response/actions taken as at last reporting date	WFP response/actions taken as at present reporting period	External Auditor's comments
<p><b>8. Recommendation 3</b> The process of reconciliation of internal loans and borrowings of food commodities should be expedited. WFP should strengthen the internal controls on the IT systems that support inventory management, more specifically:</p> <ul style="list-style-type: none"> <li>➤ evaluate the adoption of moving average price (MAP) using document date instead of the MAP using posting date for a realistic reflection of the value of inventory and losses;</li> <li>➤ strengthen the reconciliation process of differences in the control figures between COMPAS and WINGS II in coordination with the different functional wings and incorporate validation checks in the process.</li> </ul>	<p>The Secretariat agrees with the recommendation and is committed to completing the reconciliation of internal loans and borrowings of food commodities by 30 June 2011, with all required adjustments recorded in the accounts.</p> <p>With regard to enhancing internal controls:</p> <p>i) The design of MAP was part of WINGS II design. The Secretariat will evaluate the cost/benefit of changing the system to use document dates instead of posting dates to determine whether the change will lead to a significant improvement in inventory valuation. The Secretariat believes that the MAP based on posting date reflects a fair value for inventory and enables comparison from period to period; it will report its findings at EB.A/2012.</p> <p>ii) The Secretariat agrees that data entry into COMPAS must be timely and accurate. Currently, the daily interface error log is sufficient to identify data misalignments or inconsistencies between WINGS II and COMPAS. Data uploaded into WINGS II from COMPAS must meet criteria defined by the Secretariat during the WINGS II project. Data that do not meet the criteria are rejected, and a log file of the details is sent to the Logistics Division (ODL) for correction. ODL is responsible for managing discrepancies between COMPAS and WINGS II, supported by the Information Technology Division (ODI). A joint directive to be completed in 2011 will outline roles and responsibilities in supporting COMPAS in the field and at Headquarters.</p>	<p><b>Loans and Borrowings</b> The Secretariat has undertaken significant effort to reconcile internal loans and borrowings: completion was expected by 30 June 2011, but the exercise was extended to cover internal loans and borrowings up to 30 September 2011. Reconciliation up to the current reporting period was completed for the 2011 Annual Financial Statements.</p> <p><b>Internal Controls on Inventory Management</b> MAP. Having evaluated the cost/benefit of changing the system to use document date instead of posting date in calculating MAP, the Secretariat concluded that SAP functionality is based on posting date; document date cannot be used to calculate MAP, and a change would be prohibitively expensive. The Secretariat is of the view that timely entry of data will ensure that document date and posting date are aligned.</p> <p><b>Strengthen the reconciliation process</b> The inventory reconciliation process has been improved by:</p> <ul style="list-style-type: none"> <li>➤ reiterating roles and responsibilities for tracking and reporting procedures in OD Directive OD2009/002 to ensure the accuracy and integrity of commodity movements recorded in COMPAS;</li> <li>➤ establishing an inventory working group of representatives from ODL and the Resource Management and Accountability Department (RM) at Headquarters to recommend ways to improve inventory management;</li> </ul>	<p>We confirm that the internal loans and borrowings issue was addressed through the technical solution put in place in November 2011.</p> <p>We accept the Secretariat's conclusion with regard to changing the system configuration to use document date in the MAP calculation.</p> <p>We acknowledge the steps taken to enhance the reconciliation process and reduce reconciliation variances.</p>

External Auditor's recommendations	WFP response/actions taken as at last reporting date	WFP response/actions taken as at present reporting period	External Auditor's comments
		<ul style="list-style-type: none"> <li>➤ identifying focal points in RM and ODL to ensure that issues are identified and addressed promptly;</li> <li>➤ RM's oversight performed through the review of minimum monthly closure reports;</li> <li>➤ preparing financial closure guidelines in collaboration with other units to ensure that all processes for closure and related deadlines were understood.</li> </ul> <p>The improved process is reflected in the reduced difference between COMPAS and WINGS II in the 2011 closure compared with the 2010 closure. The recommendation is deemed complete.</p>	
<p><b>9.</b> <b>Recommendation 4</b> WFP should adopt monetary threshold levels for disclosure of contingent liabilities in its accounting policies.</p>	<p>The Secretariat agrees with the recommendation and will adopt a monetary threshold for disclosure of contingent liabilities in WFP's internal accounting policies; this will be implemented for the 2011 Annual Financial Statements.</p>	<p>The disclosure policy for contingent assets and liabilities in the notes to the Financial Statements is guided by IPSAS 19: Provisions, Contingent Liabilities and Contingent Assets. The Secretariat has established the monetary threshold at which contingent assets and liabilities must be disclosed. The Secretariat can decide to disclose amounts below the threshold if such disclosure fulfils IPSAS 19 and requires the attention of WFP's management and the Board. The recommendation is deemed complete.</p>	<p>We confirm the threshold of US\$5 million established by the Secretariat for disclosure of contingent assets and liabilities in the Annual Accounts. The threshold level was not disclosed in the 2011 Annual Accounts.</p>



External Auditor's recommendations		WFP response/actions taken as at last reporting date	WFP response/actions taken as at present reporting period	External Auditor's comments
10.	<p><b>Recommendation 5</b></p> <p>WFP should introduce regular monitoring mechanism for review of other receivables and conduct a structured review of the allowance policy for impairment of other receivables based on an age analysis.</p>	<p>The Secretariat confirms that a regular mechanism exists for reviewing and reporting on financial areas that include "other receivables" at country offices, regional bureaux and Headquarters units. The reporting tools include the financial dashboard and monthly minimum closure packages, which focus on financial performance areas and risks.</p> <p>In accordance with WFP Financial Regulation 12.4, uncollectable items are written off, and the amounts reported in the financial statements.</p> <p>All outstanding other receivables are reviewed to determine whether an allowance is required for doubtful accounts, and reported in the financial statements.</p> <p>The Secretariat confirms that the regular process for monitoring and determining allowances will be documented in the accounts closure process in 2011.</p>	<p>The regular review process covers the review of the monthly financial dashboard and minimum closure packages, and includes a detailed review by RMFFG of other receivables not specifically monitored through the two tools listed above; RMFFG also reviews annually, in consultation with country offices and Headquarters units, all aged outstanding receivables with a view to assessing recoverability and establishing an allowance to be recorded in the Financial Statements as necessary.</p> <p>The allowance review process was carried out and documented in 2011.</p> <p>The recommendation is deemed complete.</p>	<p>We welcome the Secretariat's actions to review the process and establish an allowance policy in the form of decision memorandum.</p>
11.	<p><b>Recommendation 6</b></p> <p>WFP should put in place a monitoring mechanism to ensure that completed works-in-progress are transferred to fixed assets and depreciation charged. This should be a mandatory check during the annual closure of accounts.</p>	<p>The Secretariat agrees with the recommendation and will ensure that completed works in progress are accounted for as fixed assets and the related depreciation recorded. The mandatory review of the completion stage of works in progress will be part of the annual closure of accounts, starting in 2011.</p>	<p>The mandatory review of work-in-progress accounts has been embedded in the regular processes undertaken for the preparation of annual Financial Statements.</p> <p>There is a regular review of completion stages; completed assets under construction are accounted for under fixed assets.</p> <p>The recommendation is deemed complete.</p>	<p>We recognize the Secretariat's action to implement the recommendation.</p>



External Auditor's recommendations	WFP response/actions taken as at last reporting date	WFP response/actions taken as at present reporting period	External Auditor's comments
<p><b>12. Recommendation 7</b> WFP may implement Information Security Management System for WINGS II. A definite time frame may also be fixed for operationalization of the Logistics Execution System (LES) and the associated phase out of the SAP-COMPAS Interface.</p>	<p>The Secretariat agrees with the recommendation.</p> <p>The Information Security Management System (ISMS): The Secretariat confirms that ODI already uses the ISO 27001 standard for IT risk assessments and management. In its 2011 work plan, ODI is developing the IT Security Management Framework which includes all elements of ISMS and covers all IT systems and services, including WINGS II. The draft document is to be circulated for review in June 2011 and ratified by December 2011. Implementation will commence in 2012 with systems and services hosted in the Headquarters United Nations International Computing Centre. Subsequently it will be implemented in field offices. ISMS will complement the Information Technology Infrastructure Library and Control Objectives for Information and Related Technology systems in governance and service management.</p> <p>LES: The pilot phase of the LES project to test the WINGS II system for logistics business processes is ongoing, with completion of testing envisaged by the end of 2011 in selected country offices. If the pilot is successful, roll-out to other country offices will begin in 2012. A definite timeframe for full implementation of LES and phase-out of the WINGS II/COMPAS interface cannot be defined.</p>	<p>The scope of the statement of applicability developed for ISMS changed with the field roll-out of Foodlink and WFP Connect projects. ODI determined that taking the time to incorporate the changes will result in a more relevant and up-to-date document. The first draft of ISMS is available for corporate review; ratification is expected by the end of the second quarter of 2012.</p> <p><b>LES project</b> A timeframe for implementation of LES and phase-out of the WINGS II/COMPAS interface will be determined when the pilot phase is completed and evaluated in mid-2012. Implementation of the recommendation is in progress.</p>	<p>We acknowledge the progress reported in implementing the recommendation, and confirm that work is in progress to complete it.</p>

External Auditor's recommendations	WFP response/actions taken as at last reporting date	WFP response/actions taken as at present reporting period	External Auditor's comments	
<b>Report of the External Auditor on WFP Operations in Somalia (WFP/EB.1/2011/5-B/1)</b>				
<b>Strategic Issues</b>				
13.	<p><b>Recommendation 1</b> A staff member in each office must be nominated as an ethics advocate to be a flag-bearer on ethical issues and to act as a first point of contact to resolve ethical dilemmas.</p>	<p>Partially agreed. The Secretariat endorses the thrust of this recommendation that it should further promote ethical issues and their resolution.</p> <p>WFP was among the first to establish and deploy a robust ethics office. The United Nations, in line with other public institutions, retains the ethics point of decision in Headquarters. Therefore there may be practical and procedural issues that weigh against appointing country-level staff members to be the first point of contact on ethical dilemmas.</p> <p>However, the Director of Operations will work closely with the Ethics Office to find an appropriate means of addressing this issue in ways that do not detract from the effectiveness of the current arrangements or create confusion in reporting channels. The Secretariat will continue to encourage its managers to set high ethical standards for staff to follow, as evidenced by a corporate goal this year to advance staff education on ethic standards and process.</p> <p>After further review by the Deputy Executive Director of Operations, Regional Directors and the Ethics Office, it was decided to provide further training in ethical issues to each Country Director and office directors in Headquarters. An initial training of directors was held in Rome on 5 May 2011.</p>	Implementation of the recommendation is in progress.	







External Auditor's recommendations	WFP response/actions taken as at last reporting date	WFP response/actions taken as at present reporting period	External Auditor's comments
	<p>The training of Country Directors is being planned for the Global Meeting in November 2011.</p> <p>The Ethics Office has reminded staff members that it is available at any time for them to raise concerns and request advice or guidance.</p>		
<p><b>14. Recommendation 2</b> The regional bureaux have an important role to play in the organization as they are closer to the country offices and are better placed to quickly respond to their needs. The regional bureaux should be provided necessary resources to enable them to discharge their work more effectively.</p>	<p>Agreed. The Secretariat agrees that regional bureaux play an essential role. The decentralized organizational structure also aims to maximize effectiveness through appropriate allocation of resources, about which decisions are made as part of the established budgetary process.</p> <p>In 2011 the Director of Operations will work with the Regional Directors to further define the interaction between regional bureaux and Headquarters, clarifying responsibilities for overseeing country office implementation as well as leveraging centralized expertise where it is most efficient and cost-effective.</p> <p>The regional bureaux/Headquarters task force has concluded its work and briefed senior managers and the Executive Director. The final report will come out in mid-June. With regard to the clarifications of roles and responsibilities, it was highlighted that regional bureaux will take the lead on management oversight of the country offices in their regions. This includes: assurance of compliance with rules, regulations and policies; oversight of project-level resource management; financial health and controls monitoring;</p>	<p>Based on the recommendations of the task force referred to in "Has Decentralisation Met the World Food Programme's Operational Needs?" (WFP/EB.2/2007/5-C/1), provisions were made to allocate additional resources to the regional bureaux in the Management Plan (2012–2014) approved by the Board in November 2011. These resources had provisions for the regional bureaux to fund core staff, and allowed them the flexibility to fund regional priorities.</p> <p>The needs of the regional bureaux are reviewed annually and the decisions to allocate additional resources is based on the availability of PSA funds.</p> <p>The recommendations is deemed complete.</p>	



External Auditor's recommendations	WFP response/actions taken as at last reporting date	WFP response/actions taken as at present reporting period	External Auditor's comments
	<p>and risk and performance management. Somalia will be part of the newly created East and Central Africa Regional Bureau.</p> <p>The resourcing for the regional bureaux to carry out this important role will be considered in the upcoming Management Plan.</p>		
<p><b>15. Recommendation 3</b> Internationally there is a growing recognition of the importance of self-monitoring vis-à-vis external monitoring. Our view is that WFP Somalia country office could present an ideal setting for a pilot on self-assessment mechanism. Consistent with the OS inspection check-list, a self-assessment check-list of key controls must be developed for country offices on the basis of which they must assess themselves in the year-end in a report to the Country Director. We are of the opinion that this would encourage them to assume ownership of controls thus enhancing accountability.</p>	<p>Agreed.</p> <p>i) The Compliance Officer will work with the Resource Management and Accountability Department (RM) to develop and pilot a self-assessment check-list of key controls for an annual self-monitoring exercise.</p> <p>ii) At a corporate level, as recognized by the External Auditor, WFP has an initiative led by the Resource Management and Accountability Department to strengthen managerial control and accountability. The SMCA team will therefore monitor the results of the Somalia pilot and will develop and implement wider guidance on self-assessments of internal control.</p> <p>The Somalia country office has agreed to pilot the self-assessment monitoring mechanism.</p> <ul style="list-style-type: none"> <li>➤ With the assistance of a consultant, the compliance officer and RM have further refined the country office self-assessment checklist and included it in a manager's guide for internal control.</li> <li>➤ The checklist has been piloted in Pakistan and is being planned for Afghanistan, Haiti and the Sudan. The guide is expected to be published by June 2011.</li> </ul>	<p>Part i) of recommendation 3 is deemed complete; see WFP/EB.A/2011/6-I.</p> <p>Implementation of part ii) of recommendation 3 is in progress.</p>	



External Auditor's recommendations	WFP response/actions taken as at last reporting date	WFP response/actions taken as at present reporting period	External Auditor's comments
<p><b>16. Recommendation 4</b> (a) Risk appetite must be quantified separately for high-risk operations (like areas of Somalia with restricted access) and normal operations (like areas of Somalia where WFP staff have access).</p>	<p>Agreed.</p> <p>i) The Secretariat will enhance communications with its governance, oversight and key stakeholders on high-risk operations and the corresponding risk appetite.</p> <p>ii) <b>Operational briefings.</b> WFP has initiated informal quarterly operational briefings with the Board: the first was held in February 2011, the second in May; the third and fourth quarter sessions are already planned.</p> <p>iii) <b>Risk.</b> Moreover, the Secretariat will continue to engage other actors to agree on common approaches for identifying and setting risk appetite and risk tolerance. Following up on the risk conference in Copenhagen,<sup>3</sup> WFP is planning three seminars with key stakeholders in Nairobi to examine the risks faced and the potential solutions in the Somalia context.</p> <p><b>Risk seminar in Rome</b> WFP has planned a seminar for risk managers of Inter-Agency Standing Committee organizations in Rome on 26 May 2011 to agree on common approaches to setting risk appetite and risk tolerance levels in fragile and insecure contexts.</p> <p><b>Nairobi seminars</b> Former Ambassador Rashed is working with WFP and the Overseas Development Institute to prepare the seminars for Nairobi in June. The Board</p>	<p>Part (a) i) of recommendation 4 is deemed complete; see WFP/EB.A/2011/6-I.</p> <p>Part (a) ii): WFP briefs the Board on risk every quarter. Briefings were given throughout 2011 and will continue as a standard element of WFP's communication with the Board.</p> <p>In 2011 WFP led its humanitarian partners on risk-management issues with:</p> <ul style="list-style-type: none"> <li>➤ a risk seminar in Rome in May 2011 for humanitarian agencies to ensure a unified approach to managing risks in fragile and insecure contexts; and</li> <li>➤ three seminars on humanitarian assistance and risks in Somalia were held in Nairobi in June; the conclusions were shared with the Board. WFP has a significant role in supporting the risk-management responsibility of the Regional Coordinator and the Humanitarian Coordinator in Somalia.</li> </ul> <p>The quantification of risk appetite and the setting of risk tolerance will be part of WFP's operations, in consultation with other actors.</p> <p>The recommendation is deemed complete.</p>	

<sup>3</sup> The conference "Risk and Results Management in Development Cooperation: Towards a Common Approach" was held in Copenhagen on 25 and 26 November 2010. It brought together experts and policymakers from a wide range of Member States and international development and humanitarian organizations to explore issues relating to risks inherent in humanitarian development and stabilization interventions.

External Auditor's recommendations	WFP response/actions taken as at last reporting date	WFP response/actions taken as at present reporting period	External Auditor's comments
	will be briefed on the outcomes and on policy and guidance issues for its consideration.		
(b) In addition to the inherent risk register, a residual risk register must also be prepared so as to draw an assurance that the residual risk is within the risk appetite.	<p>Agreed.</p> <p>The suggested approach is already being addressed by further work to assess the impact of control activity and thereby determine residual risk.</p> <p>i) The corporate risk register is currently being updated by incorporating feedback from Headquarters divisions, regional bureaux and country offices. This is needed to ensure that the register reflects the latest position on risks and that the mitigating controls are in place so that residual risks can be determined.</p> <p>The updated corporate risk register was circulated in WFP for inputs and feedback and presented to the Executive Management Council (EMC) for approval on 8 April 2011. Modifications of the importance of certain risks were reviewed on 13 May 2011. The corporate risk register will be regularly updated.</p> <p>RMP will continue to provide support to Headquarters divisions, regional bureaux and country offices to implement the risk management framework, using both missions and long-distance communication. Risk registers will be analysed to identify significant reputational risks for escalation to the EMC for decision-making.</p> <p>ii) Risk registers for all high-risk operations are also being further refined to ensure that they reflect the latest position on controls and have been analysed to produce residual risk assessments.</p>	<p>Part (b) i) of recommendation 4 is deemed complete; see WFP/EB.A/2011/6-I.</p> <p>Part (b) ii): a comprehensive corporate risk register has been established; it is regularly updated in consultation with the EMC. The register contains the mitigating actions</p>	



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	<p>Risk registers are being developed for all high-risk operations. RMP has received risk registers from 14 out of 23 high risk countries. RMP is reviewing them and now focuses on residual risks and controls for those risks.</p>	<p>for each risk; these are tracked and reported. The Performance and Accountability Management Division manages this process and serves as the Secretariat to the EMC on risk-management issues.</p> <p>As at December 2011, 67% of country, regional and Headquarters offices have formal risk registers.</p> <p>74% of high-risk operations have updated risk registers in the past 12 months.</p>	
<p><b>17. Recommendation 5</b> We are of the view that reputational risks could have a more pervasive organisational impact as compared to operational risks, whose impact would generally be localized. Hence RM should be assigned the responsibility for collection and analysis of warning signals for significant reputational risks and for escalation of such signals to appropriate levels. RM should share its work with OS and the Audit Committee.</p>	<p>Agreed. Reputational risk will be implemented as part of the new risk management framework and systematically shared with WFP's oversight bodies.</p> <p>The Secretariat had already included reputation risk in the corporate risk register.</p> <p>The Secretariat will continue to review and update WFP's corporate risk profile, which visually communicates primary risks affecting delivery of its strategy and mandate, and presents the potential impact on WFP and likelihood of risks. A comprehensive corporate risk register is a companion to this profile that highlights processes at risk and allows the Secretariat to identify appropriate mitigation actions and assign responsibility for managing and mitigating risks.</p> <p>The risk management framework has a built-in risk escalation system that will trigger actions by senior managers and the Executive Management Committee. RM is entrusted with the responsibility to</p>	<p>Recommendation 5 is deemed complete; see WFP/EB.A/2011/6-I.</p>	



External Auditor's recommendations	WFP response/actions taken as at last reporting date	WFP response/actions taken as at present reporting period	External Auditor's comments
	<p>implement and fully embed risk management in 2011–2012 that would enable WFP to identify, record and enable follow-up of mitigation actions and maintain the risks below the enterprise risk appetite (tolerance). RM will also be able to review logged risks, scan mitigation action progress and identify warning signals related to risks that will significantly affect our reputation and follow the defined escalation process.</p> <p>RM will continue to communicate progress made in implementing risk management in WFP operations with the Board and the Audit Committee.</p> <p>(See comments also in the response to recommendation 4(b) for specific deliverables in the first half of 2011).</p> <p>RM has been assigned the responsibility for collecting and analysing warning signals for significant reputational risks. They have developed a comprehensive system for communicating and escalating these risks from the field, to regional structures, to the EMC. RM reports regularly to the Audit Committee and works closely with OS to make sure these risks are shared.</p> <p>By June 2012 the new risk management framework will be fully implemented globally.</p>		



External Auditor's recommendations	WFP response/actions taken as at last reporting date	WFP response/actions taken as at present reporting period	External Auditor's comments
<p><b>18. Recommendation 6</b> The management should develop and implement a strategy to respond swiftly, decisively and transparently to major external allegations.</p>	<p>Agreed.</p> <p>i) External allegations represent risks to WFP and are to be handled as part of the new risk-management arrangements outlined in response to recommendation 5. This will ensure that the responsibility for dealing with major allegations is clearly assigned.</p> <p>ii) In addition the Secretariat will prepare administrative guidance on the handling of specific cases.</p> <p>As discussed in response to recommendations 4 and 5, management now has in place mechanisms to respond and communicate allegations and risk-related issues to senior managers through the EMC and to the Board through quarterly operational briefings. As the risk management process matures, accompanying and supplementary administrative guidance will be produced, if needed, for the handling of specific cases.</p>	<p>Implementation of the recommendation is in progress.</p>	
<p><b>19. Recommendation 7</b> WFP should validate the identification of beneficiaries on a test-check basis, before the stage of distribution monitoring, at least in areas where WFP staff have access.</p>	<p>Agreed. The Secretariat recognizes and endorses the sentiments expressed in this recommendation.</p> <p>However, WFP's operational model is to work through a network of co-operating partners in the actual delivery of food to beneficiaries, including the identification of beneficiaries.</p> <p>As part of this approach and as recognized by the External Auditor, food aid monitors selectively monitor the co-operating partners' screening of beneficiaries to ensure that criteria are being adhered to. Indeed, access permitting, the level of monitoring should be increased in areas where inconsistencies have been reported.</p>	<p>Implementation of the recommendation includes the following:</p> <ul style="list-style-type: none"> <li>➤ The Secretariat introduced new standard operating procedures (SOPs) that clarify what is expected of co-operating partners in terms of mitigating potential causes of misuse and enhancing implementation, for example by improved selection and targeting of beneficiaries.</li> <li>➤ Co-operating partners that did not follow the new targeting guidelines received warning letters after the training. Implementation of the guidelines is followed up regularly through field visits. Implementation monitoring checklists</li> </ul>	



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	<p>The Secretariat recognizes that in certain parts of Somalia because of lack of access and other security concerns unique to the region there have been difficulties in fulfilling the food aid monitoring role effectively. Nevertheless the Secretariat considers that the operational model based on co-operating partners remains fundamentally sound.</p> <p>In this context, WFP has an important role in selecting, training and monitoring the work of co-operating partners. Where WFP staff has access, this work should be done diligently to ensure strong validation of the co-operating partners' work on the identification and registration of beneficiaries. WFP must keep good records of identified needs, and of monitoring and evaluation. When there are repeated or unaddressed concerns with co-operating partners, the field-level agreement may need to be terminated. (See comments also in the response to recommendation 20).</p> <p>The Somalia country office has a system to validate and test-check the identification of beneficiaries built into its revised standard operating procedures (SOPs). As directed by the new SOP, actual beneficiary identification and targeting is based on standard selection criteria for Somalia that has been tailored to individual livelihood zones. The co-operating partner (CP) and community agree on at least five selection criteria from the standard list of each of the final delivery points (FDPs). The criteria is shared with the local relief committee and local authorities and posted</p>	<p>have been field tested to show how WFP verifies co-operating partners' targeting and other compliance issues.</p> <ul style="list-style-type: none"> <li>➤ After a distribution, co-operating partners must submit a narrative report and the signed beneficiary list by the 10th of the following month. WFP regularly audits all food distributions and the organizations involved.</li> <li>➤ Positive evaluation will be a pre-requisite for negotiating and signing new agreements.</li> </ul> <p>The recommendation is deemed complete.</p>	





External Auditor's recommendations	WFP response/actions taken as at last reporting date	WFP response/actions taken as at present reporting period	External Auditor's comments
	<p>publicly in the community. For general food distributions, the list is reviewed by the CPs before the initiation of distributions to allow identification of missing beneficiaries or removal of those who do not qualify. The beneficiary list contains ration card numbers in serial order. WFP monitors verify that the systems are in place in the field.</p> <p>For programmes such as targeted supplementary feeding, WFP conducts test-checks during monthly nutrition screenings for adherence to selection criteria.</p>		
<p><b>20.</b> <b>Recommendation 8</b> The country office should reassess the risks involved in undertaking the food distribution operations at Afgoye in consultation with other stakeholders.</p>	<p>Agreed. The Chief Operating Officer, in consultation with the Somalia country office and external stakeholders, has reviewed the risks involved in this operation and has, as of the writing of this report, suspended WFP supplementary feeding and institutional feeding programmes in Afgoye. Further risk assessments will continue to be done to determine when, and if, work in Afgoye can resume.</p> <p>Based on risk assessments, operations in Afgoye remain on hold.</p>	<p>Recommendation 8 is deemed complete; see WFP/EB.A/2011/6-I.</p>	



External Auditor's recommendations		WFP response/actions taken as at last reporting date	WFP response/actions taken as at present reporting period	External Auditor's comments
21.	<p><b>Recommendation 9</b></p> <p>(a) The capacity assessment of co-operating partners should be supported by adequate documentation for greater objectivity.</p>	<p>Agreed.</p> <p>The country office considers it already maintains a significant level of documentation on the capacity assessments of co-operating partners. It has also developed a capacity assessment check-list to ensure that the documentation of the process of selecting co-operating partners is appropriate and its standards of documentation are uniformly applied across Somalia. The country office will continue to use the check-list to document the process of selecting co-operating partners.</p> <p>The Somalia country office has a capacity assessment check-list to ensure that selection of CPs and documentation of their work is standardized throughout Somalia.</p>	<p>Recommendation 9(a) is deemed complete; see WFP/EB.A/2011/6-I.</p>	
	<p>(b) Due diligence must be exercised before selecting co-operating partners and once selected, the country office must strive to nurture long-term relationships at least in areas where activities remain the same from one season to the other.</p>	<p>Agreed.</p> <p>The Secretariat considers that due diligence is already being exercised in the selection of co-operating partners in Somalia.</p> <p>The Secretariat also recognizes and endorses the considerable benefits of nurturing long-term relationships with co-operating partners, and will continue to do this wherever possible – noting, however, that clan affiliations of Somali non-governmental organizations may limit their area of operations.</p> <p>There is clear corporate guidance in the Non-Governmental Organization Partnership Framework on how to build long-term relationships with co-operating partners. There is also a manual on “How to work with WFP” available for</p>	<p>Recommendation 9(b) is deemed complete; see WFP/EB.A/2011/6-I.</p>	



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	<p>co-operating partners. Where possible the Somalia country office works with co-operating partners for extended periods, but for the reasons noted above, this is not always feasible. The Somalia country office also invests significant time and effort in training of co-operating partners.</p> <p>The Somalia country office continues to build partnerships with CPs, nurturing long-term relationships where possible. Training on WFP control mechanisms were held for CPs working in Central Somalia and Puntland in September 2010, January 2011 and March 2011. Regular programme implementation training is also conducted. Capacity development of CPs is an ongoing process included in the regular activities of the country office. In recent months, training has been conducted on the general food distribution (GFD) SOPs, the therapeutic supplementary feeding programme, mother-and-child health and nutrition, school feeding and food for work, food for assets and food for training.</p>		
<p><b>22.</b> <b>Recommendation 10</b> Further allocation/delivery should not be made to transporters/co-operating partners who do not submit their waybills/reports within three months from the date of arrival of food.</p>	<p>Partially agreed. The Secretariat fully agrees with this recommendation in so far as it relates to transporters. As the External Auditor recognizes, transport contracts already provide an explicit requirement to return waybills to the respective WFP office within 10 days from the completed delivery of the food. Action will be taken against any transporter that fails to deliver waybills within three</p>	<p>Recommendation 10 is deemed complete; see WFP/EB.A/2011/6-l.</p>	



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	<p>months of the date of arrival of food.</p> <p>In the case of co-operating partners, the Secretariat agrees that it is important for country offices to insist on timely submission of distribution reports. However, a decision on whether to take action against a co-operating partner if reports are not provided within three months of the delivery date needs to reflect the specific circumstances involved – such as when food was pre-positioned before intended distribution, or whether distribution was halted because of escalating violence. Such circumstances could mean that it would not be appropriate to penalize co-operating partners for late submissions.</p> <p>Where food is planned to be delivered and distributed on the same day the requirement is for the co-operating partner to return the distribution report within a maximum of 45 days after distribution. WFP guidance specifies that action should be taken to follow up on all outstanding distribution reports.</p> <p>A decision on whether to take action against a co-operating partner if reports are not provided within three months of delivery cannot be done as a blanket decision, but must take into account the specific circumstances involved.</p> <p>The country office has incorporated this issue into the updated SOPs.</p> <p>As part of the evaluation of transporters, the logistics unit will ensure appropriate action is taken against those transporters who fail to deliver documentation as required by their contracts.</p>		



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	<p>The SOP for the food release notes and land transport instructions (FRNs/LTIs) also highlights the requirement that CPs submit reports within 3 months. Further dispatches will be discontinued if reports are not received within the deadline. The following directives, letters or SOPs are also in place:</p> <ul style="list-style-type: none"> <li>➤ A memo to all WFP CPs in Oct 2009 on the sale and/or exchange of food aid;</li> <li>➤ A letter sent to all CPs informing them that they would be held financially accountable for any discovered misuse of WFP food;</li> <li>➤ An April 2010 SOP on the response to diversions and/or misuse of food aid; and</li> <li>➤ A June 2010 SOP on the response to sale and/or exchange of food aid, including financial responsibility of CPs.</li> </ul>		
<p><b>23.</b> <b>Recommendation 11</b> The country office should work closely and transparently with external stakeholders.</p>	<p>Agreed. The Somalia country office is making every effort to work closely and transparently with external stakeholders. This effort was recognized in the External Auditor's report, which expressed appreciation for the cooperative approach of the current country office team. The specific further actions taken by the Country Director to work more closely with external stakeholders include: interaction with the United Nations Inter-Agency Risk Management Group and its newly appointed coordinator; one-on-one briefing sessions with individual donors; and donor group</p>	<p>Recommendation 11 is deemed complete; see WFP/EB.A/2011/6-I.</p>	



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	<p>round-table briefings.</p> <p>WFP attends inter-agency meetings including those of the Inter-Agency Standing Committee (IASC), the humanitarian country team and the heads of operational agencies at the senior management level.</p> <p>At an operational level, WFP leads the food assistance and logistics clusters and participates in other clusters as a member (e.g. nutrition).</p> <p>WFP helps plan, implement and analyse the seasonal Food Security and Nutrition Analysis Unit assessments and regularly leads or participates in other assessments.</p> <p>WFP participates in the United Nations Somali Assistance Strategy, Somalia Integrated Strategic Framework and the Consolidated Appeals Process.</p> <p>Meetings with individual donors are held monthly. A donor round table was held in March 2011.</p> <p>These activities are part of the country office's regular daily operation.</p>		



External Auditor's recommendations	WFP response/actions taken as at last reporting date	WFP response/actions taken as at present reporting period	External Auditor's comments
<p><b>24. Recommendation 12</b> As the country office is planning heavy investments in monitoring activities, possible results of monitoring and the likely follow-up action for each result should be identified in advance. We are of the view that this exercise will guide the country office to take adequate follow-up action on the findings of monitoring and enable it to derive optimum benefits out of it.</p>	<p>Agreed. The country office has already created standard operating procedures determining how the results of monitoring should be actioned. In addition, as noted in paragraph 29 of the report, the country office will put in place a system to regularly monitor food sold in markets and cross-border movements of food. Taking into account possible actions required by its monitoring, the country office has made significant modifications with a view to building preventive controls into its programmes, making monitoring easier and less costly. For example, WFP CPs are now required to scoop the exact rations for each beneficiary, helping ensure that fewer unopened bags are distributed. The SOP on the response on sale and/or exchange of food aid is an example of specific follow-up action (financial responsibility of CPs for WFP food) to be taken for a specific monitoring result (identified misuse); see recommendation 10.</p>	<p>Recommendation 12 is deemed complete; see WFP/EB.A/2011/6-I.</p>	
<p><b>25. Recommendation 13</b> WFP should put in place systems to collect information and measure existing indicators of outcome and impact. Such findings should be included in the annual Standardized Project Reports.</p>	<p>Agreed. WFP already has a Strategic Results Framework that contains outcome indicators; these are reflected in the project logframe for each approved project. WFP is required to report against the specific output and outcome indicators included in the project logframes contained in the approved project document. The External Auditor's report notes that the</p>	<p>Recommendation 13 is deemed complete; see WFP/EB.A/2011/6-I.</p>	



External Auditor's recommendations	WFP response/actions taken as at last reporting date	WFP response/actions taken as at present reporting period	External Auditor's comments
	<p>project reports for 2009 focus heavily on outputs and that minimal information is available on outcomes.</p> <p>The Somalia country office seeks to measure the outcome-level indicators in the approved emergency operation's logframe. However, these efforts are at times constrained by the limited availability of reliable data from authorities and partners.</p> <p>In situations with emergency needs and considerable operational constraints, as in Somalia, the Secretariat agrees with the country office's prioritization of output indicators, which demonstrate that planned food distribution processes are being followed in terms of the number of people reached and the amount of food distributed, as compared to outcome indicators, which demonstrate that food is having its intended impact.</p> <p>The emergency operation (EMOP) and logical framework follow the WFP Strategic Plan and Strategic Results Framework.</p> <p>All outcomes of the EMOP were reported on in both the 2009 and 2010 Somalia Standardized Project Reports (SPRs). The 2010 SPR shows significant outcomes were achieved as a result of WFP's interventions; for example, the 2010 nutrition situation showed an improvement compared to 2009. Reports from CPs showed a reduced death rate, and improved recovery rate of children benefitting from the supplementary feeding programme.</p> <p>Field reports in 2010 indicated that the emergency school feeding programme improved attendance, reduced drop-out</p>		





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	rates and increased parent and community involvement in education.		
<p><b>26.</b></p> <p><b>Recommendation 14</b></p> <p>(a) The country office should realign its control strategy in favour of preventive controls relating to selection and maintenance of relationship with co-operating partners; preparation of allocation and distribution plans; and identification and registration of beneficiaries.</p>	<p>Agreed.</p> <p>The Secretariat agrees that the country office should further strengthen preventive controls.</p> <p>For those related to selection and maintenance of co-operating partners, this is being done through capacity assessments of co-operating partners and better documentation of the process for selecting partners using a check-list that is now in full implementation (see response to recommendation 9).</p> <p>Allocation plans and distributions have a number of control mechanisms; allocation plans are developed through a consultative process. However the country office will ensure better documentation of changes to both the allocation and distribution plans, as recommended by the External Auditor.</p> <p>The Somalia country office has invested significant time in strengthening its standard operating procedures related to a number of operational aspects, including the identification and registration of beneficiaries.</p> <p>The country office is focused on preventive controls in all of these areas. See Recommendations 9, 18, 19, 20, for updates of the preventive control strategy that has been put in place to address these areas of concern.</p>	<p>Recommendation 14(a) is deemed complete; see WFP/EB.A/2011/6-I.</p>	



External Auditor's recommendations	WFP response/actions taken as at last reporting date	WFP response/actions taken as at present reporting period	External Auditor's comments
<p>(b) The country office should conduct a gap analysis to identify the root cause of the problem before changing procedures and practices. Procedures should be changed only if the existing controls are identified as weak. Greater emphasis should be given on training, frequent reiteration of instructions and disciplinary action to enforce implementation of controls.</p>	<p>Agreed. The Secretariat recognizes the importance of not changing controls that are theoretically sound, simply because they are not being fully or properly implemented. Action will be taken as described in the response to Recommendation 3. The Somalia country office has done a careful analysis of procedures and practices and has increased training for staff and CPs. Corrective actions taken against partners and transporters are clearly documented.</p>	<p>Recommendation 14(b) is deemed complete; see WFP/EB.A/2011/6-I.</p>	
<p>(c) WFP should periodically work out the aggregate cost of all additional controls put in place or planned to be put in place to operate in high-risk areas where their staff have limited access. Such details should also be shared transparently with the donors so that a considered decision could be taken on whether or not to operate in such high-risk areas.</p>	<p>Agreed. As the External Auditor recognizes, this should be done periodically. Based on continuous risk assessment, the country office may propose additional costs of controls involved when they submit the budget revisions and/or new projects/operations for approval to the Executive Board protracted relief and recovery operations (PRROs) or Executive Director and Director-General of the Food and Agriculture Organization of the United Nations. The EMOP and PRRO project and budget revision formats provide adequate guidance to the country office for presenting the justification and nature of budget increases and for pointing out the hazards and risks involved in operating in highly insecure environments. The Somalia country office is assessing the cost of additional controls and plans to present them in its next EMOP in the third quarter of 2011.</p>	<p>Recommendation 14(c) is deemed complete; see WFP/EB.A/2011/6-I.</p>	



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27.	<p><b>Recommendation 15</b></p> <p>(a) Headquarters must prepare a standardized check-list for each functional area, based on OS's inspection check-list, and all future oversight missions of the Regional Bureaux must be undertaken according to the approved check-list.</p>	<p>Agreed.</p> <p>WFP will develop and/or update standardized check-lists for each function for use on regional bureaux oversight missions and as guidance for country offices.</p> <p>i) In the context of the final regional bureaux/Headquarters task force report being released in June, checklists are being updated for each functional area and will be used by regional bureaux oversight missions and by country offices.</p> <p>ii) The Operations Department will remind regional bureaux and Country Directors to use the checklists for oversight missions.</p>	<p>Implementation of recommendation 15(a) is in progress.</p>	
	<p>(b) All mission reports of the Regional Bureaux should be in writing so that the documentation of work undertaken by the mission and their findings are available for future reference.</p>	<p>Agreed.</p> <p>The Secretariat shall ensure that written mission reports are submitted, recommendations acted upon and reports filed for future reference.</p> <p>The need for written reports has been communicated to all regional bureaux, with further clarification that they and the country offices are accountable for follow-up on compliance issues.</p>	<p>Recommendation 15 (b) is deemed complete; see WFP/EB.A/2011/6-l.</p>	
28.	<p><b>Recommendation 16</b></p> <p>The terms of reference of the compliance officer must be reviewed once the systems and procedures are streamlined. Our opinion is that continued hand-holding by the compliance officer should not cause the dilution of accountability of the Country Director and other managers from assuming responsibility for controls.</p>	<p>Agreed.</p> <p>The External Auditor recognizes that the appointment of a Compliance Officer is a good initiative in the short term.</p> <p>The decision to designate a compliance officer was taken by the Executive Director in view of WFP's commitment to its donors as well as the complexity of WFP Somalia operations.</p> <p>Past practice has indeed been to review the continued need for a Compliance</p>	<p>Recommendation 16 is deemed complete; see WFP/EB.A/2011/6-l.</p>	

External Auditor's recommendations	WFP response/actions taken as at last reporting date	WFP response/actions taken as at present reporting period	External Auditor's comments
	<p>Officer as circumstances change: in the Sudan and Afghanistan, Compliance Officer posts have been established and redeployed as needed.</p> <p>Implementation of this recommendation will begin when conditions on the ground permit.</p> <p>Following the April 2011 visit of the Executive Director to Somalia, it was determined that the Compliance Officer was serving an important role and should remain. The Compliance Officer enables the functional managers to achieve their objectives and provides useful advice and guidance on controls. The next review will take place in September 2011, when the Compliance Officer will have completed one year.</p>		
<p><b>29.</b> <b>Recommendation 17</b> Submission of evaluation forms of WFP staff must be monitored more closely at the Headquarters and the country office. Timely reminders must be sent for submission and the forms checked for completeness, with a follow-up to resubmit, if the forms are incomplete. Warnings and disciplinary action must be used as a last resort against persistent defaulters. The management assured us that it is currently working on a project to enhance the Performance and Competency Enhancement (PACE) forms, which will ensure completeness of entries and facilitate quality checks.</p>	<p>Agreed.</p> <p>The Secretariat will add additional controls to the on-line PACE form to ensure completeness of the relevant sections. However, the Secretariat notes that timely reminders on the deadlines in the annual performance appraisal cycle are already provided to managers and staff.</p> <p>Furthermore, managers receive compliance rates by organizational unit, along with information on the actual PACE status of individual staff members.</p> <p>From now on, managers at P5 level and above will also have included as one of their own PACE outcomes the completion of the PACE process for the staff members under their supervision. Lack of diligence in completing the PACE process does not constitute misconduct under WFP Rules, but may be addressed as a performance</p>	<p>Recommendation 17 is deemed complete; see WFP/EB.A/2011/6-I.</p>	



External Auditor's recommendations	WFP response/actions taken as at last reporting date	WFP response/actions taken as at present reporting period	External Auditor's comments
	<p>issue.</p> <p>The Secretariat continues to reinforce the importance of completing the PACE process. In 2011, the Human Resources Division issued a new set of policies on promotion and reassignment of international professional staff which provides for the use of PACE results in career-related decisions. The PACE is also a key tool used in contract extensions and annual within-grade salary increases.</p>		
<p><b>30.</b></p> <p><b>Recommendation 18</b></p> <p>To ensure greater transparency, complete documentation trail to justify the numbers in the final Allocation Plan should be ensured.</p>	<p>Agreed.</p> <p>The Somalia country office will make every effort to have a clear paper trail to substantiate changes to the allocation and distribution plan at all times.</p> <p>Procedures in the Somalia country office have been modified to facilitate a complete documentation trail. Once the allocation plan is finalized and approved, no modifications are made to the spreadsheet. A full documentation trail including notes for the record of every meeting and memos on any changes are compiled so that changes at any stage of the process are transparent. Any modifications must be cleared and endorsed by the Country Director.</p>	<p>Recommendation 18 is deemed complete; see WFP/EB.A/2011/6-I.</p>	
<p><b>31.</b></p> <p><b>Recommendation 19</b></p> <p>The country office should exercise greater rigour in ensuring a paper trail to adequately reflect that the necessary ground changes to the distributions are well documented.</p>	<p>See response to Recommendation 18.</p> <p>Improvements have been made to ensure complete documentation of all changes to distribution plans and of the actual distributions. Country office staff have been trained in the enhanced procedures.</p>	<p>Recommendation 19 is deemed complete; see WFP/EB.A/2011/6-I.</p>	



External Auditor's recommendations	WFP response/actions taken as at last reporting date	WFP response/actions taken as at present reporting period	External Auditor's comments
<p><b>32. Recommendation 20</b> The provisions of the new Standard Operating Procedure relating to issue of ration cards, display of beneficiary entitlements and obtaining acknowledgement of beneficiaries, should be implemented immediately. WFP should explore use of technology (like use of biometric ration cards) on pilot basis in stable regions.</p>	<p>Agreed. Implementation of the new standard operating procedure is underway. A follow-up training with co-operating partners is planned for January 2011 after the first cycle of implementation to share lessons learned. Regarding the use of Biometric ration cards, these have been used on a pilot basis by WFP and the office of the United Nations High Commissioner for Refugees (UNHCR) in refugee camps. After addressing key beneficiary protection concerns with UNHCR, WFP received UNHCR's approval for their use. A review of the lessons learned from these experiences will determine whether this kind of technology can also be piloted in Somalia. Under the new SOPs the following control mechanisms are in place:</p> <ul style="list-style-type: none"> <li>➤ a complete ration is displayed at each distribution site;</li> <li>➤ ration cards are used for all distribution programmes;</li> <li>➤ monthly child screenings are held and registration books kept for each supplementary feeding centre;</li> <li>➤ beneficiaries are required to sign against distribution lists upon receipt of their rations;</li> <li>➤ beneficiary hotline cards are distributed and radio announcements made so that beneficiaries can report immediately if they do not receive a complete ration; and</li> </ul>	<p>Recommendation 20 is deemed complete; see WFP/EB.A/2011/6-I.</p>	



External Auditor's recommendations	WFP response/actions taken as at last reporting date	WFP response/actions taken as at present reporting period	External Auditor's comments
	<p>➤ the programme has shifted from general food distribution (GFD) to more targeted distributions.</p> <p>A series of CP and WFP field staff trainings have taken place on these SOPs and there have been field verification missions by both area office and country office staff.</p>		
<p><b>33.</b></p> <p><b>Recommendation 21</b></p> <p>(a) There should be strict adherence to the timeframe for completion of evaluation of co-operating partners supported with regular supervisory check.</p>	<p>Agreed.</p> <p>The country office will further develop standard operating procedures for the co-operating partner evaluation process.</p> <p>The country office is developing a SOP to better guide the area offices in issues related to CP evaluations. In the meantime, it is expected that CP evaluations be conducted regularly. The current practice is that if a project lasts less than one year, then an evaluation must be done at least once during the project life. If a project lasts more than one year then an evaluation is required every six months. New field-level agreements (FLAs) or extensions of existing FLAs are not processed if the evaluations are not up to date. This check is performed by the country office.</p>	<p>Recommendation 21(a) is deemed complete; see WFP/EB.A/2011/6-I.</p>	
<p>(b) To enhance transparency, the evaluation criteria to be used should be shared with the co-operating partners upfront at the time of finalising the Field Level Agreements.</p>	<p>Agreed.</p> <p>The country office will comply with the recommendation.</p> <p>The CP assessment format is annexed to all FLAs.</p> <p>Assessment criteria include indicators related to distributions, reporting, fund management, logistics management, staffing, coordination, monitoring and proposal preparation.</p>	<p>Recommendation 21(b) is deemed complete; see WFP/EB.A/2011/6-I.</p>	



External Auditor's recommendations	WFP response/actions taken as at last reporting date	WFP response/actions taken as at present reporting period	External Auditor's comments
<p><b>34. Recommendation 22</b> The Implementing and Logistics Unit of the country office together should further analyse and reconcile the reasons for the difference in the pending reports from co-operating partners.</p>	<p>Agreed. Efforts in this regard are already underway (see response to recommendation 25). A monthly reconciliation meeting is now held involving the logistics and programme units to resolve the differences in reports from transporters and CPs. Waybill entries in the Commodity Movement Processing and Analysis System (COMPAS) are compared with CP distribution data from dispatch reports. Monthly reviews of outstanding CP reports are conducted and results are communicated to staff for follow up with CPs.</p>	<p>Recommendation 22 is deemed complete; see WFP/EB.A/2011/6-I.</p>	
<p><b>35. Recommendation 23</b> (a) Till a new system is developed that addresses the weaknesses in COMPAS system, standardised report generating tools should be developed so as to prevent staff from accessing data through the back end.</p>	<p>Not agreed. A corporate project started under WFP's Information Network and Global System II (WINGS II), is underway to build a completely new logistics application – the Logistics Executions System (LES) -- which includes commodity tracking capabilities fully compatible with the corporate platform. The new application is being further developed during 2011 and will be tested later this year. The new system should be progressively implemented from 2012. WFP already uses recognized software to generate reports accessing COMPAS data. Moreover, reporting access to this data is already controlled by limiting staff's access rights. In the circumstances the Secretariat sees no benefit in further investment in reporting tools at this point in time. Testing of the new software to replace</p>	<p>Not agreed.</p>	





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	<p>COMPAS is on track for this year. The design phase of the new system is nearly completed. Pilot countries have been identified and preparation work is underway.</p> <p>The Logistics Division continues to work with the Information Technology Division (ODI) to improve COMPAS access controls and preserve data security and integrity until the new system is ready. Two features to be implemented in the near future are:</p> <p>Database authentication, which enables access to the COMPAS database only through the WFP internal network with authorized access credentials – this requires that every COMPAS user have an operating system account; and control of access to the application to ensure that information is updated using only the COMPAS application.</p> <p>The two features will allow data access to authorized users only via appropriate channels.</p>		
<p>(b) Final distribution point-wise detail of food distributed should be captured in COMPAS for all dispatches to co-operating partners so as to facilitate reconciliation between allocation plan and the actual distribution at the final distribution point.</p>	<p>Agreed.</p> <p>The final delivery point level information is now available. The COMPAS co-operating partner module includes five reporting levels for food distributions – country, sector, sub-sector, location and site – so offices can specify where distributions took place.</p> <p>See initial Secretariat's response.</p>	<p>Recommendation 23 (b) is deemed complete; see WFP/EB.A/2011/6-I.</p>	



External Auditor's recommendations	WFP response/actions taken as at last reporting date	WFP response/actions taken as at present reporting period	External Auditor's comments
<p><b>36. Recommendation 24</b> We recommend that the date of receipt of invoice from transporters and co-operating partners, being the more important control information, should be captured in WINGS II.</p>	<p>Agreed. The Secretariat agrees that the process of receipt and subsequent payment of invoices is very important, both in terms of financial controls and efficient processes, and therefore has instituted the centralization of invoices in Finance with the implementation of WINGS II. The Guidance on the centralization of invoices was promulgated through a Chief Financial Officer Directive (RMFT2010/001). The directive reinforces and addresses the key observation of the External Auditor that improvements in invoice handling processes were both feasible and required. As noted in the External Auditor's report, there has been a significant reduction in the number of invoices outstanding for more than three months, from 268 in February 2010 to 13 in September 2010. The Secretariat considers that the centralization of invoices has been a significant factor in this improvement. The Secretariat will nevertheless explore the potential for capturing the invoice date and the date of receipt of the invoice in WINGS II. In progress. The Treasury and Payments Branch, the Financial System and Processes Support Branch and ODI are working together to determine the most appropriate solution from business and technical perspectives for including the date of invoice receipt in WINGS II.</p>	<p>From 1 July 2011, a new field called "Invoice Receipt Date" is available in the WINGS II accounts payable module to capture the date of receipt of invoices from vendors with a view to improving invoice handling in line with WFP's standard payment terms. Country offices and Headquarters units were informed as to its use and an e-guide was published. The recommendation is deemed complete.</p>	



External Auditor's recommendations	WFP response/actions taken as at last reporting date	WFP response/actions taken as at present reporting period	External Auditor's comments
<p><b>37. Recommendation 25</b> The staff should be trained on the risks associated with end-user computing and on ways to enhance quality of the data. A coordination unit should be set up to take charge of all reconciliation work and to act as a custodian of past data to eliminate chances of discrepancy in data.</p>	<p>Agreed. Significant levels of coordination take place between programme and logistics, although the country office agrees that a more formal process should be put in place and that a review be conducted of existing end-user data management tools to determine overlap. This may not require that a separate unit needs to be formed for this purpose. The focus should rather be on heightened coordination between existing units. A Pipeline Committee has been established in the country office, which is responsible for managing the data and reporting from the beginning to the end of the process. The committee is chaired by the deputy country director (Operations) and includes the head of programme, the head of logistics, the pipeline officer and others as needed. The Pipeline Committee meets every two months and ad hoc meetings are also arranged as required (e.g. when new contributions are received). Regular programme/logistics meetings and various reconciliation processes help to reduce discrepancies. A single source for reporting has been established through the Report Officer. A monthly monitoring and evaluation (M&amp;E) report tracks reconciliation and highlights areas requiring closer attention.</p>	<p>Recommendation 25 is deemed complete; see WFP/EB.A/2011/6-I.</p>	



External Auditor's recommendations	WFP response/actions taken as at last reporting date	WFP response/actions taken as at present reporting period	External Auditor's comments
<p><b>38. Recommendation 26</b>            (a) Several key parameters monitored during distribution monitoring should also be covered during post-distribution monitoring for validation of information and to provide greater assurance. Reasons for significant variations between the two findings should be analysed immediately.</p>	<p>Agreed.            The Secretariat agrees that significant variations between distribution monitoring and post-distribution monitoring should be followed up. The Somalia office already does so; it has set up a database for tracking issues that require verification in the following month's monitoring missions, and will seek to improve its documentation. However, we note that post-distribution monitoring focuses primarily on beneficiary entitlements and on participation and satisfaction of beneficiaries with the services received as part of the programme. Since WFP co-operating partners handle most of the food distribution, the objective of post-distribution monitoring is to ensure that the right beneficiaries have been targeted and registered in the food assistance programme.            Monthly area office reports and monthly M&amp;E reports highlight issues and actions taken or to be taken. The country office maintains an M&amp;E issues tracking matrix to follow up monitoring findings.            The country office uses monitoring results to develop each month's monitoring plan and/or send missions. Any significant variations between distribution monitoring and post-distribution monitoring (PDM) are analysed at that time</p>	<p>Recommendation 26(a) is deemed complete; see WFP/EB.A/2011/6-I.</p>	



External Auditor's recommendations	WFP response/actions taken as at last reporting date	WFP response/actions taken as at present reporting period	External Auditor's comments
<p>(b) In areas where WFP staff have access, normal monitoring should be increased. Alternate monitoring should be an exception in these areas.</p>	<p>Agreed. The country office agrees that alternative monitoring should be focused on areas where WFP staff do not have access. Normal monitoring has been increased throughout Somalia. Alternative monitoring is used when regular monitoring is not feasible owing to insecurity. With the addition of third-party monitoring, monitoring coverage has increased from 36 percent in 2010 to 55 percent in January 2011. Monitoring findings are followed up based on an M&amp;E issues tracking matrix.</p>	<p>Recommendation 26(b) is deemed complete; see WFP/EB.A/2011/6-I.</p>	
<p>(c) A separate report should be prepared containing details of food distributed or such details incorporated in monthly reports of subsequent months.</p>	<p>Agreed. Actual distribution data is dependent on co-operating partner distribution reports, which are often submitted late. The Secretariat agrees that continued efforts are needed to ensure more timely submission of Co-operating Partner Distribution Reports (CPDRs) by co-operating partners. It is working at the corporate level to institute electronic means of CPDR completion and submission. The Secretariat also agrees that actual distribution data, while not available in time for the report of the current month, should be included in the report of the subsequent month. Such reports are prepared weekly. Summary information is communicated in situation reports and Office for the Coordination of Humanitarian Affairs updates.</p>	<p>Recommendation 26(c) is deemed complete; see WFP/EB.A/2011/6-I.</p>	

External Auditor's recommendations	WFP response/actions taken as at last reporting date	WFP response/actions taken as at present reporting period	External Auditor's comments
<b>Report of the External Auditor on Procurement of Landside Transport, Storage and Handling Contracts (WFP/EB.2/2011/5-C/1)</b>			
39.	<p><b>Recommendation 1</b></p> <p>The assumptions used in budget estimations, more particularly the landside transport, storage and handling (LTSH) matrix cost, should be reviewed to better reflect the variations in cost over the life cycle of the operation.</p>	<p>Agreed.</p> <p>ODL is revising its tools to enhance and ensure regular monitoring and updates of the LTSH cost matrix on a quarterly rather than semi-annual basis. Additional guidance on LTSH budgeting will be included in the Transport Manual.</p>	<p>ODL has developed and implemented a monitoring tool for making quarterly verifications of the validity of the LTSH cost matrix and subsequent cost revisions. A memo to regional bureaux and country office logistics officers emphasized the need to adhere to budgeting and fund management principles and provided guidelines on using the tool.</p> <p>The recommendation is deemed complete.</p>
40.	<p><b>Recommendation 2</b></p> <p>WFP must work out a threshold level that will help red flag significant variations in the LTSH rate over the threshold. These cases must be put through a separate review and closer monitoring to avoid accumulation of surplus.</p>	<p>Agreed.</p> <p>ODL recently initiated quarterly LTSH management reports analysing LTSH rate variances by project, including variances between utilization of funds and of commodities, and between planned and actual LTSH rates. The report also indicates LTSH matrices due for revision. Projects with the highest variances (about 10 percent of total) are reviewed more carefully: causes of potential surpluses and deficits are addressed and project LTSH budgets closely monitored.</p>	<p>The recommendation is deemed complete; see WFP/EB.2/2011-C/Add.1.</p>
41.	<p><b>Recommendation 3</b></p> <p>Performance rating of existing transporters should be based on relevant, complete data on the achievement of past contractual obligations.</p>	<p>Agreed.</p> <p>A detailed template for monitoring transporter performance was added to the Transport Manual and country office use of the template is tracked. Logistics training programmes will be amended to emphasize use of the template. Key performance indicators are being developed. Reports on transporter performance will be extracted from LES on a <i>post-factum</i> basis once they have been issued.</p>	<p>Implementation is in progress as outlined in the response provided at the previous reporting date.</p>



External Auditor's recommendations		WFP response/actions taken as at last reporting date	WFP response/actions taken as at present reporting period	External Auditor's comments
42.	<p><b>Recommendation 4</b></p> <p>Requests for quotations (RFQs) should be issued to all shortlisted contractors. Those contractors who repeatedly did not meet past contractual obligations should be removed from the shortlist.</p>	<p>Agreed.</p> <p>Section 3.2.4 of the <i>Transport Manual</i> already provides guidance for the performance evaluation and removal of transporters from the shortlist as appropriate.</p> <p>The Director, ODL will issue a Directive emphasizing that all suppliers on the shortlist must be included in the RFQs and re-emphasizing the importance of removing poorly performing contractors from the shortlist. Compliance with the Directive will be monitored by regional logistics officers and the regional bureaux.</p>	<p>In addition to the guidelines in section 3.2.4 of the <i>Transport Manual</i>, ODL issued the directive on transport contracting in March 2012 (ODL2012/001) stressing the obligation to issue RFQs to shortlisted transporters and to adhere to procedures with regard to transporters not fulfilling their contractual obligations.</p> <p>Regional logistics officers are responsible for ensuring compliance with the directive. The recommendation is deemed complete.</p>	
43.	<p><b>Recommendation 5</b></p> <p>A two-bid system provides for weeding out ineligible contractors on the basis of technical evaluation. The subsequent selection should be based only on the ratings on financial offers alone.</p>	<p>Partially agreed.</p> <p>Section 3.2.5 of the <i>Transport Manual</i> stipulates that offers not meeting the technical requirements in the RFQ are not considered even if they are financially competitive. The financial rating remains the main criteria for awarding contracts among eligible offers. Justification of recommendations with supporting documentation must be submitted in writing to the Local Transport Committee and subsequently to the authority awarding the contract.</p> <p>The Director, ODL will issue a Directive stressing that when a best offer is not the lowest priced offer, specific analyses, explanations and supporting documentation must be submitted to the authority awarding the contract, with copy to the regional logistics officer.</p>	<p>In addition to the procedures in section 3.2.5 of the <i>Transport Manual</i>, ODL issued the directive on transport contracting in March 2012 (ODL2012/001) emphasizing the procedures for awarding contracts and obtaining approval in exceptional cases.</p> <p>The recommendation is deemed complete.</p>	
44.	<p><b>Recommendation 6</b></p> <p>Criteria for evaluation of bid offers should be mentioned in the RFQ for greater transparency.</p>	<p>Agreed.</p> <p>The <i>Transport Manual</i> will be amended accordingly.</p>	<p>Implementation is in progress as outlined in the response provided at the previous reporting date.</p>	



External Auditor's recommendations		WFP response/actions taken as at last reporting date	WFP response/actions taken as at present reporting period	External Auditor's comments
45.	<p><b>Recommendation 7</b></p> <p>Actionable points in the Compliance Mission Review Reports may be identified and monitored and the report submitted to the Committee on Commodities, Transport and Insurance (CCTI).</p>	<p>Partially agreed.</p> <p>WFP fully agrees with the importance of systematic follow-up of compliance mission recommendations. Monitoring mechanisms are being put in place with regional logistics officers as first-level controls and ODL in Headquarters as the second-level control; these will be included in the Transport Manual.</p> <p>CCTI's mandate is to review transport and insurance contracts.</p>	<p>The Secretariat recognized the importance of the systematic approach to implementation of the recommendations of compliance missions and has established a structured process for reporting on points requiring action.</p> <p>Responsibility for monitoring has been established at two levels: controls by regional logistics officers are followed up by ODL.</p> <p>The role of CCTI will remain as it is in the committee's current mandate, and will deal with policy issues concerning transport and insurance contracts.</p> <p>The recommendation is deemed complete.</p>	
46.	<p><b>Recommendation 8</b></p> <p>Efforts must be taken to ensure regular meeting of CCTI.</p>	<p>Agreed.</p> <p>The 2010 backlog of contracts to be reviewed by the CCTI has been cleared. In 2011 three CCTIs have been held so far and one is planned for December.</p>	<p>The recommendation is deemed complete; see WFP/EB.2/2011-C/Add.1.</p>	
<p><b>Report of the External Auditor on Management of Projects (WFP/EB.2/2011/5-D/1)</b></p>				
47.	<p><b>Recommendation 1</b></p> <p>Funds for baseline studies, needs assessment and evaluation, should be set aside and mandatorily utilized. Where felt necessary, corporate funding not linked to project funds, should be provided for these activities.</p>	<p>Agreed.</p> <p>Minimum standards in project design will be emphasized further in programme guidance, including when projects are presented to the Programme Review Committee, and the costs budgeted for needs assessments and evaluations will continue to be reviewed to ensure they are reasonable and appropriate. The Secretariat will explore the establishment of a corporate funding mechanism not linked to projects; examples include thematic funding from donors and prioritization of unearmarked funding.</p>	<p>The Programme Division is establishing a monitoring unit, one of whose tasks will be to review options for financing improvements to monitoring systems at all levels. A vacancy announcement for the chief was issued in January 2011.</p> <p>A comprehensive approach to funding M&amp;E will be presented in the Management Plan (2013–2015) at EB.2/2012.</p> <p>Implementation of the recommendation is in progress.</p>	



External Auditor's recommendations	WFP response/actions taken as at last reporting date	WFP response/actions taken as at present reporting period	External Auditor's comments
	<p>WFP should seek funding for needs assessment and evaluations through existing sources such as the Immediate Response Account funding for preparedness and external sources such as the Bill &amp; Melinda Gates Foundation, among others. Further options to be explored include earmarked funding from trust fund resources.</p>		
<p><b>48. Recommendation 2</b> In view of the time and cost-intensive nature of baseline studies, we recommend an assessment of the extent to which they have informed the decisions on project designs.</p>	<p>Partially agreed. Baseline information is necessary for tracking progress against objectives and indicators. However, assessment of the extent to which baseline studies have informed project design is not seen as an important input. WFP is seeking to enhance monitoring processes at the country level through establishment of COMET, additional staff and partner training, and regular review of indicator validity and effectiveness. Progress has been made, but further investments are required.</p>	<p>Enhancement of country-level monitoring is part of the self-evaluation strategy to be reviewed by the Policy Council. Investments in monitoring already agreed include establishing a dedicated unit and recruiting its chief (Senior Monitoring Specialist), and allocating resources for COMET design. Implementation of the recommendation is in progress.</p>	
<p><b>49. Recommendation 3</b> Needs assessment should be linked closely to the selection of project responses. It should also feed into defining clearly measurable project outcomes. WFP should segregate in the process, the internal and external factors, that can impact achievement of outcomes.</p>	<p>WFP projects are routinely based on assessment findings. As WFP moves from food aid to food assistance, assessment findings are becoming a major component in determining which programme options to implement in each situation, reinforcing the importance of the assessment process. The continued identification and honing of standard output and outcome indicators for activities, and of potential risks in project implementation, underpin WFP's Strategic Results Framework.</p>	<p>The recommendation is deemed complete; see WFP/EB.2/2011/5-D/1/Add.1.</p>	





External Auditor's recommendations		WFP response/actions taken as at last reporting date	WFP response/actions taken as at present reporting period	External Auditor's comments
50.	<p><b>Recommendation 4</b></p> <p>The processes and the delegation of authority be reviewed to identify any bottlenecks that prevent timely project review and approvals.</p>	<p>Agreed.</p> <p>OD will review the levels and potential bottlenecks associated with delegations of authority and will propose any necessary modifications to the Board.</p>	<p>Action will start when the review of delegations by the Budget and Programming Division and the Legal Division is complete.</p> <p>Implementation of the recommendation is in progress.</p>	
51.	<p><b>Recommendation 5</b></p> <p>Once realistically set, the limits in the delegation of authority must be respected and a process established for early identification of potential non-compliance. While we recognize that in a dynamic situation project revisions may be inevitable, frequent revisions may signal a problem and should be reviewed in Headquarters.</p>	<p>Agreed.</p> <p>Proposed budget revisions are reviewed and discussed through the Programme Review Committee mechanism, which allows corporate scrutiny of their validity, and all budget revisions are reported to the Board. The Secretariat ascertains whether individual country offices are undertaking repeated budget revisions, and whether their reasons for doing so are sound. This monitoring is an important part of WFP's programme oversight system, which can be enhanced by taking into account the audit findings.</p>	<p>The recommendation is deemed complete; see WFP/EB.2/2011/5-D/1/Add.1.</p>	
52.	<p><b>Recommendation 6</b></p> <p>We recommend that, in addition to efforts with Top 10 donors, WFP should focus on 11 to 30 countries, investing in new strategic partnerships, particularly with emerging economies. This may not only increase the quantum of contribution but also create a greater sense of ownership of the Programme across a wider base of countries.</p>	<p>Agreed.</p> <p>WFP's resourcing strategy described in "Resourcing for a Changing Environment" (WFP/EB.1/2010/5-B/Rev.1), submitted to the Board for consideration, outlines the focus on new strategic partnerships beyond Organisation for Economic Co-operation and Development/Development Assistance Committee donor countries, such as those involving Brazil, the Russian Federation, India, China and South Africa, Middle Eastern countries, emerging economies, United Nations funds and host countries.</p>	<p>The recommendation is deemed complete; see WFP/EB.2/2011/5-D/1/Add.1.</p>	
53.	<p><b>Recommendation 7</b></p> <p>We recommend that WFP revisit the norms for the use of Emerging Donors Matching</p>	<p>Agreed.</p> <p>WFP is in the process of updating the norms for use of the EDMF.</p>	<p>Implementation of the recommendation is in progress.</p>	

External Auditor's recommendations	WFP response/actions taken as at last reporting date	WFP response/actions taken as at present reporting period	External Auditor's comments
Fund (EDMF) to align it to the current levels of need.			
<p><b>54. Recommendation 8</b></p> <p>We recommend that good practices be used as a starting point to prepare broad guidelines for multiple-scenario prioritization at the regional or Headquarters level, as found suitable.</p>	<p>Agreed.</p> <p>Except for in acute emergency situations, WFP is now systematically aligning its programme plans more closely with reasonable expectations of resources during the programme review and approval processes. WFP will explore the options for multiple-scenario prioritization as part of this enhanced effort.</p>	<p>Design and review of PRROs and development projects have been based on reasonable expectations of resources; several have included planning for multiple scenarios.</p> <p>Implementation of the recommendation is in progress.</p>	
<p><b>55. Recommendation 9</b></p> <p>The method of beneficiary counting should also include measurement of beneficiary days or meal days, which together will provide a sounder basis for determining outcomes and achievements.</p>	<p>Agreed.</p> <p>WFP is piloting the augmented COMET, which will facilitate better tracking of the number of days WFP is feeding beneficiaries – “beneficiary feeding days” – and the number of beneficiaries assisted. Both figures are useful in monitoring outcomes and achievements.</p>	<p>WFP will complete the design of COMET by December 2012, and will include ration days in addition to beneficiary numbers.</p> <p>Implementation of the recommendation is in progress.</p>	



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56.	<p><b>Recommendation 10</b></p> <p>The reasons for delays in project closures and transfer of resources from the old to the new projects should be analysed and guidance provided to make the process timely.</p>	<p>Agreed.</p> <p>The current guidelines – “On Procedures for Project Closure and Resource Transfer” – were last updated in 2007. A working group has been formed to review policies and procedures for project closure and resource transfers in light of recent organizational, business process and information-system changes.</p>	<p>In 2011, project closure alerts were modified to clarify the tasks to be undertaken during closure. Project closure and resource transfers were agenda items at regional meetings in 2011 and will be recommended for 2012 regional meetings to improve understanding in the field of current policies and procedures.</p> <p>The working group has proposed policy and procedural changes to improve the timeliness of closures and transfers; they are being evaluated for compatibility with business process and system changes to be implemented in 2012 in the logistics execution system and the financial framework.</p> <p>Implementation should be complete by 31 December 2012.</p> <p>Implementation of the recommendation is in progress.</p>	
57.	<p><b>Recommendation 11</b></p> <p>We recommend that the timeline for monitoring and evaluation of projects be closely integrated to the project implementation in order to provide an opportunity for mid-term corrections as well provide inputs at the design stage of future projects.</p>	<p>Agreed.</p> <p>Monitoring against the indicators set in project logical frameworks is conducted throughout the project life cycle, to inform both mid-term revisions and future projects. The implementation of monitoring plans has sometimes been constrained by lack of resources; means for addressing this are proposed in recommendation 1 above.</p> <p>The Office of Evaluation is responsible for evaluation only; it agrees that project evaluations should be conducted in ways that ensure they inform new project design. Its country portfolio evaluations aim to inform country strategy and project preparation. However, funding for project evaluations is inadequate, so the Office of</p>	<p>The Programme Division has used meetings of Regional Directors and Country Directors to remind them of their responsibilities for project cycle management, which include timely monitoring and the use of monitoring information in mid-term corrections and subsequent projects. Monitoring systems will be improved through the self-evaluation strategy to be reviewed by the Policy Council; ongoing actions include the establishment of a dedicated monitoring unit and recruitment of its chief (Senior Monitoring Specialist), and financing for the design of COMET.</p> <p>The evaluation policy has a target of 30 operational evaluations annually carried out by the Office of Evaluation and</p>	

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	Evaluation has not undertaken or planned project evaluations for this year or next. The issue is not timing – which is agreed and codified in the Evaluation Quality Assurance System – but funding.	operational units. The Office of Evaluation, which focuses on strategic evaluations, does not have the resources or the structure to meet this target alone. The incoming Director of Evaluation will seek collaboration among divisions to ensure adequate coverage of operations and quality assurance. Implementation of the recommendation is in progress.		
<b>Audited Annual Accounts, 2011 (WFP/EB.A/2012/6-A/1)</b>				
58.	<p><b>Recommendation 1</b></p> <p>A framework for cash forecasting, leveraging on the functionalities in WINGS II, should be developed to enhance the quality of decisions on cash management in WFP.</p>		The Secretariat notes that WFP has low risk tolerance for the management of cash balances because its investment principles prioritize security of funds and liquidity. In view of current low interest rates, WFP can take only limited risks to avoid negative returns. The Secretariat therefore holds a portion of cash balances in bank accounts and money market instruments to contain risks and ensure liquidity in a difficult financial market. On the basis of information about receivables and payables and leveraging WINGS II functionalities, the Secretariat will enhance cash flow forecasting to further improve decision-making on cash management.	
59.	<p><b>Recommendation 2</b></p> <p>WFP should consider the intergration of a resource plan into the planning processes, including Management Plan, and potentially project planning.</p>		The current accounting policy defines WFP's budget as the operational requirements and Programme Support and Administrative proposals in the Management Plan for approval by the Board.  Operational requirements – projects designed with government counterparts and partners on the basis of assessment findings – constitute a needs-based	





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		<p>response plan and an appeal for resources to meet the identified needs. Actual operational activity depends on the level of contributions.</p> <p>The Secretariat recognizes the impact of resource availability on the assessment of project implementation. It will consider options for integrating resource planning into WFP's planning and reporting processes, taking into account the fully voluntary funding model and the requirements of IPSAS 24, Presentation of Budget Information in Financial Statements.</p>	
<p><b>60.</b> <b>Recommendation 3</b> WFP needs to streamline the procedure for collection of timely distribution reports from the co-operating partners and enhance the quality of reconciliation of data on undistributed food lying with the partners</p>		<p>Submission of monthly distribution reports is an obligation of co-operating partners in FLAs. The Secretariat agrees with this recommendation, and will seek to ensure that monthly distribution reports are submitted promptly and reconciled with WFP data.</p>	
<p><b>61.</b> <b>Recommendation 4</b> WFP should lay down a clearly articulated policy for accounting of undistributed food with government partners that also distribute food. This policy should be consistent with the policy on expensing of aid (food, cash and vouchers).</p>		<p>The treatment of undistributed food commodities held with government counterparts that also distribute food is due primarily to the high degree of influence or control WFP maintains over the commodity management once the food commodities have been handed over to the government counterpart. The Secretariat will review the rationale behind this different treatment in line with its existing inventory accounting policy.</p>	
<p><b>62.</b> <b>Recommendation 5</b> We recommend a consolidation to capture and catalogue on one platform all the recommendations flowing from the different streams – internal audit, external audit and evaluation reports.</p>		<p>The Secretariat agrees with the recommendation and will review options to consolidate the tracking of internal and external audit recommendations and evaluation review recommendations, in consultation with the respective functions.</p>	

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63	<p><b>Recommendation 6</b></p> <p>A six-monthly review of the action taken to implement the recommendations and consultations with the External Auditor may be institutionalised.</p>		<p>The Secretariat agrees with the recommendation and will, in consultation with the External Auditor, review every six months the actions taken by WFP to implement external audit recommendations. This will be in addition to annual progress reviews reporting at the Board's annual sessions.</p>	

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## ACRONYMS USED IN THE DOCUMENT

CCTI	Committee on Commodities, Transport and Insurance
COMET	Corporate Monitoring and Evaluation Tool
COMPAS	Commodity Movement Processing and Analysis System
COSO	Committee of Sponsoring Organizations of the Treadway Commission
CP	co-operating partner
CPDR	Co-operating Partner Distribution Report
EDMF	Emerging Donors Matching Fund
EMC	Executive Management Council
EMOP	emergency operation
FLA	field-level agreement
IPSAS	International Public Sector Accounting Standards
ISMS	Information Security Management System
LES	Logistics Execution System
LTSH	landside transport, storage and handling
M&E	monitoring and evaluation
MAP	moving average price
ODI	Information Technology Division
ODL	Logistics Division
OS	Inspector General and Oversight Office
PACE	Performance and Competency Enhancement (programme)
PRRO	protracted relief and recovery operation
RFQ	request for quotations
RM	Resource Management and Accountability Department
RMFFG	General Accounts Branch
RMP	Performance and Accountability Management Division
SMCA	Strengthening Managerial Control and Accountability
SOP	standard operating procedure
SPR	Standardized Project Report
UNHCR	United Nations High Commissioner for Refugees
WINGS II	WFP Information Network and Global System II