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RESOURCE, FINANCIAL AND BUDGETARY MATTERS

Agenda item 6

For consideration



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PROGRESS REPORT ON THE IMPLEMENTATION OF THE EXTERNAL AUDITOR RECOMMENDATIONS



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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.

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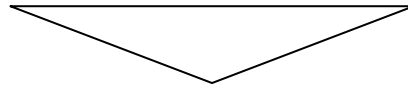
Should you have any questions regarding matters of dispatch of documentation for the Executive Board, please contact Ms I. Carpitella, Administrative Assistant, Conference Servicing Unit (tel.: 066513-2645).

* Resource Management and Accountability Department

** Financial Reporting Service

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DRAFT DECISION*



The Board takes note of “Progress Report on the Implementation of the External Auditor Recommendations” (WFP/EB.A/2010/6-H/1).

* 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. The Executive Director is pleased to submit this report, which shows the progress in implementing recommendations made by the External Auditor. It covers recommendations that were outstanding at the Annual Session of the Board in 2009 and recommendations made since that session in the following audit reports:
 - “Report of the External Auditor on the Strategic Planning and Reporting at a WFP Country Office – Uganda” (WFP/EB.1/2010/6-D/1);
 - “Report of the External Auditor on the IPSAS Dividend: Strengthening Financial Management” (WFP/EB.1/2010/6-E/1);¹ and
 - “Audited Annual Accounts, 2009” (WFP/EB.A/2010/6-A/1).
2. It also includes the External Auditor’s comments on relevant action taken by the Secretariat by or during the reporting period.
3. The following matrix summarizes those recommendations outstanding at the last reporting date and provides an update on recommendations implemented during the reporting period.

Audit report	Report date	Outstanding Audit Recommendations ²	Recommendations completed to date	Percent complete
Upgrade of the WFP Information Network and Global System (WINGS)	May 2005	1	1	100
Has Decentralisation Met the World Food Programme’s Operational Needs?	September 2007	1	0	0
Managing for Results: A Second Review of Progress in Implementing Results-Based Management	September 2008	3	0	0
Report of the External Auditor on Preparedness for IPSAS and WINGS II	January 2009	3	1	33
Audited Annual Accounts, 2008	April 2009	8	7	88
Report of the External Auditor on Strategic Planning and Reporting at a WFP Country Office – Uganda	February 2010	8	3	38
Report of the External Auditor on the IPSAS Dividend: Strengthening Financial Management	February 2010	3	2	67
Audited Annual Accounts, 2009	June 2010	11	2	18
Total		38	16	42

¹ IPSAS stands for International Public Sector Accounting Standards.

² Also includes recommendations reported since the 2009 Annual Session of the Board.

PROGRESS REPORT ON THE IMPLEMENTATION OF THE EXTERNAL AUDITOR RECOMMENDATIONS

External Auditor recommendations	WFP response/Actions taken as at last reporting date	WFP response/Actions taken as at present reporting period	External Auditor's comments
Upgrade of the WFP Information Network and Global System (WFP/EB.A/2005/6-B/1/Rev.1)			
<i>User system ownership and acceptance testing procedure</i>			
<p>1. Recommendation 8</p> <p>To enable a results-based assessment of the effectiveness by which the upgrade meets its objective to reduce overall maintenance costs, we recommend that WFP consider the: quantification of the costs savings expected from reduced Headquarters resource requirements arising from the upgrade and planned outsourcing of activities currently completed in-house; and preparation of a specific target for cost reduction in system maintenance against which the upgrade can be assessed.</p>	<p>The SAP coverage of WFP's business processes has been significantly increased and so the costs of future maintenance and upgrade of the information system will need to be reviewed. However, it is anticipated that increases in SAP maintenance should eventually be offset by reductions in costs of legacy systems as they are discontinued.</p>	<p>System maintenance costs have been assessed, and currently reflect a slight increase in the overall maintenance cost of the fully integrated enterprise resource planning (ERP) system despite a reduction in the application maintenance costs of in-house and legacy applications.</p> <p>This is attributable to the increased coverage of WFP's business processes through a more robust, less customized and fully integrated information system.</p> <p>This recommendation is considered completed.</p>	<p>We note the Secretariat's comments, and the commitment covered later in this report, that an assessment of the value achieved from WINGS II will be completed in 2010.</p> <p>We expect that, as a matter of principle, the Secretariat should ensure that expected cost savings are quantified at the planning stage of all future projects, and then monitored as implementation is completed.</p>
Has Decentralisation Met the World Food Programme's Operational Needs? (WFP/EB.2/2007/5-C/1)			
<i>Adequacy of guidance on oversight and management responsibilities</i>			
<p>2. Recommendation 2</p> <p>We recommend that the Secretariat develop improved management oversight frameworks, agreed between regional bureaux and country offices and reviewed by the</p>	<p>The Secretariat has undertaken discussions with concerned managers and preparatory work is being undertaken to review existing guidelines on management oversight framework, in line with the audit recommendation.</p> <p>The Secretariat has undertaken the necessary background work and consultations to clarify the</p>	<p>The Secretariat has reflected the roles of country offices, regional bureaux and Headquarters in the Management Plan (2010–2011). The first draft of a detailed study, which proposes refining roles and responsibilities regarding implementation and support of operations, has been</p>	<p>We have confirmed that the Secretariat is taking action on our recommendation in part through the Committee of Sponsoring Organizations of the Treadway Commission (COSO) project and the financial framework review (see WFP/EB.1/2010/6-E/1).</p>



External Auditor recommendations	WFP response/Actions taken as at last reporting date	WFP response/Actions taken as at present reporting period	External Auditor's comments
<p>Oversight Services Division (OSD),³ which:</p> <p>(i) Better clarify consistent responsibilities for management oversight of regional and country operations; and</p> <p>(ii) Maintain an appropriate and independent management oversight of regional projects.</p>	<p>respective roles of Headquarters, regional bureaux and country offices in implementation of and support to operations. The respective roles and responsibilities will be reflected in the Management Plan (2010–2011).</p>	<p>circulated to WFP Regional Directors for comments and recommendations.</p>	
Managing for Results: A Second Review of Progress in Implementing Results-Based Management (WFP/EB.2/2008/5-B/1)			
Setting objectives, outcomes, outputs and indicators			
<p>3. Recommendation 2</p> <p>The Executive Board and Secretariat could consider devising Management Objectives that feed into specific Strategic Objectives, for example by incorporating them into the new level of objectives described in Recommendation 1.</p>	<p>In view of the complexity of linking Management Objectives to particular Strategic Objectives, the Secretariat intends to redefine the current Management Objectives to align them with the results measurement system being developed for the Strategic Results Framework (2008–2011) mentioned above.</p> <p>Internal consultations are being held on the formulation of Management Objectives, with a view to compiling the Management Plan (2010–2011); the latter will be presented at the Second Regular Session of the Board in November 2009.</p>	<p>A new performance management framework has been approved, including both strategic and management results. Five management dimensions have been defined and management results with related performance indicators have been developed for each. Current work is focused on refining these management dimensions by levels and developing management results and related indicators for Headquarters, regional bureaux and liaison offices by the end of September 2010. This will strengthen the Secretariat's ability to gauge management results at various levels and further improve the indicators.</p>	<p>We welcome the action that has been taken by the Secretariat to address our recommendation.</p>



³ The WFP organizational acronyms have since changed.

External Auditor recommendations	WFP response/Actions taken as at last reporting date	WFP response/Actions taken as at present reporting period	External Auditor's comments
Measuring and reporting performance against objectives, outcomes and outputs			
<p>4. Recommendation 5</p> <p>The Secretariat has made improvements to the performance monitoring of projects since the introduction of Standardized Project Reports (SPRs) but it may wish to consider taking further steps to improve the monitoring of outcomes.</p>	<p>The Secretariat recognizes the need to improve project performance monitoring and outcome measurement. Ongoing work to refine the monitoring and evaluation (M&E) toolkits includes provision for results measurement. Harmonization of assessment and vulnerability-analysis tools will continue with a view to improving outcome measurement and reporting in SPRs. The Secretariat is collaborating with United Nations agencies and partners to develop methods for collecting outcome data and documenting progress on the outcomes of multi-agency interventions.</p> <p>The modifications in the Data Collection Telecoms Application (DACOTA) architecture for data collection will be made during the last quarter of 2009 in line with the 2009 reporting schedule.</p> <p>Ongoing M&E capacity-building efforts will be provided to country offices and regional bureaux through formal, informal and on-the-job training, bilateral discussions and field missions during 2009. Guidance notes on outcome measurement, monitoring and reporting will be issued in the third quarter of 2009.</p>	<p>The outcome measurement implementation strategy for operations was discussed and disseminated to regional bureaux and country offices at the end of 2009. Implementation of this strategy will optimize the scarce resources available for measuring outcome-level results.</p> <p>Performance management frameworks and practices from other United Nations agencies were considered and a WFP performance management framework was approved by the Executive Director in February 2010.</p> <p>Improvements to DACOTA in 2009 improved the quality of SPRs, including reporting on outcome indicators.</p> <p>Training in reporting on output and outcome indicators – especially the new indicators of the Strategic Results Framework (SRF) – was provided to regional bureaux along with training in SPRs in late 2009. New guidance on outcome measurement was issued in the last quarter of 2009.</p>	<p>The response to our recommendation illustrates the actions being taken by the Secretariat to address our recommendation and improve the monitoring of outcomes.</p>
Next steps			
<p>5. Recommendation 11</p> <p>Senior management of the Secretariat may wish to take further steps to clearly demonstrate to staff their continued commitment to results-based management, for example by:</p> <ul style="list-style-type: none"> • rewarding achievement of results; • updating the results-based management documents; 	<p>The Secretariat cannot implement pay for performance in the current United Nations Common System, but it will continue to recognize and reward achievement of results through the Annual Merit and Efficiency Award for staff, teams and offices.</p> <p>The proposed implementation timeframe is:</p> <ul style="list-style-type: none"> • December 2008: issue of the Executive Director's circular on RBM and reconstitution of the RBM task managers and focal points network • First quarter of 2009: update of the 	<p>The Performance and Accountability Management Division (RMP) was established in December 2008. In April 2009, it was incorporated in the Resources Management and Accountability Department. The division's strategy document outlines the vision, objectives, expected results and activities to be implemented during 2010–2013 to embed performance management practices in WFP. RMP continues to provide technical support and training to staff and managers at Headquarters and in the field.</p>	<p>We recognise the action that has been taken to resolve the complexity of issues involved in implementing RBM.</p>



External Auditor 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</p> <ul style="list-style-type: none"> continuing to make use of the expertise built up in the Results-Based Management (RBM) division by setting up a formal network of RBM experts across WFP. 	<p>RBM Orientation Guide</p> <ul style="list-style-type: none"> Last quarter of 2009: issue of updated work planning and performance review guidelines and tools. <p>Country offices and regional bureaux have nominated RBM task force and focal points and they will form part of a group of RBM experts across WFP.</p> <p>The work plan template for country offices has been amended to bring it in line with the Strategic Results Matrix for 2008–2011. Completion of the revision of the RBM orientation guide and the work plan template for Headquarters divisions and regional bureaux is pending finalization of the management results framework.</p>	<p>Rather than re-constituting the previous RBM task managers and focal points, RMP proposed a network of “performance and risk management champions” in response to recommendations arising from the division’s recent work to strengthen risk management. This proposal is in line with WFP’s new performance management framework, which includes effective risk management.</p> <p>The issuance of an Executive Director circular on RBM was delayed pending a review of performance management in other United Nations agencies and the public and private sectors in order to learn from best practices. As a result of the review, RMP created a performance management framework specifically for WFP. This framework has been approved and the Executive Director circular will be issued in the second half of 2010.</p> <p>The RBM orientation guide and work-planning templates are being updated to reflect the new performance management framework; this work will be completed by the end of 2010.</p>		
<p>Report of the External Auditor on Preparedness for IPSAS and WINGS II (WFP/EB.1/2009/6-D/1)</p>				
<p>Preparedness for IPSAS</p>				
<p>6.</p>	<p>Recommendation 2</p> <p>We believe WFP should revisit their decision not to assess the savings arising from the introduction of WINGS II and capture information at a</p>	<p>During March 2009, the approach for the assessment of benefits was discussed by the WINGS II project steering committee.</p> <p>It was proposed that the indicators to be used to assess the benefits of WINGS II be defined before go-live, in consultation with the Performance and</p>	<p>The project steering committee recommended that it would be more appropriate to assess the value of investment in WINGS II against clearly established indicators rather than against divisional or process-specific ones.</p>	<p>We welcome the commitment by the Secretariat to review the value achieved from WINGS II in 2010 so as learn from experience of its operation, and report the results in the 2010 Annual Performance Report (June 2011).</p>



External Auditor recommendations	WFP response/Actions taken as at last reporting date	WFP response/Actions taken as at present reporting period	External Auditor's comments
<p>sufficient level of detail to demonstrate that the project expenditure represents money well spent.</p>	<p>Accountability Management Division (OEDAM) and the Office of Evaluation (OEDE).⁴ The framework and indicators defined will be shared with the Board in due course.</p>	<p>This assessment will take place at the end of 2010, when WINGS II will have been operational for a full year. The assessment will be coordinated by RMP, and the results reported in the 2010 Annual Performance Report (APR).</p>	
<p>7. Recommendation 3 WFP needs to establish a clear and costed timetable for the implementation of the elements of WINGS II which are currently deferred. This action is necessary to support improved efficiency and a sound level of internal financial control for the future.</p>	<p>Under IPSAS, the cost of the WINGS II as an asset will be capitalized. The Secretariat plans to make a yearly investment, representing a certain percentage of the cost of this asset, to maintain and upgrade it. The Secretariat plans to introduce a limited set of functionality improvements through annual editions of WINGS II.</p> <p>The improvements that were deferred from the initial WINGS II go-live scope will have priority for the 2010 and subsequent editions, especially the deferred improvements that improve internal financial controls and operational efficiency. However, their priority will have to be weighed against new business requirements that may have arisen in the meantime.</p> <p>The Secretariat will implement certain functionality improvements starting in 2010.</p>	<p>WFP has established a new governance structure, the Management Information Systems Coordination Committee (MISCC), and a process for reviewing and prioritizing new business initiatives.</p> <p>This structure will ensure that the business requirements for information technology (IT) projects are adequately evaluated, prioritized and that those with the most value to WFP are implemented.</p> <p>The improvements that were deferred from the 2009 Edition will be reviewed and discussed at the next meeting of MISCC together with needs that have arisen since 2007.</p> <p>In 2010, WFP is committed to implementing the pilot to replace its Commodity Movement Processing and Analysis System (COMPAS) with the SAP logistics execution system module, which is already funded with US\$1.5 million (see response to Recommendation 4).</p> <p>This recommendation is considered completed.</p>	<p>The Secretariat have addressed the recommendation and are taking action in the context of the developing business needs of WFP.</p>



⁴ The WFP organizational acronyms have since changed.

External Auditor recommendations		WFP response/Actions taken as at last reporting date	WFP response/Actions taken as at present reporting period	External Auditor's comments
8.	<p>Recommendation 4</p> <p>Urgent attention is needed to implement the planned improvements to the systems for the control and valuation of commodities.</p>	<p>Solution for go-live:</p> <p>As at March 2009, user validation testing of the solution was in progress. This involves end-to-end testing of the integrated solution within an environment that includes data migrated from the current systems.</p> <p>Full SAP solution:</p> <p>The Secretariat has no further actions for the full SAP solution planned until after go-live.</p>	<p>The current interim solution, which went live with the rest of the new system, is fully functional and capable of valuating commodity inventories at any point in time.</p> <p>Following go-live, additional technical modifications were made to the solution, ensuring its stability and functionality until the full SAP solution is implemented.</p> <p>The Secretariat is preparing to test the full SAP solution – the Logistics Execution System. A project plan and timetable are being drafted with the aim of starting the project in May 2010.</p>	<p>We welcome the commitment to implement the full SAP Logistics Execution System.</p>

External Auditor recommendations	WFP response/Actions taken as at last reporting date	WFP response/Actions taken as at present reporting period	External Auditor's comments
Audited Annual Accounts, 2008 (WFP/EB.A/2009/6-A/1)			
Changes arising from IPSAS			
<p>9. Recommendation 1</p> <p>We recommend that WFP take account of the information provided in the financial statements in reviewing and managing the performance of the Programme's investment portfolio, updating the Investment Guidelines, and monitoring the disposal of the legacy investments.</p>	<p>The financial markets' crisis and related extreme risk-aversion caused realized and unrealized losses to exceed interest income during 2008. The under-performance of the external investment managers in the very difficult market environment was due primarily to unrealized losses in the short-term investment portfolios. The Secretariat wishes to point out that all investments made by the Programme are in full compliance with WFP's investment policy.</p> <p>While investment performance over the medium term has been quite positive, the volatility faced in 2008 has forced the Secretariat to adopt a number of measures outlined below. In the Management Plan update for the 2009 First Regular Session (WFP/EB.1/2009/6-A/1/Corr.1), the Secretariat informed the Board that the following actions were taken to limit the risk profile of the short-term investments:</p> <ul style="list-style-type: none"> ➤ termination of the contract of the investment manager responsible for the largest proportion of under-performance holdings; ➤ reduction in the size of the short-term investment portfolio and correspondingly increased money market holdings; and ➤ adoption of more conservative investment guidelines. <p>Certain asset classes that suffered the losses (primarily housing-related asset-backed and mortgage-backed securities, which were all rated AAA at time of purchase) and therefore no longer comply with WFP's investment policy are being disposed of gradually when market liquidity arises. At 30 April 2009, the legacy securities accounted for only 7 percent of the cash and short-term investments, compared with 11 percent at the end 2008; the proportion of cash and cash equivalents</p>	<p>The Secretariat has undertaken the following actions to implement this recommendation:</p> <ul style="list-style-type: none"> ➤ In September 2009, the Executive Director issued a revised investment policy and guidelines for WFP's liquidity portfolio. ➤ At the Board's Second Regular Session in November 2009, a report was submitted on WFP's investment policy and guidelines, including actions taken to reduce the risk profile of WFP investments (WFP/EB.2/2009/5-F/1). <p>The legacy portfolio was reduced from US\$136.7 million at 31 December 2008 to US\$45.2 million at 31 December 2009. This constitutes less than 3 percent of cash and short-term investment balances at the end of 2009.</p> <p>This recommendation is considered completed.</p>	<p>The Secretariat has addressed our recommendation.</p>





External Auditor recommendations	WFP response/Actions taken as at last reporting date	WFP response/Actions taken as at present reporting period	External Auditor's comments
	<p>to short-term investments was 74 percent to 26 percent, compared with 68 percent to 32 percent at the end of 2008. The economic and financial market outlook remains uncertain and interest rates are near zero; however, the risk profile of the short-term investment has been reduced significantly and the overall investment return for the first four months of 2009 is slightly positive.</p>		
<p>10. Recommendation 2 Now that the financial statements report reliable information on the quantity and value of food commodities held at 31 December, WFP may wish to use this information to confirm that the amounts held were appropriate for the effective discharge of the Programme's responsibilities.</p>	<p>The overall level of stocks held by WFP at 31 December 2008 was 1.6 million mt, which represents 4.7 months of the food commodities required to sustain WFP operations. The average lead time between purchase and delivery of food commodities is 138 days or 4.6 months.</p> <p>To avoid pipeline breaks and mitigate food shortages, WFP pre-positions food in warehouses at various locations. These warehouses are mainly in countries where the food-insecurity level is very high and where moving food takes a long time. Of ten countries sampled by the External Auditor, representing 65 percent of WFP stocks, eight were in such countries.</p> <p>Considering the average lead time between the purchase and delivery of food and the need to pre-position food at unsecured locations, the Secretariat deems the level of stocks on hand at the end of 2008 to have been appropriate. The Secretariat will continue to monitor food procurement to improve lead times in the procurement process and ensure that appropriate stock level is maintained.</p>	<p>With the implementation of WINGS II in July 2009, the Secretariat is in a better position to determine its stock levels at any point in time. At the end of 2009, the overall level of stocks held by WFP was 1.4 million mt, representing three to four months of the food required to sustain WFP operations at the projected 2010 level.</p> <p>The Secretariat considers that the stock level at the end of 2009 was appropriate, taking into account the average lead time between the purchase and delivery of food to beneficiaries, and the need to pre-position food at unsecured locations.</p> <p>This recommendation is considered completed.</p>	<p>We welcome the actions taken to determine the appropriate level of food inventory.</p>



External Auditor recommendations	WFP response/Actions taken as at last reporting date	WFP response/Actions taken as at present reporting period	External Auditor's comments
<p>11. Recommendation 3</p> <p>Noting that the balance of cash and investments held at the end of the year stood at US\$ 1.6 billion reflecting the growth in the level of operations of the WFP in 2008, we recommend that WFP confirm that the level of cash holdings remains appropriate to the Programme's needs, and how these funds will be utilised in the future.</p>	<p>The Secretariat appreciates the recommendation of the External Auditor on WFP's cash balances and the increase of US\$220 million in 2008, an increase of approximately 15 percent over the cash balance level at the end of 2007. It stresses that included in the cash balances are long-term investments earmarked to fund a portion of employee benefit liabilities and other long-term liabilities. Of the total cash and short-term investments of US\$1.4 billion, US\$1.2 billion relates to programme categories and bilaterals, with the balance of US\$200 million related to the General Fund and special accounts.</p> <p>As mentioned under recommendation 5 below, WFP's total revenue for 2008 was US\$5 billion, 70 percent higher than the 2007 revenue of US\$2.9 billion, with cash balances increasing 15 percent.</p> <p>The External Auditor rightly pointed out in his report that at the end of 2008 WFP had US\$970 million in cash and cash equivalents, reflecting the Secretariat's expectation of disbursements required in the short term to meet operational needs. There were also the short-term investments of US\$458 million earmarked to fund future programme and support costs, which would be liquidated to fund WFP activities. At the end of 2008, WFP had current payables of US\$613 million and nearly the same level of open purchase orders at US\$600 million. It is expected that these payables will be settled gradually during 2009 with the current cash level augmented by cash receipts during 2009.</p> <p>The Secretariat considers the cash level of WFP as reported in the 2008 accounts to be appropriate. While the level at the end of 2008 was slightly higher than at the end of the previous year, the cash balances will be used to meet the operational requirements of WFP.</p>	<p>The cash balance (cash and short-term investments) at 31 December 2009 was US\$1.7 billion – an increase of US\$312 million over 2008. The increase in 2009 was the result of large revenues received in 2008 and 2009, and is consistent with the increased level of WFP operations for those periods.</p> <p>At the end of 2009, WFP's current payables and commitments totalled US\$1.2 billion; these are expected to be settled during 2010, with new commitments and payables augmented by cash receipts during 2010.</p> <p>The Secretariat believes the cash holdings are appropriate for WFP's needs and confirms that the total cash balances will be used to meet increased operational requirements.</p> <p>This recommendation is considered completed.</p>	<p>We recognise that the level of cash holdings must reflect short-term cash needs to meet payables as they fall due. Any liquid resources above this amount should be invested in accordance with WFP's investment guidelines. We observe that while holding cash at call has little or no risk, the investment returns are commensurately low.</p>



External Auditor recommendations	WFP response/Actions taken as at last reporting date	WFP response/Actions taken as at present reporting period	External Auditor's comments
<p>12. Recommendation 4 In considering the financing of liabilities for staff benefits, and noting that the existing liabilities are already fully funded through the General Fund, we recommend that WFP actively manage the financing options.</p>	<p>The Secretariat is committed to the full funding of employee-benefit liabilities.</p> <p>During the Annual Session of the Board in 2008, noting that WFP had fully recognized employee-benefit liabilities from the end of 2007, the Secretariat presented four options for achieving full funding of the liabilities.</p> <p>Preliminary indications are that the most appropriate option is to include an amortization amount in the Management Plan or in standard staff costs. The Secretariat continues to study the options before presenting its recommendation to the Board.</p>	<p>In the second update on the Management Plan (2010–2011), which will be presented during the 2010 Annual Session of the Board, the Secretariat has put forward proposals for the Board's approval on how the unfunded portion of employee-benefit liabilities will be funded.</p> <p>This recommendation is considered completed.</p>	<p>The Secretariat has appropriately reviewed staff benefit funding options in response to our recommendation leading to the funding proposals to be discussed at this Annual Board Meeting.</p>
<p>13. Recommendation 5 Noting the substantial surplus reported by WFP for 2008, and accepting the necessary delay between funding and expenditure, we recommend that WFP review the extent to which balances and surplus need to be held against future expenditure.</p>	<p>The External Auditor has appropriately described the underlying reasons for the US\$1.4 billion surplus reported by the Secretariat in the 2008 financial statements; there is often a time lag between the confirmation and spending of a contribution.</p> <p>Contributions for 2008 amounted to an unprecedented level of over US\$5 billion. Of this, over US\$1 billion was attributable to WFP's appeal to address high food and fuel prices.</p> <p>With the adoption of IPSAS in 2008, certain transactions that were treated as expenses are now capitalized, such as inventories and fixed assets. At the end of 2008, these items had a combined value of US\$1.1 billion.</p> <p>Concerning the principle of expense recognition on the basis of delivery: purchase orders issued by WFP where deliveries were not made by the end of 2008 will be charged against the surplus when deliveries are made. At the end of 2008, outstanding purchase orders were valued at US\$600 million.</p> <p>In addition, the average lead time for contributions (explained earlier) means that contributions received after August in a given year is generally spent in the following year; these form part of the surplus balance at the end of the year.</p>	<p>In its initial response to the audit recommendation, the Secretariat indicated that the large surplus reported in 2008 was a result of the time lag between the confirmation and use of the contribution.</p> <p>Also contributing to the large surplus were the major changes brought about by IPSAS, including the capitalization of inventories and fixed assets, and recognition of expenses when goods and services are delivered to WFP. Only when these inventories are expensed, or goods or services are received, will there be a corresponding reduction in WFP's accumulated surpluses. In addition, WFP received an unprecedented level of contribution revenue – US\$5 billion – in 2008.</p> <p>As reflected in the 2009 audited accounts, the accumulated surpluses at the end of 2009 totalled US\$3.8 billion, of which US\$3 billion were for core operational activities and represented approximately seven months of operational requirements. The surplus for that year was US\$145.2 million. The decrease in surplus (in relation to the 2008 surplus of US\$1.4 billion) was a result of a decrease</p>	<p>The Secretariat has appropriately addressed the recommendation.</p>

	External Auditor recommendations	WFP response/Actions taken as at last reporting date	WFP response/Actions taken as at present reporting period	External Auditor's comments
			<p>in revenue (US\$833 million) and an increase in the expense (US\$658 million) because of increased operational activity in that period. During 2009, 4.8 million mt of food was distributed compared to 3.9 million mt in 2008. The Secretariat confirms that WFP's fund balances and surplus are held to meet future expenditures.</p> <p>This recommendation is considered completed.</p>	
14.	<p>Recommendation 6</p> <p>To support transparency and best practice in financial reporting, we recommend that in future WFP disclose separately the senior staff remuneration and benefits applicable to the Executive Director and each of the Deputy Executive Director posts.</p>	<p>The current presentation of key management personnel remuneration is in accordance with the required disclosure under IPSAS. Additional disclosure over and above the IPSAS requirements need to be discussed with the rest of the United Nations agencies as the recommended disclosure may need to be uniformly adopted by all agencies.</p> <p>In the preparation of the 2008 financial statements, the Secretariat's main goal was to ensure full compliance with IPSAS. The Secretariat also reviewed disclosures made on this subject by several public sector entities that had adopted IPSAS and arrived at the conclusion that the public sector had not adopted a uniform practice of presenting related party disclosures in its financial statements.</p>	<p>Section 34 of IPSAS 20 on related party disclosures requires that an entity disclose the aggregate remuneration of management personnel and the number of individuals, showing major classes of management personnel and including a description of each class.</p> <p>In preparing the 2009 accounts, the Secretariat followed the same criteria used in preparing the first IPSAS-compliant financial statements in 2008. The related party disclosure made in 2008 was fully compliant with Section 34 of IPSAS 20. If the United Nations adopts a common practice for presenting disclosures on related parties in addition to what is required under IPSAS, the Secretariat will ensure that the same approach is adopted by WFP. Pending such action, the Secretariat will continue its current practice.</p> <p>This recommendation is considered completed.</p>	<p>We reiterate our view that to support transparency and best practice in financial reporting, WFP disclose separately the senior staff remuneration and benefits applicable to the Executive Director and each of the Deputy Executive Director posts.</p>





External Auditor recommendations	WFP response/Actions taken as at last reporting date	WFP response/Actions taken as at present reporting period	External Auditor's comments
Recommendations made by the External Auditor in previous reports			
WINGS II			
<p>15. Recommendation 7 In following up our earlier report on the implementation of the WINGS II system, we recommend that the Secretariat should:</p> <ul style="list-style-type: none"> ➤ Demonstrate the value of the investment in the WINGS II system by preparing an assessment of estimated savings, and then tracking the savings actually realised; and ➤ Prepare a timetable for the implementation of those elements of WINGS II functionality postponed until after the main implementation date. 	<p>Please see responses to recommendations 2 (item 8) and 3 (item 9) above.</p>	<p>Please see the responses to Recommendations 2 and 3 above ("Report of the External Auditor on Preparedness for IPSAS and WINGS II") (WFP/EB.1/2009/6-D/1).</p>	<p>As commented above.</p>
Fraud, ex gratia payments, amounts written off and losses			
<p>16. Recommendation 8 To improve transparency, we recommend that in future, the Secretariat include in the financial statements a comprehensive note on losses and special payments, showing as a minimum the amounts written-off in a year.</p>	<p>The Secretariat accepts the recommendation of the External Auditor and will ensure that with effect from 2009, a comprehensive notes disclosure on losses and special payments, including amounts provided and written off in a year, will be incorporated in the financial statements. The contents and format of the notes disclosure will be discussed with the External Auditor.</p>	<p>The 2009 financial statements include a comprehensive note on losses, <i>ex gratia</i> payments and write-offs in line with the provisions of WFP Financial Regulation 12.3 on <i>ex gratia</i> payments and Financial Regulation 12.4 on amounts written off. The 2009 accounts also reflected disclosures on food and non-food losses, and losses arising from theft and misappropriation of cash. The Secretariat will ensure that all this information is fully disclosed in the annual accounts each year. This recommendation is considered</p>	<p>We welcome the additional disclosures on losses and special payments made in the 2009 financial statements.</p>

External Auditor recommendations	WFP response/Actions taken as at last reporting date	WFP response/Actions taken as at present reporting period	External Auditor's comments	
		completed.		
Report of the External Auditor on the Strategic Planning and Reporting at a WFP Country Office – Uganda (WFP/EB.1/2010/6-D/1)				
17.	<p>Recommendation 1</p> <p>Establish an appropriate measure of output for non-food aid.</p>	<p>The SRF facilitates identification of inputs – both food and non-food contributions – at the project level. WFP has two main systems capturing results at the project level: WINGS II for commodities, cash and beneficiaries; and the DACOTA database for commodities, cash, beneficiaries, outputs, outcomes and qualitative narrative. These systems record information for 2009 performance reporting and DACOTA produces SPRs. Additional analysis of trends in performance is presented in the APR for 2009.</p> <p>Timeframe:</p> <ul style="list-style-type: none"> ➤ 31 March 2010 (SPRs for all operational projects) ➤ 8 June 2010 (APR for 2009 presented to the Board) 	<p>The Secretariat has established mechanisms to ensure that outputs related to non-food aid are properly measured and reported. Existing systems have been used to ensure that data is properly entered, analysed and reported. The Secretariat has incorporated this information in the 2009 SPRs and APR; the APR for 2009 will be presented to the Board at its Annual Session in June 2010.</p> <p>This recommendation is considered completed.</p>	<p>We note the action taken by the Secretariat in addressing this recommendation.</p>
18.	<p>Recommendation 2</p> <p>To move away from the use of metric food tonnes as the basis for the allocation of project overhead funding where appropriate.</p>	<p>WFP is reviewing its financial framework, long-term resourcing policy and programme categories to enable effectively delivery of results related to its strategy and mandate. Several informal consultations with the Board have been held to incorporate members' views in developing the most appropriate financing framework for WFP.</p> <p>Timeframe:</p> <ul style="list-style-type: none"> ➤ End of 2011 	<p>All country directors have been consulted to define solutions to this problem. The resulting proposals have been presented to the Board, which will be asked to take decisions on the matter at the Annual Session and Second Regular Session in 2010.</p> <p>This recommendation is considered completed.</p>	<p>The actions being taken by the Secretariat should address our recommendation.</p>
19.	<p>Recommendation 3</p> <p>Bring forward the timetable for implementation of country strategies for high-priority large spending countries.</p>	<p>The country strategy planning process is aligned with the national planning cycle and response plans of other stakeholders, including United Nations agencies and the World Bank. High-priority countries that are not in transition or recovery are part of the country strategy roll-out list for 2010, and are being provided support.</p> <p>For middle-income countries, the country strategy planning process offers a platform to re-position</p>	<p>As of March 2010, country strategies were prepared for Burundi, Iraq, Jordan, the Sudan and Uganda.</p> <p>More countries are expected to present their strategies during 2010.</p>	<p>We recognise the advantages of preparing country strategies linked to the national planning cycle, but we remain of the view that the benefits to WFP from early implementation suggest that more should be done to find an interim way forward to prepare strategy based plans for high-priority large spending countries.</p>





External Auditor 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 operations.</p> <p>In countries where a post-conflict response is under way, the country strategy planning process will be based on WFP's ongoing work on capacity development.</p> <p>Timeframe:</p> <ul style="list-style-type: none"> ➤ Ongoing <p>(review of project cycles, national planning processes, Poverty Reduction Strategies and United Nations Development Assistance Frameworks)</p>		
<p>20. Recommendation 4</p> <p>To give consideration as to whether the Executive Board's focus should be on the country strategy rather than country programmes to reduce duplication.</p>	<p>Agreed.</p> <p>In the future, the Board may wish to approve the country strategy document rather than individual operational documents. This matter will need to be taken up by the Board.</p> <p>Timeframe:</p> <ul style="list-style-type: none"> ➤ End of 2010 <p>(An impact assessment of the country strategy planning process will be conducted in mid-2010.)</p>	<p>This is a recommendation for the Board. The Secretariat provided the Board with a briefing on country strategies during an informal consultation on 4 May 2010.</p>	<p>We confirm that the Secretariat is taking action on our recommendation.</p>
<p>21. Recommendation 5</p> <p>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 IPSAS Dividend Report in moving WFP towards the achievement of results-based management and to facilitate the work of the Strategic Resource Allocation Committee (SRAC).</p>	<p>WFP's Strategic Objectives are applied in operations based on the needs of food-insecure people using the most appropriate interventions to achieve results. The Programme Review Committee (PRC) provides support in interpreting and applying the right Strategic Objectives across WFP's humanitarian and development portfolio throughout the project formulation and review process; the Strategic Review Committee supports country strategy planning.</p> <p>Technical support is provided at the project-formulation stage to ensure that country offices align their projects with the SRF and choose relevant indicators for measuring progress and effectiveness.</p> <p>It is expected that over time, evidence-based results will contribute to improved resource allocation by SRAC.</p>	<p>WFP continues to align its projects with the SRF; indicators are measured and reported through the SPRs.</p> <p>Project budgets for activities most suited to achieve the Strategic Objectives are analysed and revised through the PRC process.</p> <p>Appropriate project design and performance will continue to guide the work of SRAC in allocating resources.</p>	<p>We have commented above that we welcome the action being taken by the Secretariat. But much still remains to implement a robust system to monitor and report progress against the Strategic Objectives.</p>

External Auditor recommendations	WFP response/Actions taken as at last reporting date	WFP response/Actions taken as at present reporting period	External Auditor's comments
	Timeframe: ➤ 31 December 2010 (Complete alignment of projects with the SRF)		
22. Recommendation 6 Develop central systematic risk analysis processes, so that country strategies contain key operational risks which might impact upon the achievement of objectives, and articulate the planned mitigation strategies. Furthermore, the process should be used to ensure that local risks are understood centrally.	Risk assessment and analysis in relation to strategic planning are being tested while risk management is being embedded in WFP. A template for risk profile and risk registers at the country, business unit and corporate levels will be finalized for wider use in WFP. Risk assessments and internal controls will also be developed through the enterprise risk management (ERM) and internal control frameworks. Timeframe: ➤ End of February 2010 (strategic risk profile and risk register) ➤ 30 June 2011 (ERM and internal control frameworks)	WFP is in the process of defining a risk management framework in consultation with internal stakeholders. Strategic risks have been validated; a method for identifying risks, mitigation actions and an appropriate escalation system has been defined. WFP is testing the risk profile and risk register at different organizational levels. The results will assist in the finalization of the ERM framework.	We note the action being taken by the Secretariat to implement our recommendation, and we reiterate that management should have a clear and timebound plan for the implementation of effective and systematic risk assessment within the context of COSO implementation, and that sufficient resource are dedicated to enable it to be implemented.
23. Recommendation 7 Consider refining the definition of a beneficiary to avoid the potential for double counting and to ensure that it takes account of the benefits arising from the provision of non-food aid projects, such as farming and market support.	WFP will broaden its definition of "beneficiary" to clarify accounting of non-food assistance such as cash and vouchers. WFP will also improve its guidance on beneficiary counting in order to avoid double counting. The current definition takes into account only those people who receive inputs directly and benefit from outputs. This includes farmers who receive support through the Purchase for Progress initiative, but not those who gain market access because of improved market infrastructure, or those able to use roads because of improved road access. Timeframe: ➤ 31 December 2010	The definition of beneficiaries was reviewed and determined to be adequate to include beneficiaries receiving direct assistance such as food, cash and vouchers. WFP's project design and annual reporting processes have applied the beneficiary counting guidelines to assure the quality of outputs and beneficiary information as reported in the SPRs for 2009. This recommendation is considered completed.	We welcome the recognition by WFP that the definition of beneficiary needs to be reviewed, and that action is being taken.



External Auditor recommendations	WFP response/Actions taken as at last reporting date	WFP response/Actions taken as at present reporting period	External Auditor's comments
<p>24. Recommendation 8 Establish cost-effective, consistent and reliable methodologies for measuring and validating the number of individuals assisted by projects.</p>	<p>WFP will refine its methods for measuring and validating the number of people assisted by projects. Timeframe: ➤ 31 December 2010</p>	<p>Project planning tools, outcome measurements and annual reporting guidelines have been refined. This has enabled country offices to implement reliable and consistent techniques for measuring and validating the number of beneficiaries assisted.</p>	<p>Work on implementing this recommendation is ongoing.</p>
<p>Report of the External Auditor on the IPSAS Dividend: Strengthening Financial Management (WFP/EB.1/2010/6-E/1)</p>			
<p>25. Recommendation 1 Finance should establish a framework to provide more regular financial management reports focused at the corporate level on a monthly basis. Reporting to senior management should provide focus, through the use of appropriate metrics and qualitative analysis on trends or risks, to ensure that the combined strength of the senior management is focused on identifying risks to the achievement of objectives. The enhanced information now collated by WFP to support IPSAS disclosures should be used as a basis for identifying and reporting key financial performance metrics during the course of the year, for example – stock levels and wastage, income generation and investment performance.</p>	<p>The Financial Reporting Service provides a set of the most important financial statements reflecting WFP's financial performance, financial position and cash flow to the Executive Director and Deputy Executive Directors each quarter. This set of financial statements is supported by basic financial analysis. In the future, the Financial Reporting Service will provide these financial statements on a more regular basis, supported by analysis of the metrics detailed in the External Auditor's report.</p>	<p>Since 2009, the Financial Reporting Service has prepared and issued to senior management quarterly financial reports, reflecting qualitative and quantitative analysis, in order to assist the Executive Director and her deputies in decision-making. The same analysis forms part of the Executive Director's foreword to the 2009 audited accounts. The Secretariat will ensure that the quarterly financial reports to senior management continue to be provided by the Financial Reporting Service, incorporating risk-informed analysis that will guide management in achieving its objectives. This recommendation is considered completed.</p>	<p>In response to our recommendation, the management quarterly financial statements now comprise financial updates increasingly using metrics to assist the Executive Director and her deputies decision- making.</p>



External Auditor recommendations	WFP response/Actions taken as at last reporting date	WFP response/Actions taken as at present reporting period	External Auditor's comments
<p>26. Recommendation 2</p> <p>There is an acknowledged need to provide clearer links between resources expended and the strategic objectives – given the difficulty in these objectives being cross cutting management may wish to consider alternative performance reporting, for example identifying expected results which can be linked to one or more Strategic Objectives and reporting against these as a measure of performance.</p>	<p>The External Auditor recognizes the cross-cutting nature of the Strategic Objectives and the difficulty of linking resources to objectives on a regular basis. WFP will continue to provide analysis of resource utilization against the Strategic Objectives in its APR. The SRF approved by the Board at EB.1/2009 provides the basis for assessment and reporting of results. As part of its work to develop a comprehensive performance management framework (including both the SRF and a new management results framework), the Secretariat will continue to explore closer integration of resource and performance data. The Secretariat will consult the Board on any proposals for changes to the SRF.</p>	<p>A new performance management framework that includes both the SRF and a management results framework has been developed.</p> <p>Efforts to link resource and performance data are in progress. The APR for 2009 illustrates steps taken to date.</p>	<p>We confirm that the Secretariat is taking action on our recommendation.</p>
<p>27. Recommendation 3</p> <p>The Senior management team should meet on a monthly basis to provide a collective and corporate overview of financial performance using qualitative analysis as well as financial information drawn from WINGS II.</p>	<p>A senior management team will meet on a monthly basis to discuss the main conclusions from the analysis of financial statements and other sources, in order to improve the management of WFP's resources.</p>	<p>WFP senior management meets regularly to stay informed of WFP's operational and financial performance, and to identify risks and improvements needed in the management of WFP's resources. The roll-out of WINGS II in July 2009 made it easier for management to obtain financial information.</p> <p>This recommendation is deemed completed.</p>	<p>The Secretariat has addressed the recommendation.</p>



External Auditor recommendations	WFP response/Actions taken as at last reporting date	WFP response/Actions taken as at present reporting period	External Auditor's comments
Audited Annual Accounts, 2009 (WFP/EB.A/2010/6-A/1)			
<i>Investment performance</i>			
28.	Recommendation 1 We recommend that WFP continue to monitor market conditions and that the Investment Committee ensures appropriate oversight of investment risk and performance. Investment performance should be reported to the Board on an annual basis summarising the performance of investments; the level of risk taken; and include confirmation of compliance with the approved policies.	The Secretariat agrees with the recommendation and is committed to continuous monitoring of market conditions and to providing oversight of investment risk and performance. The Secretariat has reported to the Board on investment performance from an accounting perspective with the financial statements; and on investment policy changes with dedicated documents in 2006 and 2009. The Secretariat welcomes the opportunity to present a separate report on investment management – including compliance, risk and performance management – on an annual basis in order to provide more detailed assurances on the management of WFP's financial resources.	



External Auditor recommendations	WFP response/Actions taken as at last reporting date	WFP response/Actions taken as at present reporting period	External Auditor's comments
Accounting for value added tax			
<p>29. Recommendation 2 We recommend that WFP reviews its basic agreements with sovereign governments for the implementation of the Convention on Privileges and Immunities to ensure that immunity from Value Added Tax (VAT) is granted.</p>		<p>The Secretariat agrees with the recommendation and confirms that WFP has made efforts to ensure that host governments provide outright tax exemptions to WFP, and if not, that they provide reimbursements in a timely manner.</p> <p>The Secretariat realizes that obtaining outright VAT exemption will minimize administration costs; however, WFP must also respect host governments' internal procedures. As long as host governments reimburse the taxes paid by WFP in the course of operations, the Secretariat believes that these governments are in compliance with their responsibilities under the Convention on Privileges and Immunities.</p> <p>This recommendation is deemed completed.</p>	
<p>30. Recommendation 3 We recommend that WFP should be more active in seeking timely reimbursement of VAT in respect of those countries where VAT claims have to be submitted. We would suggest that the Board be kept informed of the level of outstanding reimbursements.</p>		<p>VAT recoverables from host governments are reflected in the annual accounts, although they are not reflected in individual projects. The Secretariat confirms that any recoveries of VAT from host governments are credited back to projects for use that is consonant with project objectives.</p> <p>This recommendation is deemed completed.</p>	



External Auditor recommendations	WFP response/Actions taken as at last reporting date	WFP response/Actions taken as at present reporting period	External Auditor's comments
<p>31. Recommendation 4</p> <p>We recommend that where VAT is charged, this should be clearly shown in projects' financial statements, together with any anticipated recovery, to enable donors to monitor the situation.</p>		<p>The Secretariat agrees with the recommendation and will take appropriate action to ensure timely recovery of VAT paid by WFP. The disclosure notes are part of the annual financial statements – which are presented to the Board at each Annual Session – provide details on VAT recoverables. The Secretariat will consult the Board regarding the details it requires so that this information can be incorporated into the 2010 annual accounts.</p>	
<p><i>Allegations of corruption, theft and diversion of food aid in Somalia</i></p>			
<p>32. Recommendation 5</p> <p>We recommend that WFP considers the advice in our separate report and investigates the allegations made by the Monitoring Group on Somalia (MGS), ensuring that the normal rules of evidence gathering and assessment are followed. Fundamental to this review will be the detailed facts and evidence supporting the allegations made in the MGS report, and the basis on which they have estimated food losses.</p>		<p>The Secretariat takes note of the External Auditor's advice paper on Somalia and will ensure that appropriate action is taken.</p> <p>The Secretariat is committed to reporting the outcome of this exercise to the Board once it is completed.</p>	



External Auditor recommendations	WFP response/Actions taken as at last reporting date	WFP response/Actions taken as at present reporting period	External Auditor's comments
Implementation of WINGS II			
<p>33. Recommendation 6</p> <p>We again recommend that a cost benefits assessment of WINGS II is undertaken to assess whether the project has delivered the objectives established by WFP and that these findings be brought to the Board for consideration.</p>		<p>In line with the Secretariat's update to recommendation 2 on the Report of the External Auditor on Preparedness for IPSAS and WINGS II (WFP/EB.1/2009/6-D/1), the Secretariat reiterates that an assessment of the value of the WINGS II investment will be undertaken at the end of 2010, when WFP will have operated under WINGS II for a full year. The assessment will be coordinated by RMP, and the results reported in the APR for 2010.</p>	
<p>34. Recommendation 7</p> <p>We further recommend that a full assessment of the WINGS II control environment process is undertaken using specialist IT skills. This is essential to the assurances the Executive Director needs in order to satisfy herself that there is an effective internal control environment.</p>		<p>The Secretariat agrees with the recommendation. A review of the implementation of WINGS II will be undertaken in 2010 by the Office of Internal Audit. The Secretariat will take into account the results of this review in deciding on the need for, and extent of, an assessment of WINGS II control environments by external IT experts.</p>	
WFP Audit Committee			
<p>35. Recommendation 8</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. 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</p>		<p>This recommendation will be addressed by the Executive Board Bureau.</p>	



External Auditor recommendations	WFP response/Actions taken as at last reporting date	WFP response/Actions taken as at present reporting period	External Auditor's comments
<p>these meetings the Board have a greater level of knowledge regarding the assurances it is being provided,</p>			
Risk management			
<p>36. Recommendation 9 We recommend that the Executive Board confirms that management have a clear and time bound plan for the implementation of effective and systematic risk assessment within the context of COSO implementation, and that sufficient resource is dedicated to enable it to be implemented successfully.</p>		<p>This recommendation will be addressed by the Executive Board Bureau.</p> <p>WFP has launched a project to implement and adopt an integrated framework of internal control and risk management by applying the principles of COSO. Some of these principles were already adopted by the Secretariat before launching the project.</p> <p>The Secretariat intends to adopt progressively a fully integrated framework of internal control and corporate risk management in 2011.</p>	
Measuring OSA performance			
<p>37. Recommendation 10 <i>We recommend that the Inspector General with support from the Audit Committee strengthen the effectiveness and impact of OSD by:</i></p> <ul style="list-style-type: none"> ➤ ensuring a full complement of professionally skilled staff, and where necessary to further consider the use of outsourced expertise for resource gaps or specific audit assignments, particularly in respect of IT; ➤ an enhanced focus on prioritisation and 		<p>The Secretariat agrees with the recommendation.</p> <p>Staff skills in the Office of Internal Audit (OSA) have been strengthened through the appointment of a Director, an Audit Manager and an IT Auditor, and the office will continue to fill vacancies with skilled staff as they arise. OSA uses external staff for specific resource gaps or assignments. The Executive Director has increased the focus on implementation and monitoring of internal audit recommendations, in order to reduce the number of outstanding audit recommendations.</p> <p>Performance indicators are being developed.</p>	



External Auditor recommendations	WFP response/Actions taken as at last reporting date	WFP response/Actions taken as at present reporting period	External Auditor's comments
<p>cleansing of historically outstanding recommendations and developing a format to monitoring the implementation of the most significant of these recommendations; and</p> <p>➤ develop performance metrics to demonstrate quality and impact and that these metrics could be included within the OSDA Annual Report.</p>			
Statement on internal control			
<p>38. Recommendation 11</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 OS to confirm that internal controls are operating effectively.</p>		<p>The Secretariat agrees with the recommendation and confirms its commitment to issuing a Statement on Internal Control when submitting the annual accounts.</p> <p>A Statement on Internal Control will be included in the 2010 annual accounts on a trial basis; this will be fully implemented from 2011.</p>	



ACRONYMS USED IN THE DOCUMENT

APR	Annual Performance Report
COMPAS	Commodity Movement Processing and Analysis System
COSO	Committee of Sponsoring Organizations of the Treadway Commission
DACOTA	Data Collection Telecoms Application
ERM	enterprise risk management
ERP	enterprise resource planning
IPSAS	International Public Sector Accounting Standards
MGS	Monitoring Group on Somalia (United Nations)
MISCC	Management Information Systems Coordination Committee
M&E	monitoring and evaluation
NAO	National Audit Office (United Kingdom)
OEDAM	Performance and Accountability Management Division (superseded by RMP)
OE/OEDE	Office of Evaluation
OS	Inspector General and Oversight Office
OSA	Office of Internal Audit [previously OSDA]
OSD	Inspector General and Oversight Services Division [superseded by OS]
OSDA	Office of Internal Audit [superseded by OSA]
PRC	Programme Review Committee
PSA	Programme Support and Administrative
RBM	results-based management
RMP	Performance and Accountability Management Division [previously OEDAM]
SPR	Standard Project Reports
SRAC	Strategic Resource Allocation Committee
SRF	Strategic Results Framework
VAT	value added tax
WINGS	WFP Information Network and Global System