برنامج
الأغذية
العالمي

Programme
Alimentaire
Mondial

World
Food
Programme

Programa
Mundial
de Alimentos

**Executive Board
Annual Session**

Rome, 9–12 June 2008

RESOURCE, FINANCIAL AND BUDGETARY MATTERS

Agenda item 6

For consideration

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PROGRESS REPORT ON THE IMPLEMENTATION OF THE EXTERNAL AUDITOR RECOMMENDATIONS

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.

Chief Financial Officer and Director, FL[*]:	Mr A. Abdulla	tel.: 066513-2401
Deputy Chief Financial Officer and Director, FLA[**]:	Mr E. Whiting	tel.: 066513-2701
Chief, FLAG[***]:	Ms M. Bautista-Owen	tel.: 066513-2240

Should you have any questions regarding matters of dispatch of documentation for the Executive Board, please contact Ms C. Panlilio, Administrative Assistant, Conference Servicing Unit (tel.: 066513-2645).
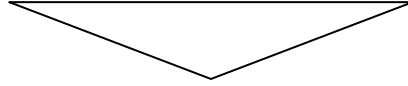
[*] Finance and Legal Division
[**] Office of Financial Accounting
[***] General Accounts Branch

DRAFT DECISION[*]

The Board:

i)   takes note of the "Progress Report on the Implementation of the External Auditor Recommendations";

ii) takes note of the proposal made by the Secretariat that in future, all External Audit reports presented to the Board be accompanied by a response from the Secretariat together with an action plan to implement the recommendations contained in such report; and

iii) further notes that a summary report on the implementation of all external audit recommendations will be presented at each Annual Session of the Board, in line with recommendations of the ACABQ and FAO Finance Committee that the Board consider receiving only one progress report per year.

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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 (WFP/EB.A/2008/16) issued at the end of the session.

WFP

PROGRESS REPORT ON IMPLEMENTATION OF THE EXTERNAL AUDITOR RECOMMENDATIONS

1.   The Executive Director is pleased to submit this progress report on the status of implementation of the External Auditor recommendations on audits undertaken by the External Auditor. Progress reports are provided to all sessions of the Board. This progress report sets out the recommendations that were reported as outstanding in the last progress report and reports on actions taken and recommendations implemented subsequently.

2.   As recommended by the Advisory Committee on Administrative and Budgetary Questions (ACABQ), the Executive Board may wish to consider receiving only one progress report per year. The Food and Agriculture Organization of the United Nations (FAO) Finance Committee took note of the views expressed by the ACABQ and recommended that the frequency of presentation of the progress report to the Board be kept under review. It also requested that this issue be put to Board members for examination.

3.   The Secretariat proposes that in future, all External Audit reports to the Board be accompanied by a Secretariat response and a plan of action to implement the recommendations made in the report. In line with the ACABQ and FAO recommendations, an annual report on the status of the implementation of all audit recommendations would be provided to the Board at its Annual Session.

4.   The present document includes the comments of the External Auditor on recommendations that the Secretariat has reported as completed. In addition and as requested by the Board, this document also covers the External Auditor's "Has Decentralisation Met the World Food Programme's Operational Needs?" (WFP/EB.2/2007/5-C/1); it presents all recommendations, the responses made by the Secretariat and comments made by the External Auditor on completed recommendations. As reported during the First Regular Session of the Board in January 2008 (WFP/EB.1/2008/6-B/1), four out of five of these recommendations had already been implemented. Only the outstanding recommendation has been included in the matrix.

5.   The following matrix summarizes the outstanding recommendations as at 31 December 2007. Of the six recommendations outstanding in December 2007, three (50 percent) are reported completed as at 31 March 2008.

Audit report	Report date	Recommendations under implementation as at December 2007 (or received subsequently)	Completed as at March 2008	Percent complete
Upgrade of the WFP Information Network and Global System (WINGS)	May 2005	1	0	0
Audit of the Financial Statements of the World Food Programme for 2004–2005	June 2006	1	0	0
Report of the External Auditor on Cost and Benefits of New Initiatives in Profile Raising	June 2007	3	3	100
Report of the External Auditor "Has Decentralisation Met the World Food Programme's Operational Needs?"	September 2007	1	0	0
Total		**6**	**3**	**50**

PROGRESS REPORT ON THE IMPLEMENTATION OF THE EXTERNAL AUDITOR RECOMMENDATIONS

External Auditor recommendations	WFP response	Actions taken as at December 2007	Actions taken as at March 2008	NAO Comments
Upgrade of the WFP Information Network and Global System (WFP/EB.A/2005/6-B/1/Rev.1)				
User System Ownership and Acceptance Testing Procedure				
1. **Recommendation 8** 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.	The strategy phase included an overall estimate of potential cost savings at Headquarters and in the field. The analysis work will be used to build on the existing estimates and to define targets. The governance structure will be used to ensure that the scope selected for implementation and the solutions chosen are based on the business cases presented by the divisions.	The estimate of potential cost savings has been completed and process objectives and targets were defined during the analysis phase. Process objectives and targets in the "to-be" analysis phase began in May 2006. The Business Blueprint will define the scope of SAP coverage and the extent of customization required. The Secretariat will be in a better position to estimate system maintenance costs once the business blueprint and the detailed design phase are completed in May 2007. The scope of applications and the number of gaps requiring custom development have been defined. These will be finalized when the fine-tuning of the project scope and ongoing re-design work is completed in October 2007. Once completed, the Secretariat will be able to better estimate overall system maintenance costs.		

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External Auditor recommendations		WFP response	Actions taken as at December 2007	Actions taken as at March 2008	NAO Comments
Audit of the Financial Statements of the World Food Programme for 2004–2005 (WFP/EB.A/2006/6-A/1/3)					
Governance and internal oversight					
1.	**Recommendation 1** To reinforce the independence of the Audit Committee and ensure a closer alignment of WFP's arrangements with best practice in governance, I recommend that the Executive Board formally acknowledge the role and mandate of the Audit Committee.	As noted by the External Auditor the Executive Director intends to enhance WFP corporate governance by extending the number of external members on the Audit Committee. The recommendation of the External Auditor is directed to the Executive Board and the Secretariat will act under the guidance of the Board.	No action is planned by the Secretariat, pending consideration by the Board.	No action is planned by the Secretariat, pending consideration by the Board.	In response to a request from the Executive Board President, we provided the Executive Board with our independent and best practice advice in relation to WFP's Audit Committee in April 2008.
Report of the External Auditor on Cost and Benefits of New Initiatives in Profile Raising (WFP/EB.A/2007/6-D/1)					
Adequacy of Corporate Strategy					
1.	**Recommendation 2** We recommend that the Secretariat ensure that any private sector strategy: • identifies and recovers full costs, including the cost of servicing any loans or other finance; • specify expected rates of return on actual costs; and • address any risk of falling behind the planned schedule for fundraising from the private sector.	Agreed. All private-sector donations are subject to the 7 percent indirect support costs (ISC) required by WFP's financial rules and regulations and include an obligation to cover the costs of managing and implementing the donation. The rate of return of private-sector donor relations activities will be calculated on an annual basis. The Private-Sector Fundraising Division (FDP) will submit its private-sector fundraising strategy to the Board to ensure it meets its fundraising targets.	An informal consultation in July 2007 provided Members of the Board with the opportunity to share their views on this issue. In consultation with the Bureau of the Executive Board, "Private-Sector Partnerships and Fundraising Strategy" has been deferred for presentation at the First Regular Session of the Executive Board in February 2008. A second informal consultation on the subject was held on 17 December 2007.	The Private-Sector Partnerships and Fundraising Strategy, approved during the Board's First Regular Session in February 2008, addresses the issues relating to this recommendation. This recommendation is deemed completed.	The February 2008 Executive Board agreed to reconsider the self-financing model for private sector fund raising to ensure alignment with any new strategic planning.

	External Auditor recommendations	WFP response	Actions taken as at December 2007	Actions taken as at March 2008	NAO Comments
2.	**Recommendation 3** We encourage the Secretariat to ensure robust performance targets in future communications strategies: • quantify expected costs to be recovered over a set timeframe; and • set targets for increased funding to be achieved against existing levels.	Agreed. Communications and advocacy can help make the general public, donors, the private sector and political decision-makers aware of hunger issues and WFP activities. Advocacy is often critical in generating financial support in a competitive funding environment.	The strategic plan for private-sector fundraising details the increase in funding and the related costs. By their nature, it is seldom possible to demonstrate a one-to-one link between particular communications and awareness activities and levels of funds raised. However there are some notable examples (Niger, Darfur, Cambodia) where the direct link between awareness raising and resource mobilization is clear. The Secretariat refers to the action taken in relation to recommendation 2 above.	Further discussion on the linkage between communications/awareness raising and fundraising will be undertaken with the Board during consultations before, and meetings during, the Board's Annual Session in June 2008. The Secretariat will also present a communications strategy document for consideration by the Board during its Annual Session in 2008. This recommendation is deemed completed.	The Strategic Plan for private-sector fundraising considered by February Executive Board provided expectations of increased funding and related costs. We will review the ongoing discussions on communications strategy to be presented to the June 2008 Executive Board separately.
	Achievement and Quantification of Key Benefits				
3.	**Recommendation 8** We encourage the Secretariat to maintain its efforts to set realistic objectives against which to assess performance and to address the risk of unforeseen resource requirements through: • analysis of cost prior to commitment to major activities to assess risks to WFP; • encouragement of partners to take responsibility for any residual risk as part of their commitment to events; and • monitoring of progress against objectives based on previous experience or expert advice to ensure the ongoing viability of events.	Agreed. Those elements of this recommendation that refer to Walk the World are dealt with in recommendation 4.	On the second bullet point, the initial goal to have 10 percent of all income funded by the private sector was more an optimistic ambition than a realistic assessment of possibilities. At the time, the capacity to assess the potential was not as developed as it is now. The private-sector strategy is based on robust and realistic analysis.	The Secretariat also refers to action taken in relation to recommendation 2 above. This recommendation is deemed completed.	The February 2008 Executive Board agreed that performance reporting against objectives would form part of the Annual Performance Report. We will consider the risks of unforeseen resource requirements and the robustness of funding objectives in our review of future annual reports.

External Auditor recommendations		WFP response	Actions taken as at December 2007	Actions taken as at March 2008	NAO Comments
Has Decentralisation Met the World Food Programme's Operational Needs? (WFP/EB.2/2007/5-C/1)					
Adequacy of guidance on oversight and management responsibilities					
1.	**Recommendation 1** As part of its review of organizational restructuring, we encourage the Secretariat to consider whether there is sufficient justification for maintaining the extant regional structure, in particular by: (i) Reviewing the flexibility that current circumstances provide for differing operational needs and the appropriate number of COs to be supported by each RB; (ii) Considering the requirement for timely alignment of regional food allocations to beneficiary numbers; and	WFP has been reviewing the structure and locations of RBs since decentralization was adopted. Most recently, the structures of the Regional Bureau Dakar (ODD), the Central Africa Regional Office Yaoundé (ODDY), the Regional Bureau Kampala (ODK), and the Regional Bureau Johannesburg (ODJ) have been reviewed during the 2008-2009 Management Plan exercise. (i) Agreed. During the 2008-2009 Management Plan exercise senior management carried out a review of the RBs and COs and recommended changes to meet differing operational needs. For example, ODDY's responsibilities have been taken up by ODD; and ODK and ODJ will be merged into one RB. Both these changes will take effect in 2008. (ii) Disagreed. The amount of food (mt) is not directly proportional to the amount of support required from RBs/HQ. In fact, it is often indirectly proportional as COs supporting smaller beneficiary caseloads may require more support from RBs/HQ than the COs supporting larger caseloads. Furthermore, the relationship between beneficiary numbers and food quantities (mt) is affected by the type, duration and complexity of the	The actions taken by the Secretariat in reviewing the structure and locations of RBs resulting to a new organizational and reporting structure as well as various consultations made during the 2008-2009 Management Plan exercise has addressed the recommendation and deemed the same as completed.	No further action required.	The Secretariat reviewed the organisational structure and continues to develop management strategy with the Executive Board. We will review the effectiveness of new streamlined operations in relation to operational needs as part of our field visits in 2008.

External Auditor recommendations	WFP response	Actions taken as at December 2007	Actions taken as at March 2008	NAO Comments
	programme, the capacities of the host government, the physical infrastructure in the country and Strategic Objective 5 activities. A comparison of large, medium and small operations and their resource requirements would be a helpful analysis.			
(iii) Examining the scope for support services to more cost-efficiently take advantage of geographical proximity of offices across regional boundaries or established by other United Nations entities.	(iii) The Operations Department (OD) carried out a survey during preparation of the Management Plan to ensure that support services are provided to COs in an effective and cost-efficient manner. The survey resulted in the streamlining and strengthening of support services provided to COs by RBs and Headquarters. The United Nations Humanitarian Response Depots (UNHRDs) are a good example of the benefits of support provision and geographical proximity of offices across regional boundaries in immediate response. The depots are located in Brindisi (Italy), Panama City, Accra (Ghana) and Dubai. Discussions are ongoing with the Government of Malaysia about establishing another depot in Subang, Malaysia.			

	External Auditor recommendations	WFP response	Actions taken as at December 2007	Actions taken as at March 2008	NAO Comments
2.	**Recommendation 2** We recommend that the Secretariat develop improved management oversight frameworks, agreed between RBs and COs and reviewed by the Oversight Services Division (OSD), which: (i) Better clarify consistent responsibilities for management oversight of regional and country operations; and (ii) Maintain an appropriate and independent management oversight of regional projects.	The existing guidelines on the management oversight framework indicated in the Operations Department (OD) directive "Guidelines for model structure, unit definitions, distribution and allocation of functions, functional statements, work flow and delegation of authority for the OD Bureaux" (OD 2000/004 dated 10 November 2000) and its subsequent review in "Report on the Findings of the Operations Review" dated April 2005 will be reviewed as recommended.	The Secretariat is committed in having the existing guidelines on management oversight framework as well as related issuances amended with expected completion date of December 2008.	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.	
	Appropriate transfer of skills and resources from Headquarters to the Field				
3.	**Recommendation 3** We encourage the Secretariat to ensure that resources allocated to Headquarters, regions and COs reflect the respective workload of each organizational level and unit.	During the 2008–2009 Management Plan exercise, WFP used the opportunity to ensure that COs with different operational levels receive resources that correspond to their requirements. For example, "double hatting" is being introduced, whereby a country director from a neighbouring country or the RB supervises and manages selected COs. Similarly, for RBs and HQ offices, the responsibilities and nature of the work in each RB and OD office have been analysed and the allocation of resources determined. A stakeholders' review was conducted as part of the 2008-2009 Management Plan exercise. The group which comprised senior managers from COs, RBs and Headquarters spent a substantial	The actions taken by the Secretariat during the 2008–2009 Management Plan exercise ensuring that COs with different operational levels receive resources that correspond to their requirements has addressed this recommendation.	No further action required.	As part of our routine fieldwork we will monitor the extent of the Secretariat's allocation of resources against the operational requirements.

External Auditor recommendations		WFP response	Actions taken as at December 2007	Actions taken as at March 2008	NAO Comments
		amount of time recommending resource levels based on a careful review and prioritization exercise.			
4.	**Recommendation 4** We recommend that the Secretariat ensures improved and efficient processes for staff appointments and reappointments, with appropriate and economic timeframes for staffing contracts and consultancy assignments.	The Contracts Team and Consultancy Unit was established in Headquarters to ensure quality and speedy service for WFP hiring divisions, and to manage all aspects of the various contractual status and applicable contractual tools (issuance, queries, payments) consistently and efficiently, especially during emergencies. Since then, the Contracts Team and Consultancy Unit has drastically reduced inaccuracies and inconsistencies by streamlining the workflow, ensuring payments are duly processed and answering queries with a consistent approach. Since 2005, implementation of a standard contractual template system (Chameleon/Citrix Online Platform) has also reduced the time frame for issuing consultancy contracts from more than ten business days to less than five; with the same quality service being maintained. The services of contracts and entitlements teams are monitored through the "AskHR" tracking tool, which shows reduced response times. The Contracts Team and Consultancy Unit has established systematic workflow and business mapping that facilitate reproduction in off-shoring/other environments.	The Secretariat has taken actions in ensuring quality and speedy service in terms of staff recruitment, especially during emergencies. In addition, the introduction of the "AskHR" tracking tool has provided another opportunity in monitoring the quality and timeliness of actions provided. This recommendation is deemed completed.	No further action required.	We will assess the extent to which the Secretariat oversees efficient staffing and consultancy assignment procedures and the expected improvement in results recorded to the tracking tool "AskHR".

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External Auditor recommendations	WFP response	Actions taken as at December 2007	Actions taken as at March 2008	NAO Comments
Cost-effectivity and efficient use of resources in decentralization				
5. **Recommendation 5** We recommend that in considering how costs can be reduced to remain in line with available funding, the Secretariat should explore whether the existing operational structure and operational support solutions might be made more cost efficient through the rationalization of regional infrastructure in line with need and more economic alternatives.	Agreed. The issue was taken on board by senior management during the 2008–2009 Management Plan exercise. This is reflected in the Secretariat's responses in relation to recommendations 1 and 3 above, such as: (i) the stakeholders' review; (ii) the reorganization of WFP; and (iii) the introduction of "double hatting" – e.g. São Tomé and Principe is to be supervised by WFP Cameroon; and Namibia, Lesotho and Swaziland are to be supervised by the regional bureau in Johannesburg. WFP has also taken on board the regional coverage arrangements of other United Nations agencies. These efforts are planned to continue.	The Secretariat refers to the actions it has taken under recommendations 1 and 3 above which also addressed this issue. This recommendation is deemed completed.	No further action required.	We will examine the effectiveness of the new initiatives by comparing results against available funding in our future reports.

ACRONYMS USED IN THE DOCUMENT

ACABQ	Advisory Committee on Administrative and Budgetary Questions
CO	country office
FAO	Food and Agriculture Organization of the United Nations
FDP	Private-Sector Fundraising Division
HQ	Headquarters
ISC	indirect support costs
NAO	National Audit Office (United Kingdom)
OD	Operations Department
ODD	Regional Bureau Dakar
ODDY	Central Africa Regional Office Yaoundé
ODJ	Regional Bureau Johannesburg
ODK	Regional Bureau Kampala
OSD	Oversight Services Division
RB	regional bureau
UNHRD	United Nations Humanitarian Response Depot
WINGS	WFP Information Network and Global System