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REPORT OF THE ADVISORY COMMITTEE ON ADMINISTRATIVE AND BUDGETARY QUESTIONS (ACABQ)

The Executive Director is pleased to submit herewith the report of the ACABQ pertaining to WFP. The report covers different agenda items as follows:

- Report of the External Auditor on Management Matters (WFP/EB.3/2004/5-A/1);
- Follow-up on the Recommendations of the External Auditor (WFP/EB.3/2004/5-B/1);
- Update to the WFP Management Plan for 2004–2005 (WFP/EB.3/2004/5-C/1); and
- Business Process Review: Second Progress Report on the Pilot Projects (WFP/EB.3/2004/12-B/1).

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Advisory Committee on
Administrative and Budgetary Questions

28 September 2004

Dear Mr. Morris,

The Advisory Committee on Administrative and Budgetary Questions (ACABQ) recently met with your representatives to discuss two reports of the WFP external auditors, the first on management matters (WFP/EB.3/2004/5-A/1) and the second on the follow-up on recommendations of the external auditor (WFP/EB.3/2004/5-B/1). The Advisory Committee also had before it for information the reports entitled “Business Process Review: Second Progress Report on the Pilot Projects” (WFP/EB.3/2004/12-B) and “Update to the WFP Management Plan for 2004–2005” (WFP/EB.3/2004/5-C/1).

External Auditor’s Report on Management Matters

The report on management matters covers a review of WFP’s air operations, its vulnerability analysis and mapping (VAM) and its corporate governance.

The Committee exchanged views with your representatives on a wide variety of topics such as the benefits of the consolidation of United Nations humanitarian air operations on air safety, the status of the harmonization of standards with the Department of Peacekeeping Operations (DPKO) and actions undertaken to improve cost-recovery in air operations. Among other issues discussed were the challenges and conditions for (i) successful deployment of VAM at the country level, (ii) the further development of partnerships for gathering data on estimates of likely beneficiaries, in particular displaced populations, (iii) guidelines for private sector funding, and (iv) managing risks and donor expectations. The Committee will revert to these matters as necessary, especially with regard to WFP’s air operations when it considers WFP’s next budget proposals.

Mr. James Morris
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Follow-up on recommendations by the external auditor

The Advisory Committee notes with appreciation that the follow-up document provides transparent information on implementation as at 30 June 2004 including timeframes, actions and explanations. For further clarity, it requests that new and recurring recommendations be differentiated in the future.

On financial matters, the Committee noted that because of the transition to a new information system, a number of recommendations of the previous biennium were carried over to the current period. It was informed that a major overhaul of the treasury management system had been completed, with the transition from a manual to an electronic system and that treasury functions had been taken over from FAO in February 2000. The transfer of large sums of cash to countries for payment of salaries and other expenditures is being replaced by electronic transactions wherever possible. These changes have greatly improved cash management.

Concerning the human resources strategy, the Committee was informed that based on the competencies review carried out in 2003, the focus was now on upgrading the performance management system and on the implementation of a staff competency center. Further efforts underway aim to achieve a more pro-active approach to career planning and a higher rate of staff retention, in particular of women staff.

With respect to air operations, the Committee noted that all the recommendations related to air safety had been implemented, and that regional safety officers with an independent reporting line to the corporate level in Rome are now operational, moving WFP towards the common standards established by DPKO. Efforts are now underway to implement the remaining recommendations that will allow WFP to comply with the request of the High-Level Committee on Management (HLCM) to expand air services to manage all United Nations humanitarian air operations. The Committee commends WFP on its expeditious response to these complex issues.

In the area of VAM, the Committee notes that a tool for facilitating dissemination of information has been developed and rolled out to the regions, and that the methods for deploying VAM are being improved. It understands that, at this stage, only partial funding is secured and that proposals for additional extra-budgetary resources have been submitted to a variety of donors.

With respect to corporate governance, the Committee notes that the Internal Audit Committee has been converted to an Audit Committee with the inclusion of three external members and that it is now formally required to report to the Executive Director. However, the question of the reporting relationship between the Audit Committee and the Executive Board has not been fully addressed.

Please inform the Executive Board of the contents of this letter.

Yours sincerely,

(signed)

Vladimir V. Kuznetsov

Chairman

