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SECOND PROGRESS REPORT ON THE IMPLEMENTATION OF RECOMMENDATIONS IN THE 1996–1997 AUDIT REPORT OF THE EXTERNAL AUDITOR

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NOTE TO THE EXECUTIVE BOARD

This document is submitted for information to the Executive Board.

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 point 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 the Documentation and Meetings Clerk (tel.: 066513-2641).



ACRONYMS USED IN THE DOCUMENT

CCAQ	Consultative Committee for Administrative Questions
CCTI	Committee on Commodities, Transport and Insurance
CFA	Committee on Food Aid Policies and Programmes
COMPAS	Commodity Movement Processing and Analysis System
CTS	Commodity Tracking System
DOC	Direct Operational Costs
DSC	Direct Support Costs
FINSYS/PERSYS	Financial System/Personnel System
FOB/C&F	Free On Board/Cost & Freight
FMIP	Financial Management Improvement Programme
FMS	Financial Management System
FRGA	Financial Revenue and General Accounts
FS	Finance and Information Systems Division
FSFA	Finance and Accounts Unit
FSFD	Disbursements Unit
FSFF	Field Finance
FSI	Information Systems Service
FSID	Information Systems Development Branch
FSIT	Telecommunications Unit
GCCC	Government Cash Contributions for Local Costs
GL:M	General Ledger: Millennium
HR	Human Resources Division
HQ	Headquarters, WFP Rome
IAC	FAO Investment Advisory Committee
IC	WFP Investment Committee
ICC	International Computing Centre of the United Nations
IIRG	Internal Investment Review Group
IP	Integration Partner
ISC	Indirect Support Costs
IT	Information Technology
ITSH	Internal Transport, Storage and Handling
JV	Journal Voucher



LTSH	Landside Transport, Storage and Handling
MS	Management Services Division
MSP	Purchasing and Contracts Branch
OASIS	Operational and Strategic Integrated Systems
ODD	Operations Department, Development Service
ODP	Operations Department, Programming Service
OEDB	Office of the Executive Director - Budget
OPIM	Operation Improvement (projects within FMIP)
OT	Transport and Logistics Division
OTF	Transport Division, Freight Analysis and Support Branch
OTL	Transport Division, Logistics Service
OTS	Transport Division, Ocean Transportation Service
PSA	Programme Support and Administration
PSAB	Programme Support and Administration Budget
PSAC	Programme Support and Administrative Costs
R<F	Resource and Long-term Financing (policies)
RE	Resources and External Relations Division
REA	Resources Mobilization Service - the Americas, Australia and Asia
REE	Resources Mobilization Service - Europe, Middle East and Africa
RMS	Resource Mobilization System
SAP	Systems, Applications, and Products in Data Processing
SEO	Special Emergency Operation
SIMSS	Strategic Information Management Support System
UO	Unliquidated Obligation
WEB	Internet site
WInS	WFP Inventory System
WIS	WFP Management Information System
Y2K	Year 2000



INTRODUCTION

1. The Executive Director is pleased to submit the second progress report on the implementation of recommendations in the 1996–1997 audit report of the External Auditor. This report contains current information on the actions taken to date or actions that will be taken to implement the recommendations.
2. The first progress report was presented at the Executive Board's Third Regular Session of 1998 (document WFP/EB.3/98/4-A). It reflected the recommendations as presented in the report of the External Auditor on the financial statements for 1996-1997, the corresponding response of WFP and the actions taken to date or to be taken as at August 1998.
3. In the present report, the first two columns reflect the same recommendations and the actions taken or to be taken at the time. The last column shows actions taken or to be taken as at July 1999.
4. The Executive Director assures the Board that the recommendations of the External Auditor in his audit report for the 1996–1997 biennium were and continue to be seriously considered by the Programme within existing available resources and in line with the ongoing changes in regulations, policies and other arrangements.







































SECOND PROGRESS REPORT ON THE IMPLEMENTATION OF RECOMMENDATIONS IN THE 1996–1997 AUDIT REPORT OF THE EXTERNAL AUDITOR

External Auditor's recommendations (as per WFP/EB.3/98/4-A)	Actions taken to date or to be taken as indicated up to August 1998 (as per WFP/EB.3/98/4-A)	Actions taken to date or to be taken as indicated up to July 1999
1. Contributions		
Commodity contributions		
The new procedure on the valuation of contributions in kind issued at the end of 1997, with a view to simplifying these methods and making them consistent, be effectively implemented in 1998 (paras. 10, 37 and 38).	➤ Directive FS 97/04 on Valuation of Commodity Contributions in Kind is being implemented for contributions recorded as of 1 January 1998.	➤ Completed
Contributions receivable		
<p>The pledge management process be thoroughly reviewed and upgraded (paras. 11 and 40).</p> <p>A clear definition of responsibilities be established between the various units concerned with respect to registration of pledges, allocation of resources and monitoring of the outstanding value of pledges (para. 40)</p>	➤ A permanent Inter-Divisional Working Group has been established, consisting of representatives from RE, ODP, FSFA and FSI, to analyse and provide follow-up action on modifications, adjustments and write-offs of contributions and reconciliation of WIS/GL:M. A consultant has been hired to continue the process of retiring old contributions receivable.	<p>➤ The Working Group has met regularly since its constitution in July 1997 to discuss major issues. Decisions made were documented and follow-up actions were circulated for implementation. Each member has defined responsibilities and the group serves as the forum for the management of receivables prior to the full implementation of RMS.</p> <p>➤ The retirement of old contributions receivable continued, and the balance has been further decreased by US\$70 million as at 11 March 1999. This exercise is planned to be completed by November 1999.</p> <p>➤ The initial implementation of RMS in January 1999 improved the management and control of pledges receivable and their collection.</p>

External Auditor's recommendations (as per WFP/EB.3/98/4-A)	Actions taken to date or to be taken as indicated up to August 1998 (as per WFP/EB.3/98/4-A)	Actions taken to date or to be taken as indicated up to July 1999
<p>Financial Regulations be fully implemented through adequate agreements with recipient governments or explicit waivers granted by the Executive Board (paras. 12 and 42).</p>	<p>WFP Country Directors were reminded in mid-1996 of the modalities for securing government contributions, including the necessity to seek formal agreements. Negotiations, often protracted, pertaining to 1996–97 GCCC payments have led to some agreements being formalized in 1998. Such reminders will be sent to Country Directors on a biennial basis.</p>	<ul style="list-style-type: none"> ➤ Amounts of GCCC due for 1999 were calculated and standard call letters were transmitted to Country Directors in early June 1999. Regional Directors received an update of the GCCC database in early 1999. ➤ In the course of the 2000–2001 budget preparation process, OEDB visited all four Regions and an update on the status of contributions was given out. In early 2000, in the course of the 2000–2001 allotment process, OEDB will be issuing guidance on the revised approach to the collection of GCCC, and a status report. ➤ OEDB will also provide guidance on the preparation of a standard text for new agreements on GCCC.
<p>Agreed GCCC should be considered as receivable by WFP, accounted for as such and the recovery of the corresponding amounts pursued (paras. 41 and 42).</p>	<ul style="list-style-type: none"> ➤ Data on amounts sought and received during the biennium were reconciled to facilitate communications with country offices for them to pursue collection more aggressively and to advise on the outcome. Follow-up action by OEDB is to become a regular practice as well. 	<ul style="list-style-type: none"> ➤ The treatment of GCCC as a receivable and applicability in country office budgets will be reviewed in the context of the preparation of the 2000–2001 budget, which is based on the revised R&LTF policies that integrate DOC, DSC and ISC in country office budgets.
2. Expenditures		
<p>Further improvements in the review of outstanding obligations and provisions and a modification of the accounting procedure for the posting of internal transport, storage and handling (ITSH) costs (para. 13).</p> <p>The accounting procedure for posting ITSH expenditure be modified to clearly distinguish in the general ledger unliquidated obligations from provisions and therefore dispense with the need for manual adjustments which are less accurate (para. 47).</p>	<ul style="list-style-type: none"> ➤ FSFA has drafted a revised accounting procedure for LTSH which will make a distinction between unliquidated obligations and provisions at the transaction level, thus rendering the year-end analysis of the balances unnecessary. However, the programming effort to enhance WIS in this respect is under consideration; it may not be economically justifiable to enhance WIS at this late stage of its useful life. ➤ The 1998-99 biennium ought to see full implementation of the LTSH project in which LTSH (as a provision) will be sub-allotted by OTF to the relevant spending body (usually OTL or a country office). 	<ul style="list-style-type: none"> ➤ At this stage, it has been determined that it will not be cost-efficient to further enhance WIS to differentiate provisions and outstanding obligations and the present practice of manual adjustment will continue for the 1998–99 closure. ➤ It is expected that the FMS module of SAP will include functionality for automatic separation of outstanding obligations and provisions.

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<p>Inflow of new balances of unliquidated obligations should be more closely monitored, throughout the biennium (para. 45)</p>	<ul style="list-style-type: none"> ➤ FSFD and OT currently carry out a global de-obligation exercise twice every year in which all outstanding balances of overland transport and ITSH are reviewed to establish the necessity of maintaining or surrendering balances. 	<ul style="list-style-type: none"> ➤ FSFD has submitted on a quarterly basis to the spending units the list of outstanding obligations for their review and de-obligation exercises were performed accordingly. ➤ OTF continued to carry out the semi-annual review of outstanding obligations, in conjunction with country offices. A more detailed review will be carried out for the 1998-99 closure.
<p>The instructions addressed to the various operational units detail precisely the type of supporting documentation needed to keep an obligation and provision outstanding, and require a justification of the continued validity of the obligations and provisions raised during the second year of the biennium (para. 45).</p>	<ul style="list-style-type: none"> ➤ FSFD has been preparing guidelines defining the documentation arrangements required for each type of commitment. ➤ OTF has held discussions with FSFA to begin precisely this process of documenting the decisions taken on the type of evidence that WFP requires to justify retention of both obligations and provisions in the books of account. ➤ It has been proposed that standard documentation be prepared to assist country offices in preparing their response to headquarters. 	<ul style="list-style-type: none"> ➤ On 31 May 1999, FSFD circulated to concerned offices the draft guidelines for their comments. ➤ In December 1998, OTF drafted instructions on the types of documents that would be required for retaining balances for LTSH and the relevant pro-forma report. Once circulated to concerned offices, the pro-forma will be issued to country offices by September 1999. ➤ In June 1999, OTF and FSFF met with the External Auditor to discuss the methodology for determining provisions and obligations and the documents required to support such provisions and obligations.
<p>WFP consider the advantages and feasibility of a more transparent method of reporting cancelled commitments. In the case of the Programme Support and Administration budget (PSAB), cancelled obligations are reported as "savings" (i.e., windfall income) in Statement I. In the case of projects, commitments cancelled after a reasonable period of time (e.g., one year) could similarly be reported as a credit to donors, i.e., an unexpended part of their donation for given projects. Such amounts could then be re-allocated, with the agreement of the donor concerned, to the same or another project. Thus, expenditure and savings on</p>	<ul style="list-style-type: none"> ➤ The matter is under consideration for a change in disclosure in the financial statements. 	<ul style="list-style-type: none"> ➤ FSFA is considering appropriate disclosure with a note to the financial statements.

External Auditor's recommendations (as per WFP/EB.3/98/4-A)	Actions taken to date or to be taken as indicated up to August 1998 (as per WFP/EB.3/98/4-A)	Actions taken to date or to be taken as indicated up to July 1999
prior commitments for projects would be reported separately instead of being netted against one another (paras. 14 and 49).		
Direct Support Costs		
The accounting procedures retained for the reclassification of project expenditures from direct support costs to other operational costs be detailed in specific financial and accounting instructions to ensure that they are treated consistently across programme categories and across financial periods (paras. 15 and 51).	<ul style="list-style-type: none"> ➤ This situation will be rectified with the adoption of the proposed changes to the R&LTF policies, currently under review by the Formal Working Group of the Executive Board, a review required in the decision of the Fortieth Session of the CFA. With the adoption of the proposals, costs will be defined in a concrete and accurate manner, resulting in a more transparent and consistent categorization of costs for all projects. 	<ul style="list-style-type: none"> ➤ The Executive Board adopted the report of the Formal Working Group and approved the recommendations contained therein (1999/EB.1/3). ➤ FS will develop related accounting procedures to be implemented by 1 January 2000.
Consultants		
Greater care be exercised in the recruitment of consultants (paras. 16 and 52).	<ul style="list-style-type: none"> ➤ HR is currently reviewing short-term employment practices and will issue a discussion paper for review by the Sub-Group on Administration. 	<ul style="list-style-type: none"> ➤ HR has adopted a cost-conscious approach by directly hiring specialized consultants, instead of through UNICC. ➤ An updated and revised policy on short-term employment practices will be submitted in September 1999 to the Sub-Group on Administration.
3. Country office expenditure		
Reiterate previous recommendations to implement a stricter checking of field transactions before they are posted to the general ledger to the effect that (paras. 17 and 57):		
<ul style="list-style-type: none"> • imprest account transactions be transmitted to headquarters in an electronic form and under a format consistent with the central accounting system in order to avoid manual re-entry of data and eliminate risks of erroneous inputs; 	<ul style="list-style-type: none"> ➤ As indicated in the Progress Report on the Implementation of the Recommendations of the External Auditor in his 1994-95 Audit Report, a large percentage of country offices have already been linked electronically to headquarters. This is progressively pursued to achieve full implementation. 	<ul style="list-style-type: none"> ➤ Since August 1998, country offices in the Maputo and Nairobi clusters were decentralized and can now directly input transactions into the WIS. However, the release of the Journal Vouchers to the GL:M remains a function of FSFF at HQ.

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<ul style="list-style-type: none"> considering the large number of transactions concerned, their regularity be thoroughly checked against supporting documentation on a statistical basis and the samples selected after due consideration of risk areas; 	<ul style="list-style-type: none"> FS Directives FS 98/005 and 007 were issued on 17 June and 1 July 1998, respectively, exempting Kenya, Pakistan, and Mozambique clusters together with the Angola and Ethiopia country offices, from the submission of documentary evidence substantiating the entries in the cash books. Control procedures have been established whereby FSFF will perform verification checks on sample documentation requested from the country offices. 	<ul style="list-style-type: none"> With this decentralization, HQ continued to exempt these countries from the submission of documents, subject to review of random sample vouchers and verification check prior to the release of JVs to the GL:M. FSFF has performed verification checks on Angola (September to December 1998) and Kenya (September 1998 to February 1999).
<ul style="list-style-type: none"> bank statements, cash books and general ledger bank balances be systematically reconciled every month and all discrepancies duly investigated; 	<ul style="list-style-type: none"> The reconciliation of bank statements and cash books balances is part of the controls prescribed in Directive FS 98/005. Reconciliation with GL:M balance is also done. 	<ul style="list-style-type: none"> Reconciliation of bank statements to the cash book balances is done monthly. Reconciliation of the cash book balances to the GL:M general ledger balance is performed on average three times a year, including at year-end.
<ul style="list-style-type: none"> operational instructions be issued to guide the work of processors at headquarters. 	<ul style="list-style-type: none"> A draft processing guide for processors has been prepared and is to be finalized by October 1998. The process of issuing instructions on certain aspects of work will continue, as appropriate. 	<ul style="list-style-type: none"> The draft processing guide has been delayed due to the departure of the staff member responsible. FSFF will revisit this exercise before the end of 1999.
<p>Country Directors be reminded of the importance of checking expenditure against commitments, and this be strictly enforced.</p> <p>If the outcome of the decentralization policy is to shift the responsibility of accounting for field operations to regional finance officers, such a move be carefully prepared with (para. 58):</p>	<ul style="list-style-type: none"> To be issued in August 1998 although advance instructions were already sent to the Regional Managers in July 1998. 	<ul style="list-style-type: none"> The Country Office Accounting Guide dated 26 August 1998, incorporating the financial responsibilities of the Country Directors and Regional Managers, was issued to all country offices.
<ul style="list-style-type: none"> a clear definition of responsibilities maintaining the final control of the Director, FS, responsible for preparing the accounts of the Programme, over the accounting entries posted to the general ledger; 		<ul style="list-style-type: none"> FS continues to be responsible for the overall posting to the GL:M general ledger by releasing (and reviewing) the journal vouchers for decentralized countries and by processing the accounts of non-decentralized countries.

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<ul style="list-style-type: none"> the issuance of organization-wide financial and accounting instructions to ensure standard treatment of transactions; 	<ul style="list-style-type: none"> ➤ Actions have been taken in the form of FS Directives and instructions. 	<ul style="list-style-type: none"> ➤ Please see above re: Country Office Accounting Guide.
<ul style="list-style-type: none"> training of field finance officers; 	<ul style="list-style-type: none"> ➤ Training will continue in the future. 	<ul style="list-style-type: none"> ➤ A five-day conference for Regional Finance/Admin. Officers was held at HQ in March 1999. Future plans include training of the Managua cluster, rotation of staff between field and HQ, and specific missions to country offices.
<ul style="list-style-type: none"> definition of controls to be carried out on field transactions; and 		<ul style="list-style-type: none"> ➤ Please see above re: Country Office Accounting Guide.
<ul style="list-style-type: none"> setting up a strong central unit to implement this reform and provide guidance to field personnel. 		<ul style="list-style-type: none"> ➤ The new structure of FSFF is designed to provide more professional support to field personnel. It aims to formulate, communicate and implement financial policies; to ensure that controls are in place and that financial rules, regulations and procedures are adhered to; and to design and coordinate training for field finance staff.
4. Programme Support and Administrative Costs (PSAC)		
<p>Comprehensive budgetary arrangements, specifying recognized expenditure components and the categories of resources applicable to meeting such expenditure, be worked out with a view to providing the Programme with an administrative structure commensurate with their missions (paras. 18 and 62).</p>	<ul style="list-style-type: none"> ➤ The budget allotment and sub-allotment processes relating to administrative and operational structures have been revised to inform managers (at HQ and in country offices) of the resource categories placed (and that can be placed) at their disposal for specific areas of cost (whether it be PSA, DSC or otherwise) and the specific expenditure components which are to be covered under these resources. To the extent possible and to instil a further sense of budgetary planning, these expenditure components are broken down by line items of expenditure. This process continues to be fine-tuned with the aim of ensuring that expenditure components which fall under a particular resource category are clearly defined and used for the intended purpose. 	<ul style="list-style-type: none"> ➤ In the course of the preparation of the 2000–2001 budget, comprehensive guidelines on cost re-categorization (under R&LTF) were issued and country offices were fully briefed (in a series of joint OEDB/ODD/ODP missions) on the preparation of budget proposals. Budgets were reviewed to ensure compliance, placing emphasis on the definition of specific items classified as DOC, DSC or ISC. Additional guidance will be issued before the biennium.
5. Cash Management		

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Investment Management		
<p>WFP reconsider the present arrangements and structure for the management of their cash with a view to (i) bringing into line official investment policy and actual conduct of investment management, (ii) out-sourcing the management of investments to professional managers, and (iii) re-organizing the structure to ensure adequate oversight of the external managers and control of bank accounts (paras. 19 and 66).</p>	<p>➤ A report on FAO and WFP Asset Management was presented to the FAO Investment Advisory Committee. Four recommendations affecting WFP were made by the Committee. Namely, that WFP assume full responsibility for short-term assets, form an Investment Committee, appoint an Investment Consultant to review the investment policy, and outsource excess funds to external managers. These recommendations have been presented to the Director-General of FAO for approval.</p>	<p>➤ Effective 1 January 1999, a Treasury Unit was established in WFP having responsibility for cash management and investment.</p> <p>➤ An investment policy for WFP, which includes the establishment of an investment committee, was prepared; and it is expected to be finalized by August 1999.</p> <p>➤ An Investment Consultant was hired to conduct a preliminary selection of external investment managers. Subsequent to site visits to pre-selected investment managers and completion of a formal evaluation and selection process, recommendations will be made to the Executive Director for approval.</p> <p>➤ New investment management procedures and accounting instructions for interest calculations will be prepared once the investment policy is finalized.</p> <p>➤ A presentation was made to the FAO Investment Advisory Committee on developments in cash management and investment policies within WFP.</p>
Cash Management		
<p>In spite of the recruitment of a cash manager in March 1996 and the signature of a Memorandum of Understanding with FAO in October 1996, there is still considerable room for improvement in the operation of bank accounts and implementation of an investment policy (para. 63).</p>		<p>➤ Based on the recommendation of the FAO Investment Advisory Committee, surplus cash is being invested in a money market fund pending the appointment of the external investment managers.</p>
Bank Accounts		

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<p>The rules governing the opening and closing of WFP bank accounts and the assignment of responsibilities for operating each individual bank account at headquarters and in the field be strictly adhered to as they constitute an essential element of the safeguarding of WFP assets (para. 64).</p>	<ul style="list-style-type: none"> ➤ All bank accounts have been properly authorized and responsibilities assigned. 	<ul style="list-style-type: none"> ➤ Opening, closing and amending bank accounts are functions of the newly established Treasury Unit.
<p>6. Self-Insurance Policy</p>		
<p>Self-insurance transactions be reported as a provision on the liabilities side of the balance sheet, as was the case in the 1994-95 financial statements. If, nevertheless, it were decided to proceed with the establishment of a special account for self-insurance operations, I recommend that its establishment and the principles governing its operation be formally endorsed by the Executive Board (paras. 20 and 69).</p>	<ul style="list-style-type: none"> ➤ The Executive Director, in her statement accompanying the 1996-97 accounts, recommends that the Board formally approve the self-insurance scheme and endorse the setting up of a special account. 	<ul style="list-style-type: none"> ➤ The Executive Board formally approved the scheme and endorsed the special account in October 1998.
<p>7. Bilateral Operations</p>		
<p>Closer cooperation be ensured and clear responsibilities delineated between the administrative units involved (Resources, Operations and Finance) (paras. 21 and 70).</p>	<ul style="list-style-type: none"> ➤ An RE focal point on bilateral operations has been appointed. RE will continue working on the clearing of these bilateral balances. ➤ The implementation of the RMS of FMIP will enable the handling of contributions and income on those few remaining bilateral donations in the same manner as other types of pledges. 	<ul style="list-style-type: none"> ➤ RE coordinates with OTL the follow-up on bilateral donations. Country offices were requested to verify the validity of outstanding obligations by 10 June 1999. The review of outstanding bilateral commitments will be completed by 31 December 1999.
<p>8. Procurement of commodities and non-food items</p>		

External Auditor's recommendations (as per WFP/EB.3/98/4-A)	Actions taken to date or to be taken as indicated up to August 1998 (as per WFP/EB.3/98/4-A)	Actions taken to date or to be taken as indicated up to July 1999
<p>The various procurement rules needed to be revised, harmonized, and assembled in a comprehensive document to make them more easily accessible to staff. Delegations of authority, in particular, needed to be clarified (paras. 23 and 73 to 78).</p>	<ul style="list-style-type: none"> ➤ Draft of non-food procurement manual is in the clearance process to include new, expanded delegation of authority. In addition, delegations of authority for food procurement will be increased. 	<ul style="list-style-type: none"> ➤ In October 1998, MSP circulated the draft of the new non-food procurement manual to the concerned offices at HQ, for their comments. Once these are integrated and finalized, the manual will be presented to the Executive Director for approval and release by the third quarter of 1999. ➤ The Executive Director's Circular revising the delegation of authority for food procurement was issued on 8 July 1999.
<p>Given the many constraints weighing on purchase decisions (legal considerations, availability of cash, variety of donors, diversity of projects and local food patterns, seasonality of markets), food purchase planning is limited. This is probably an area where further progress could be achieved in the future (para. 72).</p>	<ul style="list-style-type: none"> ➤ An annual non-food procurement plan was initiated in 1998. Food procurement plan to be initiated in 1999. 	<ul style="list-style-type: none"> ➤ The processes for the preparation of annual non-food procurement plans is now being developed, to be initiated in 2000.
<p>A large sample of contracts did not disclose significant irregularities, but the following anomalies noted should be corrected in the future (paras. 24 and 79 to 84):</p>		
<ul style="list-style-type: none"> • discontinue the practice of issuing cheques to payees whose identity and address are not those of the vendor who had signed the contract; 	<ul style="list-style-type: none"> ➤ This practice has been rectified. Payment is to be made to the contractor whose address is listed in the contract document. 	<ul style="list-style-type: none"> ➤ Completed
<ul style="list-style-type: none"> • losses incurred due to defaults; 	<ul style="list-style-type: none"> ➤ Performance bonds are now required to reduce risk of loss due to default. 	<ul style="list-style-type: none"> ➤ Completed

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<ul style="list-style-type: none"> • circumvention of bidding procedures and the delegated levels of authority in procurement; 	<ul style="list-style-type: none"> ➤ The issuance of a revised non-food procurement manual is expected to decrease the incidence of circumvention of bidding procedures, including exceeding delegation of authority. In addition, directives will be issued to provide operational guidelines to the field. Also, regional training workshops are being planned. 	<ul style="list-style-type: none"> ➤ These controls were greatly considered in the preparation of the new non-food procurement manual.
<ul style="list-style-type: none"> • contract for telephone services not put out to tender and negotiation, and the officer who signed for the Programme did not have the authority to do so; and 	<ul style="list-style-type: none"> ➤ FSIT has been advised that authority to sign contracts rests with MS. 	<ul style="list-style-type: none"> ➤ The new non-food procurement manual clearly defines roles in procurement activities and specifies those who have the appropriate delegation of authority to execute contracts and purchase orders. In addition, MSP is working continuously with requesting officers to ensure compliance with procurement rules and regulations.
<ul style="list-style-type: none"> • contract for travel services not concluded in consultation with the Contracts and Purchases Committee prior to signing and the condition in the contract for providing services during normal hours on-site was not respected. 		<ul style="list-style-type: none"> ➤ No further action on the specific contract is necessary. The new non-food procurement manual clearly provides appropriate guidance on the solicitation and awarding of these kinds of contracts (consignment contracts).

9. Procurement of ocean transport and services

<p>Internal controls of operations could be improved, particularly with respect to performance evaluation and effectiveness of the ex-post review of contracts (paras. 25, and 86 to 88).</p>		
<p>The performance indicator used by OTS, the FOB/C&F differential, should be supplemented by other market comparators.</p>	<ul style="list-style-type: none"> ➤ OTS has set up a database to collect all such information from the various Market Reports and publications to which it has access. A first print-out of this database, which will represent a collection of fixtures similar to those completed by WFP, will be submitted to the Committee on Commodities, Transport and Insurance (CCTI) at the end of 1998 for review, evaluation and recommendation. ➤ This is already being done by OTS. 	<ul style="list-style-type: none"> ➤ A new program has now been installed. The package will be further integrated with a ship specification program.

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The benefit of ex-post review of OTS operations by the CCTI, transport section, would be enhanced if they were more focused on the search for the most competitive offer and the economic results achieved.	➤ This will be done for the next CCTI meeting covering activities for the third quarter of 1998.	➤ The search for the most competitive offer and economic result achieved is always being emphasized by OTS. Final installation of the above computer program will enhance this capability.
10. Financial Management Improvement Programme		
Compliance with legal authority. Weaknesses in the compliance with legal authority relate to the following (paras. 27 and 92 to 94):		
<ul style="list-style-type: none"> • formal approval of FMIP by the Executive Board; 	➤ No additional action needed, but the Board will be continuously informed of FMIP progress.	➤ The Executive Board is informed of the status of implementation and funding of FMIP through the circulation of the quarterly FMIP Progress Reports. In October 1998, the Board was briefed on the funding constraints of FMIP. In May 1999, the Board approved the use of the General Fund to cover the FMIP funding deficit.
<ul style="list-style-type: none"> • the decision to account for its operations in a special account under the General Fund; 	➤ Pursuant to new Financial Regulation 5.1, the Executive Director's Decision Memorandum dated 7 July 1998 established the FMIP Special Account	➤ To December 1998, the FMIP Special Account has generated nearly US\$ 900,000 in interest income, which was made available for planned activities, hence providing additional source for covering the funding deficit.
<ul style="list-style-type: none"> • the charging of programme support and administrative costs to the FMIP budget; and 	➤ With the reclassification of FMIP as a special account, there will be a clear delineation of expenditures charged against PSA and FMIP, and closer monitoring of these expenditures.	➤ At the beginning of the 1998-99 biennium, a clearer distinction was made concerning the costs borne through FMIP which might be considered "recurrent" or of a PSA nature. All such costs were grouped under a common FMIP project series (the OPIM series) and have been recorded and reported on this basis since.
<ul style="list-style-type: none"> • inconsistent treatment of contributions to the programme with respect to the charging of indirect support costs 		➤ No further action necessary
FMIP funding		

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<p>FMIP is facing a shortage of funds and WFP has no contingency plans related to resourcing or adjusting the implementation of FMIP available resources (paras. 28 and 95).</p>	<ul style="list-style-type: none"> ➤ The Executive Director, in her statement accompanying the 1996-97 accounts, recommended the Board to formally approve that new direct contributions to FMIP be applied to the implementation of the programme and that repayment of the US\$10 million advance be deferred until such time as FMIP had been fully funded. ➤ All FMIP expenditure plans are being closely monitored (through an oversight committee) in an effort to ensure that costs remain within established budgets. 	<ul style="list-style-type: none"> ➤ At its Annual Session of 1999, the Board approved the Executive Director's request to convert the US\$ 10 million advance from the General Fund into a grant and to fund from the General Fund the remaining shortfall of US\$ 6.6 million to complete the funding of the approved FMIP ceiling of US\$ 37 million. However, the Programme will continue to exert efforts to control costs and look for economies, where possible.
FMIP accomplishments		
<p>Some major accomplishments were achieved through FMIP. However, key FMIP systems are not yet operational and require additional work, testing and training of staff. Seen in this context, the present end-1999 deadline appears unrealistic (paras. 29 and 96).</p>	<ul style="list-style-type: none"> ➤ Resource Mobilization System (RMS)—Is in its final stages of implementation at HQ and will be placed in general use by September 1998. Roll-out to a limited number of WFP country offices is planned to start in the fourth quarter of 1998. ➤ Commodity Tracking System (CTS) - Development of the initial version of the system is now complete and it is being field-tested in East Africa during July and August 1998. Full roll-out is expected to get under way early in the fourth quarter of 1998. ➤ Financial Management, HR Management and Procurement Management Systems - being obtained through a contract with a system Integration Partner (IP). The contract, expected to extend for approximately 20 months, has been negotiated and is expected to get under way from the beginning of September 1998. ➤ Programming, Logistics Management and Project Planning and Management Systems - now being addressed as a combined initiative. Business process re-engineering is already under way and it is expected that the system 	<ul style="list-style-type: none"> ➤ The following sets out the progress made on the FMIP strategic information systems since August 1998. <ul style="list-style-type: none"> • The first production roll-out of the commodity tracking system (COMPAS) was, as per schedule, to Ethiopia and Djibouti in December 1998. Since then, it has been implemented in former Yugoslavia, though subsequently moved to Albania and Macedonia to support the Kosovo operation. Most recently, COMPAS was implemented in Mozambique. Plans for the remainder of 1999 are to continue with the installation of the system in a number of major operations, including Angola, Honduras, the Great Lakes, West Africa, and at least one Asian operation. • A contract was let to IBM in August 1998 to provide an integrated finance, human resources and procurement system using SAP enterprise software. Since then, work on the finance and procurement

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	<p>user requirements will be fully defined by the first quarter of 1999. With this schedule, it may be anticipated that the system will be introduced into general use during the first quarter of 2000.</p>	<p>components has progressed according to plan, with implementation still scheduled for the first quarter of 2000. The human resources component has moved to a slightly longer time frame owing to the addition of a payroll system, which will be implemented at the same time as human resources management. Both systems are scheduled to go into service during the second quarter of 1999.</p> <ul style="list-style-type: none"> • Work has proceeded to define the system requirements for the components of OASIS, the combined resource programming, project planning and management and logistics system. By mid-June 1999 this had been largely completed. After July 1999, a contract will be prepared with the aim of getting the OASIS components implemented during the first half of 2000.
11. The year 2000 problem		
<p>The year 2000 problem is a major management issue and not just an information technology issue. In this context there is a need for senior management to take on overall responsibility for addressing the year 2000 problem (paras. 30 and 97).</p> <p>It is also essential that effective reporting arrangements be put in place to provide senior management with an early warning of any difficulties. Given the magnitude and pervasiveness of this problem, there is little time left (paras. 30 and 97).</p>	<ul style="list-style-type: none"> ➤ WFP has decided to follow the recommendation of the UK National Audit office. Indicated below are the projected completion dates for each project stage. This inventory will include all hardware and software (package and in house development) used at HQ: <ul style="list-style-type: none"> • Assign clear responsibility for year 2000 compliance—mid-August 1998; • Create an inventory of systems—mid-August 1998; • Audit all systems for compliance—mid-September 1998; • Produce a prioritized list of systems requiring modification—end-September 1998; 	<ul style="list-style-type: none"> ➤ An Information Technology (IT) Year 2000 Plan was developed and implemented including funding, review of standard software, raising awareness at the country office level, upgrading the mainframe environment, and establishing a Year 2000 (Y2K)Task Force. <ul style="list-style-type: none"> • The Year 2000 (Y2K)Task Force responsibilities are to monitor overall progress of Y2K work, liaise with other UN agencies, and develop and test contingency plans for mission critical activities and services. • The Y2K Task Force has developed a four-phased approach for country offices based on the guidelines suggested by the Economic and Social Council of the United Nations at its July 1998 session. The four phases are:

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	<ul style="list-style-type: none"> • Estimate the cost of modifications—mid-October 1998; • Finalize a prioritized, costed, timed programme of action—beginning November 1998; • Manage such a programme of action, keeping to budget and schedule—May 1999; • Test all modified systems—July 1999. <p>➤ A search for vendor products that are year-2000 compliant has been conducted through the WEB, and identified those in respect of WFP's existing systems.</p> <p>➤ The greater problem is field compliance; FSI has no direct control over hardware and software procurement done at the country office level. WFP will send out a report explaining the year 2000 problem to all country offices. The report will include the headquarters standard software configuration that each country office should mirror as closely as possible, given systems end-product support available in their respective countries. Included in the report will be the Internet address to vendors, year 2000 support pages and any testing procedures used at headquarters to ensure year 2000 compliance. A help desk for the year 2000 problem will be set up to support the country offices in their research on and resolution of the problem.</p>	<p><u>Phase 1</u>—Year 2000 awareness for management and staff. Seminars were given at HQ in March 1999 and presentations made to Executive Staff/Regional Managers/Country Directors (Tunis Global Meeting in March 1999) and Regional Finance & Administration Officers (Rome, March 1999).</p> <p><u>Phase 2</u>—Year 2000 Assessment—The Y2K Inventory Assessment Plan was sent to all WFP country offices in March 1999 to identify and inventory areas of vulnerability.</p> <p><u>Phase 3</u>—Year 2000 Action Plan—The Y2K Action Plan Guide was sent to all WFP country offices (May 1999) to be completed by the third quarter of 1999. The Action Plan will include a business risk analysis of inventory items to prioritize the mission critical systems for upgrading or replacement. It will also take into consideration coordination of efforts across UN agencies within each country.</p> <p><u>Phase 4</u>—Year 2000 Contingency Planning is under development.</p> <p>➤ Other initiatives:</p> <ul style="list-style-type: none"> • MS have inventoried and assessed the HQ premises and found that 70-80% of building services, hardware and software are certified Y2K compliant. • At the CCAQ meeting in March 1999, WFP, in conjunction with other UN agencies, was tasked with overall coordination for UN logistical operations and the Y2K problem. This task has been delayed due to logistical personnel being transferred to the Balkan region to deal with WFP logistical operations. • An Information Note was submitted to the Executive Board's Annual Session of 1999 "WFP and the Year 2000 (Y2K) Problem" (WFP/EB.A/99/INF/8).

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		<ul style="list-style-type: none"> • A Year 2000 Inter-Agency Meeting for Rome-based Agencies was held on 24 May 1999, chaired by the Deputy Executive Director. At this meeting a decision was taken to set up four committees comprising representatives from FAO, IFAD and WFP, to deal with common Y2K risks, issues and contingency plans in Rome, and to ensure consistency across agencies. The four committees and the lead agency are: financial matters (WFP); administrative issues (FAO); personnel issues (IFAD); and Y2K coordination on other issues not addressed by the other groups (FAO).
12. Reiterated recommendations in previous reports		
Upgrading of financial information, accounting and procedural discipline		
<p>Immediate improvements, consistent with the longer-term FMIP strategy, be implemented with a view to upgrading financial information and accounting systems and procedural discipline (paras. 31 and 98).</p>	<ul style="list-style-type: none"> ➤ Steps have been taken to reduce the number of wrong entries flowing from WIS to GL:M, by close collaboration between FSFA and FSI. GL:M makes test runs and if errors are detected, these are sent back to WIS for correction and resubmission to GL:M. ➤ WIS maintenance and enhancement will continue, until replacement systems are in place, to respond to changing operational needs and in strengthening internal controls. 	<ul style="list-style-type: none"> ➤ FSFA continues to check all new financial codes requested by users and files coming from WIS and FINSYS/PERSYS to be posted to the General Ledger.
<p>Once achieved, the major effort that is under way to produce written accounting procedures detailing the operation of each account in the chart of accounts and for validating transactions in GL:M should represent a major improvement in the control of accounting transactions(para. 100).</p>	<ul style="list-style-type: none"> ➤ Chart of Accounts—A comprehensive database of account information has been developed and reviewed that would allow the following: <ul style="list-style-type: none"> • quick and simple production of new issues; • a systematic check of all accounts used in the 1996-97 biennium; • elimination of unnecessary or duplicated codes and reduction of complexity; • the preparation of account description sheets providing details of the operation of each account; and • the designation of a responsible unit for each account. ➤ GL:M—Accounts with no activity in the 1996-97 biennium have been selectively purged in GL:M. 	<ul style="list-style-type: none"> ➤ FSFA staff are currently working with the GL:M Unit to check accounts as they have been classified in the Chart of Accounts and eliminate accounts no longer required. FSFA plans to finalize the present Chart of Accounts by the end of July 1999 ensuring that the descriptions are the same as those appearing on the Trial Balance. Once the responsible units have verified the Chart of Accounts, this will be distributed Programme-wide.

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Financial and accounting instructions are still needed to determine the treatment retained for bilateral operations, LTSH transactions, self-insurance operations and the provision mechanism introduced in 1995 to report estimates of future ITSH/LTSH expenditure (para. 100).		<ul style="list-style-type: none"> ➤ FSFA will be reviewing and preparing as necessary the accounting instructions for the self-insurance special account in August 1999 prior to the implementation of the FMS module of SAP.
The procedures and supporting systems for implementing the new inventory policy announced in March 1995 were not yet operational (para. 100).	<ul style="list-style-type: none"> ➤ Closer and frequent communications with country offices to assist them in performing inventory maintenance under the delegated authority of country offices in providing training at the country level. 	<ul style="list-style-type: none"> ➤ FS issued a reminder on 15 July 1999, through the Operations Division, to solicit Site Inventory Reports as at 31 December 1998 from 28 country offices. ➤ FS and MS coordinate and exchange information on the status of information received or yet to be received from country offices, and MS provides continuous guidance on WInS to country offices.
The documentation of financial procedures and the provision of operational guidelines remain a major management problem at the end of 1997, particularly the processing of imprest returns, the monitoring of the value of pledges receivable, and the implementation of financial concepts such as ISC and DSC introduced under the R<F model.(para. 101).		<ul style="list-style-type: none"> ➤ Documentation of financial procedures has continued during 1998-99 with the issuance of Financial Directives and the Country Office Accounting Guide. ➤ Financial procedures for the monitoring of receivable pledges are reviewed by the permanent Inter-Divisional Working Group on Contributions Receivable, referred to in section 1 above. ➤ Full-cost recovery is implemented according to the guidance of the Board. ➤ Concerning the provision of operational guidelines <ul style="list-style-type: none"> • On 26 June 1998, RE issued Directive RE 98/01 "Guidelines for Resource Mobilization at Field Level and the Acceptance of Contributions Made Available Locally." Furthermore, the Chiefs of REA and REE gave a series of presentations to WFP representatives and senior staff during cluster meetings and other gatherings. The Guidelines will be further reviewed and updated within the context of the preparation of the WFP Resource Mobilization Strategy when the Board adopts this in May 2000.

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		<ul style="list-style-type: none"> • In 1998, an outline was prepared for a Resource Mobilization Manual, which will be used as a reference document of the policies and procedures in mobilizing resources for WFP. • A Guide to the Resource and Long-term Financing policies has been drafted and will be published in August 1999.
<p>With respect to the Organizational Change Initiative the visits to the regional offices showed that there was an urgent need to define the role and responsibilities of these offices in the areas of personnel, budgetary and financial management (para. 101).</p>	<ul style="list-style-type: none"> ➤ Within the scope of established budgets, a move is under way to allow regional offices to play a much more heightened role in determining how resources will be distributed and/or programmed to the countries within their Region. Manuals on the budget process, including guidance to managers, continue to be updated and will eventually be available in electronic form. The certification process has been streamlined in such a way that managers have a wider latitude of spending authority for established budgets. ➤ HR has developed a role statement for all the outposted Personnel Officers in both regional offices and large stand-alone operations. Personnel Officers were trained at the beginning of their assignment and after six months brought to headquarters for specialized training, which included job classification, clarification of their role and level of delegation. 	<ul style="list-style-type: none"> ➤ On budgetary management <ul style="list-style-type: none"> • OEDB conducted specific missions to country offices during the budget preparations for 2000–2001 to effect full consultations with the regional bureaux, clusters, and country offices. • Detailed budget preparation guidance was issued and a budget hot-line was set up to service field queries. ➤ On personnel management <ul style="list-style-type: none"> • On-the-job training is continuously provided to personnel staff at HQ and in the country offices, in addition to the training on the FINSYS/PERSYS (connectivity permitting) that was earlier provided to staff in country offices. However, this will be subject to review with the gradual introduction of SIMSS by mid-2000. • All outposted Personnel Officers, through their Country Directors/Regional Managers now have full delegation for appointment of short-term staff and of non-core professional staff, including the payment (servicing) of short-term staff. The connectivity FINSYS/PERSYS and level of budgetary/financial delegation will further determine the extent of delegation.

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	➤	<ul style="list-style-type: none"> • All Personnel Officers (HQ and country offices) participated in an HR retreat in March 1999, for the purpose of reviewing the effectiveness of HR delegated authority to the Managers in country offices. In addition training was given to HR staff in country offices. ➤ On financial management see comments under section 3 above.