Distribution: General	Agenda item 6
Date: 18 May 2018	WFP/EB.A/2018/6-G/1/Add.1
Original: English	Resource, financial and budgetary matters
	For consideration

Executive Board documents are available on WFP's website (https://executiveboard.wfp.org).

Management response to the recommendations in the report of the External Auditor on food-related losses

Background

1. Management welcomes the external audit of food-related losses and the External Auditor's recommendations deriving from the audit.[1] While the report broadly reflects the general situation in WFP, there are a few areas where it could have benefited from clarification of specific practices and ongoing activities in WFP.

2. Responses prepared by WFP's Supply Chain Division (OSC) in consultation with other concerned divisions and departments are presented in the attached matrix.

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[1] WFP/EB.A/2018/6-G/1.

Focal points:

Mr D. Wakiaga
Director
Operational Risk Mitigation Service
tel.: 066513-2643

Mr J. Kern
Director
Supply Chain Division
tel.: 066513-2293

Ms D. Pajevic
Chief
Supply Chain Normative Guidance
tel.: 066513-2863

MANAGEMENT RESPONSE TO THE RECOMMENDATIONS IN THE REPORT OF THE EXTERNAL AUDITOR ON FOOD-RELATED LOSSES			
External audit recommendations	**Action by**	**WFP management response**	**Timeframe**
Recommendation 1: The External Auditor recommends improving reporting to the Executive Board by providing an annual report on losses whether they occur before or after delivery, irrespective of any amounts insured or reimbursed.	OSC	Agreed. Management will provide the Board with regular updates highlighting any major losses and the actions that WFP is taking to minimize them. Inclusion of the updates in existing reporting mechanisms will be considered.	2019
Recommendation 2: The External Auditor recommends continuing to strengthen the order management procedures: a) by implementing a tool to manage international, regional, and local vendors as soon as possible, so as to allow WFP to have a global view of vendors and their services; b) by upgrading the WINGS software or developing an alternative solution to have a global view of the performance of its contracts and be able to extract data with a view to effective management.		Partially agreed. At the time of the audit, WFP was reviewing its external vendor management. The final report of and recommendations from this review are expected shortly. Management will implement this audit recommendation according to the findings of the review and the availability of funds.	2021[2]
Recommendation 3: The External Auditor recommends developing a system making performance statistics on surveyors and superintendents available at the organization level.	OSC	Agreed. Statistics on the performance of surveyors are already captured by individual offices, and through the contracting process. Management will establish a system for sharing this information throughout WFP. As pointed out in the response to recommendation 8, WFP is moving towards a risk-based system of quality assurance and does not rely entirely on inspection reports for the certification of product quality.	2019

[2] Based on the preliminary timeline recommended by the external expert review.

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ON FOOD-RELATED LOSSES</td>
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<th>External audit recommendations</th>
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<th>Timeframe</th>
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<td>Recommendation 4:

The External Auditor recommends expanding the information submitted annually to the Executive Board by adding the financial statements of the special self-insurance account; and a report on the appropriateness of the level of insurance reserve.</td>
<td>Finance and Treasury Division (RMF) and OSC</td>
<td>Partially agreed.

In accordance with International Public Sector Accounting Standards, WFP reports on its fund balances as defined in its accounting policies and in aggregate. Financial results related to special accounts, including the self-insurance special account, are presented in aggregate in note 7 to the WFP financial statements. Management considers that the disaggregation of one special account would be inappropriate.

Management will enhance its reporting to the Board on the performance of the self-insurance scheme, including the scheme's financial status.</td>
<td>2019</td>
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<td>Recommendation 5:

The External Auditor recommends strengthening the control of warehouses: a) by inviting country offices to plan inspections based on a risk analysis; b) documenting and keeping records of the inspections conducted; c) organizing documented monitoring of the frequency of warehouse inspections carried out by country offices.</td>
<td>OSC</td>
<td>Agreed.

Management notes that formal procedures for warehouse inspection are described in the warehouse management handbook, as pointed out in the audit report. Management will:
- remind country offices to plan inspections based on risk analysis;
- remind country offices to document and keep records of warehouse inspections and their findings, and request that they routinely share relevant statistics with their regional bureau; and
- remind regional bureaux to monitor records of country offices' inspections and carry out inspection visits to high-risk warehouses as part of their oversight function.</td>
<td>2018</td>
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MANAGEMENT RESPONSE TO THE RECOMMENDATIONS IN THE REPORT OF THE EXTERNAL AUDITOR ON FOOD-RELATED LOSSES			
External audit recommendations	**Action by**	**WFP management response**	**Timeframe**
Recommendation 6: The External Auditor recommends: a) centralized collection of the agreements entered into with the partners; b) making the performance of partnership agreements in the field a priority area of oversight implemented by the regional bureaux.	Policy and Programme Division (OSZ)	Agreed. WFP partner agreements are based on a standard template, which has so far precluded the need for a repository of all partner agreements because WFP's current tracking system records existing agreements by partner, type of activity, country, contract dates and other criteria. The possibility of introducing a repository could be examined during future upgrades of WFP corporate systems. Oversight of the performance of partnerships could be included in regional bureaux's reviews of country offices. The augmented guidance on managing non-governmental partners (NGOs), issued in January 2018, includes a standard procedure for assessing partners' performance, which should facilitate this process.	2020
Recommendation 7: The External Auditor recommends: a) extending beneficiary feedback mechanisms to all regional bureaux; b) examining the possibility of strengthening the procedures for detecting illegal uses of distributed food.	OSZ	Agreed. WFP is working to ensure that complaints and feedback mechanisms are in place in all country offices and is developing standard tools for processing complaints and feedback and for quality assurance of the mechanisms. So far, 86 percent of all country offices with operations have complaints and feedback mechanisms in place. Management will examine the possibilities of strengthening the procedures for detecting illegal uses of distributed food. Such procedures comprise post-distribution monitoring, beneficiary monitoring and complaints and feedback mechanisms at the country level. Reviews of distribution reports and the accuracy of their data should be included in future audits, evaluations, investigations, inspections and compliance and oversight missions.	

MANAGEMENT RESPONSE TO THE RECOMMENDATIONS IN THE REPORT OF THE EXTERNAL AUDITOR ON FOOD-RELATED LOSSES			
External audit recommendations	**Action by**	**WFP management response**	**Timeframe**
Recommendation 8: The External Auditor recommends strengthening internal quality control: a) by forwarding all inspection reports to the Food Quality and Safety Unit (OSCQ); b) by establishing an exhaustive information system on quality incidents allowing OSCQ unit to perform monitoring and management; c) by continuing the deployment of the quality assurance system in order to reduce the organization's dependence on one-off product inspections.	OSC	Agreed. Reports on quality inspections are made available to the Food Quality and Safety Unit. Where deviations are reported, technical inputs from the unit are systematically used to inform decisions regarding how to address them. Management has adopted a quality assurance system on high-risk products and plans to expand this system to cover low risk products. This involves pre-selection audits in addition to regular vendor audits, and monitoring of quality along the supply chain, including through studies of the shelf-life and stability of products and the impacts of temperature and packaging on product quality. Management will develop a central repository for quality assurance reports and a comprehensive incident management system that facilitates the monitoring of and reporting on quality-related incidents.	2020
Recommendation 9: The External Auditor recommends striving for real-time data recording in LESS in order to set up this system as a true food commodities tracking system.	OSC	Agreed. Work on this issue is ongoing. Management notes that the Logistics Execution Support System (LESS) is designed to capture data in real time, but acknowledges that for operational reasons it is not always possible to input data into systems in real time. Reasons for delays include lack of or limited connectivity in some operational areas, security issues and the fact that in some cases the tracking is undertaken by other parties such as governments or cooperating partners, and subsequently the original transportation documents must be delivered to WFP for data entry. Management has developed corporate tools for monitoring and tracking the reliability and timeliness of data capture and triggering any necessary corrective actions. The information is now available on WFP's INFOHUB platform.	Not applicable