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WFP MANAGEMENT RESPONSE TO THE REPORT OF THE EXTERNAL AUDITOR ON WFP OPERATIONS IN SOMALIA



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NOTE TO THE EXECUTIVE BOARD

This document is submitted to the Executive Board for consideration

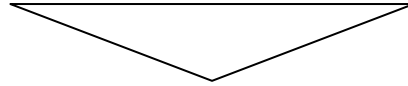
The Secretariat invites members of the Board who may have questions of a technical nature with regard to this document to contact the WFP staff focal points indicated below, preferably well in advance of the Board's meeting.

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

* Office of the Executive Director

DRAFT DECISION*



The Board takes note of “WFP Management Response to the Report of the External Auditor on WFP Operations in Somalia” (WFP/EB.1/2011/5-B/1/Add.1).

* This is a draft decision. For the final decision adopted by the Board, please refer to the Decisions and Recommendations document issued at the end of the session.

SUMMARY

1. This document presents the Secretariat's response to the recommendations of The Comptroller and Auditor General of India in "Report of the External Auditor on WFP Operations in Somalia" (WFP/EB.1/2011/5-B/1), which covers the period January 2009 to June 2010.
2. WFP management has welcomed this review and will use the findings to improve its operations and controls. It is pleased to learn from the External Auditor that "all the stakeholders with whom we met were highly appreciative of the work being done by the country office in an extremely challenging environment in Somalia. There was unanimity of opinion that WFP has a key role to play in Somalia."
3. WFP management appreciates the hard work that the External Auditor devoted to the Somalia report. It recognizes that this was a particularly challenging assignment because it was the first audit carried out for WFP by the Comptroller and Auditor General of India.
4. WFP management welcomes the forward-looking audit recommendations and is committed to work on their full implementation. Action is underway to address the recommendations, and some have already been completed
5. The Secretariat agrees that it should be proactive in discussing with the Board the reputational risks and inherent control difficulties arising from operations in Somalia. The Secretariat looks forward in the first quarter of 2011 to working with stakeholders to develop and deploy a transparent dialogue to assess the risks faced by WFP in future operations in Somalia, and in similar operating environments.
6. The Secretariat agrees that clearly identifying the risk appetite and the cost of additional controls for working in highly volatile environments must be part of continuing to work in Somalia as well as in similar high-risk operating environments.
7. It is important to review this report with the understanding that:
 - WFP has not been operational in south and central Somalia since December 2009 owing to threats to the safety and security of its staff and bans placed on its operations by Al Shabaab.
 - In 2008 and 2009, WFP, responding to its mandate, scaled up its operations to respond to a massive humanitarian crisis in Somalia with a complete absence of government structures. In so doing, staff were killed and kidnapped, and WFP trucks were hijacked.
8. The Secretariat's responses to the recommendations are presented in a matrix in Annex I. However, further explanation from a management perspective on key issues are outlined below.

Somalia Context

9. WFP management agrees with the External Auditor's assessment that "Somalia presents one of the most complex and risky environments in the world today" and thanks the External Auditor for acknowledging "the sincerity and willingness of WFP staff to strengthen controls as well as the numerous recent initiatives in this regard".
10. As the External Auditor notes, her findings relate mainly to operations in south Somalia, where WFP has limited access. The report notes that the challenges faced by WFP in south Somalia are particular to the region and differ from the relative calm in north Somalia; the

findings that relate specifically to south Somalia may not apply to the operations in the entire country.

11. WFP has worked in difficult environments throughout its history. Responding to emergencies and reaching beneficiaries in extreme environments caused by armed conflict, poor access and natural disasters is its core work. Over the years WFP has honed its skills for responding to the humanitarian imperative while ensuring staff safety and security and internal controls to provide due diligence for the resources with which it is entrusted. However, as has been acknowledged by the External Auditor, south Somalia represents the outer edge or the extreme of these challenging operating environments globally.
12. A recent article by Ken Menkhaus, a professor of political science and an expert on Somalia describes the situation in 2008 and 2009: “[An] explosion of a massive humanitarian crisis [occurred] in April 2007, the result of the displacement of a total of some 700,000 Mogadishu residents to the countryside. Other factors – disruption of commercial movement of food due to armed conflict and a rise in militia roadblocks, a spike in global food and fuel prices, an epidemic of counterfeiting of Somali shillings, and drought – added to the humanitarian crisis. By 2008, 3.5 million Somalis, or close to one-half of the total population of south-central Somalia, are in need of emergency food relief, making Somalia the worst humanitarian crisis in the world.”¹
13. In the face of this crisis, WFP’s operational presence began expanding in early 2008. By 2009, 340 staff² were fully engaged in delivering, distributing and monitoring a monthly average tonnage of 42,000 mt of food. This included 1 million beneficiaries that WFP inherited when the Cooperative for Assistance and Relief Everywhere (CARE) was forced to withdraw in mid-2009. WFP’s humanitarian response in 2009 and 2010 was further complicated and hampered by killings of staff members, the looting of WFP food, abductions of non-governmental organization (NGO) staff, and the withdrawal of the Ethiopian National Defence Force (ENDF).

The Work of the Inspector General³

14. WFP management is pleased to note the External Auditor’s overall conclusion that the 2009 internal investigation on Somalia has served as a template for examining control weaknesses of the Somalia country office, and that the Inspector General and Oversight Office (OS) recommendations have directed the changes and initiatives necessary to mitigate these weaknesses. The External Auditor has noted that more information is now available for analysis than was available in 2009 when OS investigated the allegations.

Part I – Allegations – Management Response

15. As there are no specific recommendations on Part I of the report, WFP management has the following comments and observations on the most important findings of Part I.

¹ Cited in Menkhaus, K. 2010. Stabilisation and Humanitarian Access in a Collapsed State: the Somali Case. *Disasters*, 34(s3): S320–S341.

² Sixty percent posted in Somalia, including 25 international staff.

³ The Inspector General in WFP reports to the Executive Director and operates to professional standards of audit and investigation. The audit plans and reports of the Inspector General are subject to review by an independent Audit Committee appointed by the Executive Director and reporting to both the Executive Director and the Board. The Inspector General also submits an annual report to the Board for discussion at its Annual Session.

Food sold in markets

16. **Allegation: WFP food being sold in the local market.** In relation to this allegation, neither the Inspector General nor the External Auditor has found evidence of fraudulent or corrupt diversions. It is important to note the difference between fraudulent diversion and a beneficiary bartering or selling his ration after a targeted distribution has taken place. Bartering and selling a portion of food aid rations by beneficiaries sometimes occurs in WFP programmes when beneficiaries do not have the resources to purchase critical non-food items.
17. It is crucial to note that only a very small proportion (less than 1 percent) of WFP's current food assistance was directed to the Afgoye corridor,⁴ which was the subject of the 2009 allegations. As of 1 January 2011, WFP operations in Afgoye have been suspended entirely.

Fictitious camps

18. **Allegation: Fictitious camps are created and WFP rations misappropriated.** WFP management notes that the External Auditor is satisfied with the report of the private investigative agency, which verified that the camps were not fictitious. Regular WFP monitoring verified that camps or final distribution points in the Somalia context are often short term in nature, and even settlements can open and close on a fairly regular basis.

Families of combatants

19. **Allegation: Families of combatants are registered as internally displaced persons (IDPs).** As mentioned in the report, WFP has fully espoused the humanitarian principles presented to the Board in May 2004 (WFP/EB.A/2004/5-C). These basic principles of humanity, impartiality and neutrality clearly indicate that humanitarian aid should be guided solely by need and does not discriminate in terms of ethnic origin, nationality, political affiliation, gender, race or religion. Aid will not be provided to active combatants.

Procurement of services

20. **Allegation: Three transporters received 80 percent of transport business.** Management is pleased to note the confirmation by the External Auditor that the statement in the Monitoring Group on Somalia report that three transporters received 80 percent of a transport budget of US\$200 million is incorrect. The actual payment to transporters was US\$62 million, of which the three transporters received 66 percent. It is important to note here that with WFP's withdrawal from south and central Somalia there has been a large reduction in the size of the programme and the number of mt transported monthly in Somalia. This geographical containment of WFP operations has allowed WFP to spread the smaller transport requirements across a greater number of transporters.
21. **Allegation: Conflict of interest between Deeqa Construction and SAACID.** The External Auditor has also confirmed that prompt action by the country office was taken to address a conflict of interest between a transporter and a co-operating partner.
22. **Allegation: Staged looting of food from a transporter's convoy.** With regard to the comments on the alleged staged looting of food, both the Inspector General and the External Auditor have confirmed that all the allegedly looted food was recovered from the contractor in question. The management imperative at the time was to secure repayment in

⁴ June 2010 programming levels

a way that a transporter with a proven track record for performance was not bankrupted by enforcing the bond. Management considers that this decision achieved both goals. There was no link between Deeqa's repayment of the loss and future business/contracts given to Deeqa.

23. **Allegation: Building of road from El Ma'an to Isilay airstrip:** Towards the end of 2008 and as a result of the ENDF withdrawal, the potential closure of the Mogadishu port posed a serious risk for WFP operations in Somalia. Knowing that El Ma'an port had been the primary humanitarian delivery route into southern Somalia from the mid-1990s until the re-opening of Mogadishu port in 2006, WFP, with the endorsement and support of donors, took mitigating action to implement an alternative solution that included rehabilitating a 15 km-stretch of road. The External Auditor examined the procurement process and raised four concerns. WFP management comments on those concerns are:

- **Scoping of work.** The country office received a proposal from Swift Traders for the rehabilitation of 29 km. The road surveyor, a WFP engineer, travelled the full 29 km road in both directions from El Ma'an port to the main Balaad highway. Based on his assessment and report, all contracting action, including all documentation sent to WFP Headquarters, was clearly identified for the rehabilitation/repair of a 15 km stretch, not 29 km. From this point onward all the internal documents are, in the opinion of the Secretariat, clearly addressing the same 15 km stretch of road which was ultimately included in the contract.
- **Waiver of competition.** The Secretariat's view is that the emergency situation at the time warranted the waiver of competition. The closure of the Mogadishu port would have put at risk a programme of support that delivered more than 30,000 mt of food each month to some 3.5 million people. Relevant donors were briefed and funded the operation as an important contingency operation.
- **Upward revision of cost estimates.** The country office considers that there were valid reasons for the upward revisions of the two sets of cost estimates referred to in the External Auditor's report, one produced by the contractor and the other produced internally by WFP staff.
 - ◇ The purpose of the WFP estimates was to establish a benchmark against which to assess the estimates provided by the contractor. A WFP engineer in Nairobi produced the first estimate of US\$506,940, which was subsequently revised upward to US\$746,303 to reflect the actual road construction prices obtained from another WFP competitive road rehabilitation project in Somalia during the same time period (Wajid-Baidoa Road).
 - ◇ The contractor also provided two estimates: the first (US\$645,000) was presented with the initial proposal and a second (US\$684,605) was submitted after the contractor had been given a detailed bill of quantity for the work. Both of the contractor's estimates were below the benchmark figure established by WFP staff (US\$746,303).
- **El Ma'an port was not used after rehabilitation.** The decision to establish El Ma'an port as an alternative entry point for food destined for south Somalia was driven by risk assessments into the agreed likelihood of the port closure. The country office remains concerned about the risk of closure of Mogadishu port; El Ma'an port remains part of an active contingency plan should the Mogadishu port close. Contingency planning for alternate supply routes is an everyday part of most WFP emergency operations.

Part II – Assessment of Internal Controls – Management Response

24. The Secretariat's comments on Part II of the External Auditor's report are detailed in the attached response matrix. Below are some of its comments on recommendations that have a wider corporate perspective.
25. WFP commends the External Auditor for presenting the findings in Part II of the report against the main elements of WFP's internal control framework. This makes it easier for both the Executive Board and the Secretariat to assess the impact of the findings against widely accepted principles of internal control.

Risk Management

26. WFP management agrees with the External Auditor that calculating the risk appetite for high-risk operations is essential. Not only will the Secretariat enhance communication with WFP governance, oversight and key stakeholders on high-risk operations, it will attempt to present these risks to the Board and quantify the resource costs associated.
27. The WFP corporate risk register is currently being updated and should be completed in January 2011. Risk registers for all high-risk operations are being further refined to ensure that they reflect the latest position on controls and have been analysed to produce residual risk assessments. Both the corporate risk register and the residual risk assessments will be implemented as part of the new risk management framework.
28. The risk management framework has a built-in escalation system that will trigger decisions by senior managers on actions to be implemented on "red-alert issues" and assign the responsibility to prepare quick responses to major allegations. The Executive Management Committee will closely guide and facilitate implementation of defined actions. For particular events, the Executive Director will name a point person within the senior management team.
29. Regarding Somalia, and following up on the recent risk conference in Copenhagen,⁵ three seminars with key stakeholders are planned to take place in Nairobi in early 2011 to examine the risks faced and potential solutions in the Somalia context.

Transparency with External Stakeholders

30. Following the allegations made by the Monitoring Group on Somalia, the Secretariat welcomed the investigation⁶ and it was fully transparent with the Board and external stakeholders and communicated on a regular basis in Rome, Nairobi and donor capitals. Key communications events include:

⁵ The conference "Risk and Results Management in Development Cooperation: Towards a Common Approach" was held in Copenhagen on 25 and 26 November 2010. It brought together experts and policy-makers from a wide range of Member States and international development and humanitarian organizations to explore issues relating to risks inherent in humanitarian, development and stabilization interventions.

⁶ WFP News Release of 11 March 2010. Available at:

<http://www.wfp.org/news/news-release/wfp-welcomes-investigation-its-food-assistance-operations-somalia>.

4 December 2009	➤ An informal briefing is held for WFP Board membership on findings of the Inspector General's investigation.
14 December 2009	➤ A letter is sent to Board membership from Deputy Director and Chief Operating Officer, Mr A. Abdulla, detailing the Inspector General's findings and recommendations.
12 January 2010	➤ An informal briefing is held for WFP Board membership on Somalia and WFP's decision to suspend operations in many parts of south Somalia following imposition of unacceptable conditions by Al-Shabaab.
13 January 2010	➤ Weekly situation reports for Board membership begin.
11 March 2010	➤ WFP receives a copy of the Monitoring Group on Somalia report from the Sanctions Committee concerning Somalia.
11 March 2010	➤ A news release is issued and a letter sent by the Executive Director to WFP membership welcoming an independent investigation of WFP's Somalia operations and offering access to the Inspector General's December report.
12 March 2010	➤ An informal briefing is held for WFP membership by Deputy Executive Directors Mr A. Abdulla and Mr R. Lopes da Silva.
24 March 2010	➤ Mr R. Lopes da Silva briefs Sanctions Committee in New York.
25 March 2010	➤ The Executive Director meets with donor representatives, United Nations agencies and media in Geneva concerning Somalia.
4 June 2010	➤ Mr A. Abdulla visits WFP Somalia country office. He also meets senior United Nations officials, donors and representatives.
7–11 June 2010	➤ The Secretariat shares an information note with the WFP membership. At its Annual Session, the Board requests an independent assessment of the Monitoring Group on Somalia allegations.
22 June 2010	➤ The Executive Director writes to the new External Auditor asking him to conduct a detailed review of WFP's Somalia operations and to issue a report with recommendations to enhance the framework of controls in Somalia
30 July 2010	➤ The Executive Director travels to the Somalia country office to meet with senior United Nations officials, donors and WFP staff.
11 August 2010	➤ The Executive Director sends a letter to the Board updating the membership on recent management actions for WFP operations in Somalia.
21 September 2010	➤ An informal briefing on Somalia is held for WFP membership.
9 November 2010	➤ The Secretariat provides the Board with a briefing note on Somalia and the status of management actions.

31. In Nairobi, the country office has taken an active part in the United Nations country team and regularly briefs donors on the status of WFP operations.

Programming in Somalia

32. In volatile environments such as Somalia, WFP programming undergoes changes on a daily basis depending on the needs of the beneficiary population and WFP's ability to gain access to them. WFP country offices work closely with partners to keep programming in sync with the needs of the population and to document modifications as situations change.

33. The Somalia country office will make every effort to maintain a clear paper trail to substantiate changes to the allocation and distribution plan at all times.

34. **Working with Co-operating Partners**

- The Somalia country office also recognizes and endorses the considerable benefits of nurturing long-term relationships with co-operating partners, and will continue to do so wherever possible – noting, however, that the clan affiliations of Somali NGOs may limit their area of operations.
- In certain parts of Somalia, because of lack of access and other security concerns unique to that region, there have been difficulties in fulfilling the food aid monitoring role effectively. Nevertheless the Secretariat considers that the operational model relying on co-operating partners remains fundamentally sound.
- In this context, WFP has an important role in selecting and training co-operating partners in monitoring. Where there is access, this work should be done diligently to assure strong validation of the co-operating partners work on the identification and registration of beneficiaries.

35. **Clarification on wet feeding and special general food distribution.** General food distributions in Mogadishu and surrounding districts were suspended in late 2007 owing to insecurity. The wet feeding programme was a relatively safe, albeit costly, alternative, with strong support from the donor community.

36. In February 2010, the Somalia country office received a written request from the Transitional Federal Government (TFG) to provide food to 27,000 households in some of the districts in Banadir region.⁷ Acting upon this request, in March and April, WFP identified NGO partners through a call for offers, who then subsequently identified the households and in May began general food distribution. The request from the TFG gave WFP the opportunity to reintroduce general food distribution on a limited scale and determine its viability. Due to insecurity and lack of access, the activity was discontinued after just four distributions.

⁷ In April 2010 WFP received a second letter from the TFG, as referred to by the External Auditors, following up on the initial request.

MANAGEMENT RESPONSE TO THE RECOMMENDATIONS OF THE REPORT OF THE EXTERNAL AUDITOR ON WFP OPERATIONS IN SOMALIA			
External Auditor recommendations	WFP management response	Action by	Timeframe
I. Strategic Issues			
<p>1. A staff member in each office must be nominated as an ethics advocate to be a flag-bearer on ethical issues and to act as a first point of contact to resolve ethical dilemmas.</p>	<p>Partially agreed.</p> <p>The Secretariat endorses the thrust of this recommendation that it should further promote ethical issues and their resolution.</p> <p>WFP was among the first to establish and deploy a robust ethics office. The United Nations, in line with other public institutions, retains the ethics point of decision in Headquarters. Therefore there may be practical and procedural issues that weigh against appointing country-level staff members to be the first point of contact on ethical dilemmas.</p> <p>However, the Director of Operations will work closely with the Ethics Office to find an appropriate means of addressing this issue in ways that do not detract from the effectiveness of the current arrangements or create confusion in reporting channels.</p> <p>The Secretariat will continue to encourage its managers to set high ethical standards for staff to follow, as evidenced by a corporate goal this year to advance staff education on ethic standards and process.</p>	<p>Director of Operations / Ethics Office</p>	<p>April 2011</p>
<p>2. The regional bureaux have an important role to play in the organization as they are closer to the country offices and are better placed to quickly respond to their needs. The regional bureaux should be provided necessary resources to enable them to discharge their work more effectively.</p>	<p>Agreed.</p> <p>The Secretariat agrees that regional bureaux play an essential role. The decentralized organizational structure also aims to maximize effectiveness through appropriate allocation of resources, about which decisions are made as part of the established budgetary process.</p> <p>In 2011 the Director of Operations will work with the Regional Directors to further define the interaction between regional bureaux and Headquarters, clarifying responsibilities for overseeing country office implementation as well as leveraging centralized expertise where it is most efficient and cost-effective.</p>	<p>Director of Operations</p>	<p>April 2011</p>





MANAGEMENT RESPONSE TO THE RECOMMENDATIONS OF THE REPORT OF THE EXTERNAL AUDITOR ON WFP OPERATIONS IN SOMALIA

External Auditor recommendations	WFP management response	Action by	Timeframe
<p>3. Internationally there is a growing recognition of the importance of self-monitoring vis-à-vis external monitoring. Our view is that WFP Somalia country office could present an ideal setting for a pilot on self-assessment mechanism. Consistent with the Oversight Office (OS) inspection check-list, a self-assessment check-list of key controls must be developed for country offices on the basis of which they must assess themselves in the year-end in a report to the Country Director. We are of the opinion that this would encourage them to assume ownership of controls thus enhancing accountability.</p>	<p>Agreed.</p> <p>(i) The Compliance Officer will work with the Resource Management and Accountability Department (RM) to develop and pilot a self-assessment check-list of key controls for an annual self-monitoring exercise.</p> <p>(ii) At a corporate level, as recognized by the External Auditor, WFP has an initiative led by the Resource Management and Accountability Department to strengthen managerial control and accountability (SMCA). The SMCA team will therefore monitor the results of the Somalia pilot and will develop and implement wider guidance on self-assessments of internal control.</p>	<p>(i) Somalia country office, in consultation with RM</p> <p>(ii) SMCA team</p>	<p>(i) March 2011</p> <p>(ii) June 2011</p>
<p>4. (a) Risk appetite must be quantified separately for high- risk operations (like areas of Somalia with restricted access) and normal operations (like areas of Somalia where WFP staff have access).</p>	<p>Agreed.</p> <p>(i) The Secretariat will enhance communication with its governance, oversight and and key stakeholders on high-risk operations and the corresponding risk appetite.</p> <p>(ii) Moreover, the Secretariat will continue to engage and involve other actors to agree on common approaches for identifying and setting risk appetite and risk tolerance. Following up on the risk conference in Copenhagen (see footnote 5), WFP is planning three seminars with key stakeholders in Nairobi to examine the risks faced and the potential solutions in the Somalia context.</p>	<p>(i) WFP Secretariat</p> <p>(ii) Somalia country office /WFP Secretariat</p>	<p>(i) Ongoing</p> <p>(ii) First quarter 2011</p>
<p>4. (b) In addition to the inherent risk register, a residual risk register must also be prepared so as to draw an assurance that the residual risk is within the risk appetite.</p>	<p>Agreed.</p> <p>The suggested approach is already being addressed by further work to assess the impact of control activity and thereby determine residual risk.</p> <p>(i) The corporate risk register is currently being updated by incorporating feedback from Headquarters divisions, regional bureaux and country offices. This is needed to ensure that the register reflects the latest position on risks and that the mitigating controls are in place so that residual risks can be determined.</p> <p>(ii) Risk registers for all high-risk operations are also being further refined to ensure that they reflect the latest position on controls and have been analysed to produce residual risk assessments.</p>	<p>Performance and Accountability Management Division (RMP)</p>	<p>(i) January 2011</p> <p>(ii) May 2011</p>

MANAGEMENT RESPONSE TO THE RECOMMENDATIONS OF THE REPORT OF THE EXTERNAL AUDITOR ON WFP OPERATIONS IN SOMALIA

External Auditor recommendations	WFP management response	Action by	Timeframe
<p>5. We are of the view that reputational risks could have a more pervasive organisational impact as compared to operational risks, whose impact would generally be localized. Hence, Resource Management and Accountability Department (RM) should be assigned the responsibility for collection and analysis of warning signals for significant reputational risks and for escalation of such signals to appropriate levels. The RM should work closely and share its work with the OS and the Audit Committee.</p>	<p>Agreed.</p> <p>Reputational risk will be implemented as part of the new risk management framework and systematically shared with WFP's oversight bodies.</p> <p>The Secretariat had already included reputation risk in the corporate risk register. The Secretariat will continue to review and update WFP's corporate risk profile, which visually communicates primary risks affecting delivery of its strategy and mandate, and presents the potential impact on WFP and likelihood of risks. A comprehensive corporate risk register is a companion to this profile that highlights processes at risk and allows the Secretariat to identify appropriate mitigation actions and assign responsibility for managing and mitigating risks.</p> <p>The risk management framework has a built-in risk escalation system that will trigger actions by senior managers and the Executive Management Committee. RM is entrusted with the responsibility to implement and fully embed risk management in 2011-2012 that would enable WFP to identify, record and enable follow-up of mitigation actions and maintain the risks below the enterprise risk appetite (tolerance). RM will also be able to review logged risks, scan mitigation action progress and identify warning signals related to risks that will significantly affect our reputation and follow the defined escalation process.</p> <p>RM will continue to communicate progress made in implementing risk management in WFP operations with the Board and the Audit Committee.</p> <p>(See comments also in the response to recommendation 4(b) for specific deliverables in the first half of 2011).</p>	RMP	<p>June 2012 (for full implementation of the new risk management framework)</p>



MANAGEMENT RESPONSE TO THE RECOMMENDATIONS OF THE REPORT OF THE EXTERNAL AUDITOR ON WFP OPERATIONS IN SOMALIA			
External Auditor recommendations	WFP management response	Action by	Timeframe
6. The management should develop and implement a strategy to respond swiftly, decisively and transparently to major external allegations.	<p>Agreed.</p> <p>(i) External allegations represent risks to WFP and are to be handled as part of the new risk-management arrangements outlined in response to recommendation 5. This will ensure that the responsibility for dealing with major allegations is clearly assigned.</p> <p>(ii) In addition the Secretariat will prepare administrative guidance on the handling of specific cases.</p>	<p>(i) See Rec. 5 above</p> <p>(ii) Director of Operations</p>	<p>(i) See Rec. 5 above</p> <p>ii) February 2010</p>
7. WFP should validate the identification of beneficiaries on a test-check basis, before the stage of distribution monitoring, at least in areas where WFP staff have access.	<p>Agreed. The Secretariat recognizes and endorses the sentiments expressed in this recommendation.</p> <p>However, WFP's operational model is to work through a network of co-operating partners in the actual delivery of food to beneficiaries, including the identification of beneficiaries.</p> <p>As part of this approach and as recognized by The External Auditor, food aid monitors selectively monitor the co-operating partners' screening of beneficiaries to ensure that criteria are being adhered to. Indeed, access permitting, the level of monitoring should be increased in areas where inconsistencies have been reported.</p> <p>The Secretariat recognizes that in certain parts of Somalia because of lack of access and other security concerns unique to the region there have been difficulties in fulfilling the food aid monitoring role effectively. Nevertheless the Secretariat considers that the operational model based on co-operating partners remains fundamentally sound.</p> <p>In this context, WFP has an important role in selecting, training and monitoring the work of co-operating partners. Where WFP staff has access, this work should be done diligently to ensure strong validation of the co-operating partners' work on the identification and registration of beneficiaries. WFP must keep good records of identified needs, and of monitoring and evaluation. When there are repeated or unaddressed concerns with co-operating partners, the field-level agreement may need to be terminated. (See comments also in the response to recommendation 20).</p>	Somalia country office	Ongoing



MANAGEMENT RESPONSE TO THE RECOMMENDATIONS OF THE REPORT OF THE EXTERNAL AUDITOR ON WFP OPERATIONS IN SOMALIA

External Auditor recommendations	WFP management response	Action by	Timeframe
8. The country office should reassess the risks involved in undertaking the food distribution operations at Afgoye in consultation with other stakeholders.	<p>Agreed.</p> <p>The Chief Operating Officer, in consultation with the Somalia country office and external stakeholders, has reviewed the risks involved in this operation and has, as of the writing of this report, suspended WFP supplementary feeding and institutional feeding programmes in Afgoye. Further risk assessments will continue to be done to determine when, and if, work in Afgoye can resume.</p>	Chief Operating Officer/ Somalia country director	Completed
9. (a) The capacity assessment of co-operating partners should be supported by adequate documentation for greater objectivity.	<p>Agreed.</p> <p>The country office considers it already maintains a significant level of documentation on the capacity assessments of co-operating partners. It has also developed a capacity assessment check-list to ensure that the documentation of the process of selecting co-operating partners is appropriate and its standards of documentation are uniformly applied across Somalia. The country office will continue to use the check-list to document the process of selecting co-operating partners.</p>	Somalia country office	Completed
9. (b) Due diligence must be exercised before selecting co-operating partners and once selected, the country office must strive to nurture long-term relationships at least in areas where activities remain the same from one season to the other.	<p>Agreed.</p> <p>The Secretariat considers that due diligence is already being exercised in the selection of co-operating partners in Somalia.</p> <p>The Secretariat also recognizes and endorses the considerable benefits of nurturing long-term relationships with co-operating partners, and will continue to do this wherever possible -- noting, however, that clan affiliations of Somali NGOs may limit their area of operations.</p> <p>There is clear corporate guidance in the NGO Partnership Framework on how to build long-term relationships with co-operating partners. There is also a manual on "How to work with WFP" available for co-operating partners.</p> <p>Where possible the Somalia country office works with co-operating partners for extended periods, but for the reasons noted above, this is not always feasible.</p> <p>The Somalia country office also invests significant time and effort in training of co-operating partners.</p>	Somalia country office	Ongoing





MANAGEMENT RESPONSE TO THE RECOMMENDATIONS OF THE REPORT OF THE EXTERNAL AUDITOR ON WFP OPERATIONS IN SOMALIA

External Auditor recommendations	WFP management response	Action by	Timeframe
<p>10. Further allocation/delivery should not be made to transporters/co-operating partners who do not submit their waybills/reports within three months from the date of arrival of food.</p>	<p>Partially agreed.</p> <p>The Secretariat fully agrees with this recommendation in so far as it relates to transporters.</p> <p>As the External Auditor recognizes, transport contracts already provide an explicit requirement to return waybills to the respective WFP office within 10 days from the completed delivery of the food.</p> <p>Action will be taken against any transporter that fails to deliver waybills within three months of the date of arrival of food.</p> <p>In the case of co-operating partners, the Secretariat agrees that it is important for country offices to insist on timely submission of distribution reports. However, a decision on whether to take action against a co-operating partner if reports are not provided within three months of the delivery date needs to reflect the specific circumstances involved – such as when food was pre-positioned before intended distribution, or whether distribution was halted because of escalating violence. Such circumstances could mean that it would not be appropriate to penalize co-operating partners for late submissions.</p> <p>Where food is planned to be delivered and distributed on the same day the requirement is for the co-operating partner to return the distribution report within a maximum of 45 days after distribution. WFP guidance specifies that action should be taken to follow up on all outstanding distribution reports.</p> <p>A decision on whether to take action against a co-operating partner if reports are not provided within three months of delivery cannot be done as a blanket decision, but must take into account the specific circumstances involved.</p>	<p>Somalia country office</p>	<p>Ongoing</p>

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External Auditor recommendations	WFP management response	Action by	Timeframe
11. The country office should work closely and transparently with external stakeholders.	<p>Agreed.</p> <p>The Somalia country office is making every effort to work closely and transparently with external stakeholders. This effort was recognized in the External Auditor's report, which expressed appreciation for the cooperative approach of the current country office team.</p> <p>The specific further actions taken by the country director to work more closely with external stakeholders include:</p> <ul style="list-style-type: none"> ➤ interaction with the United Nations Inter-Agency Risk Management Group and its newly appointed coordinator; ➤ one-on-one briefing sessions with individual donors; and ➤ donor group round-table briefings. 	Somalia country office	Ongoing
12. As the country office is planning heavy investments in monitoring activities, possible results of monitoring and the likely follow-up action for each result should be identified in advance. We are of the view that this exercise will guide the country office to take adequate follow-up action on the findings of monitoring and enable it to derive optimum benefits out of it.	<p>Agreed.</p> <p>The country office has already created standard operating procedures determining how the results of monitoring should be actioned.</p> <p>In addition, as noted in paragraph 29 of the report, the country office will put in place a system to regularly monitor food sold in markets and cross-border movements of food.</p>	Somalia country office	April 2011
13. WFP should put in place systems to collect information and measure existing indicators of outcome and impact. Such findings should be included in the annual Standardized Project Reports.	<p>Agreed.</p> <p>WFP already has a Strategic Results Framework that contains outcome indicators; these are reflected in the project logframe for each approved project.</p> <p>WFP is required to report against the specific output and outcome indicators included in the project logframes contained in the approved project document.</p> <p>The External Auditor's report notes that the project reports for 2009 focus heavily on outputs and that minimal information is available on outcomes.</p>	Somalia country office	Ongoing





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External Auditor recommendations	WFP management response	Action by	Timeframe
	<p>The Somalia country office seeks to measure the outcome-level indicators in the approved emergency operation's logframe. However, these efforts are at times constrained by the limited availability of reliable data from authorities and partners.</p> <p>In situations with emergency needs and considerable operational constraints, as in Somalia, the Secretariat agrees with the country office's prioritization of output indicators, which demonstrate that planned food distribution processes are being followed in terms of the number of people reached and the amount of food distributed, as compared to outcome indicators, which demonstrate that food is having its intended impact.</p>		
<p>14. (a) The country office should realign its control strategy in favour of preventive controls relating to selection and maintenance of relationship with co-operating partners; preparation of allocation and distribution plans; and identification and registration of beneficiaries.</p>	<p>Agreed.</p> <p>The Secretariat agrees that the country office should further strengthen preventive controls.</p> <p>For those related to selection and maintenance of co-operating partners, this is being done through capacity assessments of co-operating partners and better documentation of the process for selecting partners using a check-list that is now in full implementation (see response to recommendation 9).</p> <p>Allocation plans and distributions have a number of control mechanisms; allocation plans are developed through a consultative process. However the country office will ensure better documentation of changes to both the allocation and distribution plans, as recommended by the External Auditor.</p> <p>The Somalia country office has invested significant time in strengthening its standard operating procedures related to a number of operational aspects, including the identification and registration of beneficiaries.</p>	<p>Somalia country office</p>	<p>June 2011</p>
<p>14. (b) The country office should conduct a gap analysis to identify the root cause of the problem before changing procedures and practices. Procedures should be changed only if the existing controls are identified as weak. Greater emphasis should be given on training, frequent reiteration of instructions and disciplinary action to enforce implementation of controls.</p>	<p>Agreed.</p> <p>The Secretariat recognizes the importance of not changing controls that are theoretically sound, simply because they are not being fully or properly implemented.</p> <p>Action will be taken as described in the response to Recommendation 3.</p>	<p>See Rec. 3</p>	<p>See Rec. 3</p>

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External Auditor recommendations	WFP management response	Action by	Timeframe
<p>14. (c) WFP should periodically work out the aggregate cost of all additional controls put in place or planned to be put in place to operate in high-risk areas where their staff have limited access. Such details should also be shared transparently with the donors so that a considered decision could be taken on whether or not to operate in such high-risk areas.</p>	<p>Agreed.</p> <p>As the External Auditor recognizes, this should be done periodically.</p> <p>Based on continuous risk assessment, the country office may propose additional costs of controls involved when they submit the budget revisions and/or new projects/operations for approval to the Executive Board protracted relief and recovery operations (PRROs) or Executive Director and Director General, FAO (EMOPs). The EMOP and PRRO project and budget revision formats provide adequate guidance to the country office for presenting the justification and nature of budget increases and for pointing out the hazards and risks involved in operating in highly insecure environments.</p>	Somalia country office	Ongoing
II. Operational Issues			
<p>15. (a) Headquarters must prepare a standardized check-list for each functional area, based on OS's inspection check-list, and all future oversight missions of the Regional Bureaux must be undertaken according to the approved check-list.</p>	<p>Agreed.</p> <p>WFP will develop and/or update standardized check-lists for each function for use on regional bureaux oversight missions and as guidance for country offices.</p>	Director of Operations	July 2011
<p>15. (b) All mission reports of the Regional Bureaux should be in writing so that the documentation of work undertaken by the mission and their findings are available for future reference.</p>	<p>Agreed.</p> <p>The Secretariat shall ensure that written mission reports are submitted, recommendations acted upon and reports filed for future reference.</p>	Director of Operations	Ongoing
<p>16. The Terms of Reference of the Compliance Officer must be carefully reviewed once the systems and procedures are streamlined. Our opinion is that continued hand-holding by the Compliance Officer should not cause the dilution of accountability of the Country Director and other managers from assuming responsibility for controls.</p>	<p>Agreed.</p> <p>The External Auditor recognizes that the appointment of a Compliance Officer is a good initiative in the short term.</p> <p>The decision to designate a Compliance Officer was taken by the Executive Director in view of WFP's commitment to its donors as well as the complexity of WFP Somalia operations.</p> <p>Past practice has indeed been to review the continued need for a Compliance Officer as circumstances change: in the Sudan and Afghanistan, Compliance Officer posts have been established and redeployed as needed.</p>	Somalia country office	The continued need for the position will be reviewed every six months.





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	Implementation of this recommendation will begin when conditions on the ground permit.		
<p>17. Submission of evaluation forms of WFP staff must be monitored more closely at the Headquarters and the country office. Timely reminders must be sent for submission and the forms checked for completeness, with a follow-up to resubmit, if the forms are incomplete. Warnings and disciplinary action must be used as a last resort against persistent defaulters. The management assured us that it is currently working on a project to enhance evaluation forms (PACE) which will ensure completeness of entries and facilitate quality checks.</p>	<p>Agreed.</p> <p>The Secretariat will add additional controls to the on-line Performance and Competency Enhancement Programme (PACE) form to ensure completeness of the relevant sections. However, the Secretariat notes that timely reminders on the deadlines in the annual performance appraisal cycle are already provided to managers and staff. Furthermore, managers receive compliance rates by organizational unit, along with information on the actual PACE status of individual staff members.</p> <p>From now on, managers at P5 level and above will also have included as one of their own PACE outcomes the completion of the PACE process for the staff members under their supervision. Lack of diligence in completing the PACE process does not constitute misconduct under WFP Rules, but may be addressed as a performance issue.</p>	Human Resources Division	June 2011
<p>18. To ensure greater transparency, complete documentation trail to justify the numbers in the final Allocation Plan should be ensured.</p>	<p>Agreed.</p> <p>The Somalia country office will make every effort to have a clear paper trail to substantiate changes to the allocation and distribution plan at all times.</p>	Somalia country office	February 2011
<p>19. The country office should exercise greater rigour in ensuring a paper trail to adequately reflect that the necessary ground changes to the distributions are well documented.</p>	<p>See response to Recommendation 18.</p>	See Rec. 18	See Rec. 18

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External Auditor recommendations	WFP management response	Action by	Timeframe
20. The provisions of the new Standard Operating Procedure relating to issue of ration cards, display of beneficiary entitlements and obtaining acknowledgement of beneficiaries, should be implemented immediately. WFP should explore use of technology (like use of biometric ration cards) on pilot basis in stable regions.	<p>Agreed.</p> <p>Implementation of the new standard operating procedure is underway. A follow-up training with co-operating partners is planned for January 2011 after the first cycle of implementation to share lessons learned.</p> <p>Regarding the use of Biometric ration cards, these have been used on a pilot basis by WFP and the office of the United Nations High Commissioner for Refugees (UNHCR) in refugee camps. After addressing key beneficiary protection concerns with UNHCR, WFP received UNHCR's approval for their use. A review of the lessons learned from these experiences will determine whether this kind of technology can also be piloted in Somalia.</p>	Somalia country office / Programme Division	Ongoing
21. (a) There should be strict adherence to the timeframe for completion of evaluation of co-operating partners supported with regular supervisory check.	<p>Agreed.</p> <p>The country office will further develop standard operating procedures for the co-operating partner evaluation process.</p>	Somalia country office	April 2011
21. (b) To enhance transparency, the evaluation criteria to be used should be shared with the co-operating partners upfront at the time of finalising the Field Level Agreements.	<p>Agreed.</p> <p>The country office will comply with the recommendation.</p>	Somalia country office	February 2011
22. The Implementing and Logistics Unit of the country office together should further analyse and reconcile the reasons for the difference in the pending reports from co-operating partners.	<p>Agreed.</p> <p>Efforts in this regard are already underway (see response to recommendation 25).</p>	See Rec. 25	February 2011
23. (a) Till a new system is developed that addresses the weaknesses in the Commodity Movement Processing and Analysis System (COMPAS) system, standardised report generating tools should be developed so as to prevent staff from accessing data through the back end.	<p>Not agreed.</p> <p>A corporate project started under WFP Information Network and Global System II (WINGS II), is underway to build a completely new logistics application – the Logistics Executions System (LES) -- which includes commodity tracking capabilities fully compatible with the corporate platform. The new application is being further developed during 2011 and will be tested later this year. The new system should be progressively implemented from 2012.</p>	Logistics Division	





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	WFP already uses recognized software to generate reports accessing Commodity Movement Processing and Analysis System (COMPAS) data. Moreover, reporting access to this data is already controlled by limiting staff's access rights. In the circumstances the Secretariat sees no benefit in further investment in reporting tools at this point in time.		
23. (b) Final distribution point-wise detail of food distributed should be captured in COMPAS for all dispatches to co-operating partners so as to facilitate reconciliation between allocation plan and the actual distribution at the final distribution point.	Agreed. The final delivery point level information is now available. The COMPAS co-operating partner module includes five reporting levels for food distributions -- country, sector, sub-sector, location and site -- so offices can specify where distributions took place.	Logistics Division IT Division	Completed
24. We recommend that the date of receipt of invoice from transporters and co-operating partners, being the more important control information, should be captured in WINGS II.	Agreed. The Secretariat agrees that the process of receipt and subsequent payment of invoices is very important, both in terms of financial controls and efficient processes, and therefore has instituted the centralization of invoices in Finance with the implementation of WINGS II. The Guidance on the centralization of invoices was promulgated through a Chief Financial Officer Directive (RMFT2010/001). The directive reinforces and addresses the key observation of the External Auditor that improvements in invoice handling processes were both feasible and required. As noted in the External Auditor's report, there has been a significant reduction in the number of invoices outstanding for more than three months, from 268 in February 2010 to 13 in September 2010. The Secretariat considers that the centralization of invoices has been a significant factor in this improvement. The Secretariat will nevertheless explore the potential for capturing the invoice date and the date of receipt of the invoice in WINGS II.	Finance and IT Divisions	June 2011
25. The staff should be trained on the risks associated with end-user computing and on ways to enhance quality of the data. A coordination unit should be set up to take charge of all reconciliation work and to act as a custodian of past data to eliminate chances of discrepancy in data.	Agreed. Significant levels of coordination take place between programme and logistics, although the country office agrees that a more formal process should be put in place and that a review be conducted of existing end-user data management tools to determine overlap.	Somalia country director	April 2011

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	This may not require that a separate unit needs to be formed for this purpose. The focus should rather be on heightened coordination between existing units.		
26. (a) Several key parameters monitored during distribution monitoring should also be covered during post-distribution monitoring for validation of information and to provide greater assurance. Reasons for significant variations between the two findings should be analysed immediately.	<p>Agreed.</p> <p>The Secretariat agrees that significant variations between distribution monitoring and post-distribution monitoring should be followed up. The Somalia office already does so; it has set up a database for tracking issues that require verification in the following month's monitoring missions, and will seek to improve its documentation.</p> <p>However, we note that post-distribution monitoring (PDM) focuses primarily on beneficiary entitlements and on participation and satisfaction of beneficiaries with the services received as part of the programme. Since WFP co-operating partners handle most of the food distribution, the objective of the PDM is to ensure that the right beneficiaries have been targeted and registered in the food assistance programme.</p>	Somalia country office	Ongoing
26. (b) In areas where WFP staff have access, normal monitoring should be increased. Alternate monitoring should be an exception in these areas.	<p>Agreed.</p> <p>The country office agrees that alternative monitoring should be focused on areas where WFP staff do not have access.</p>	Somalia country office	June 2011
26. (c) A separate report should be prepared containing details of food distributed or such details incorporated in monthly reports of subsequent months.	<p>Agreed.</p> <p>Actual distribution data is dependent on co-operating partner distribution reports (CPDRs), which are often submitted late.</p> <p>The Secretariat agrees that continued efforts are needed to ensure more timely submission of CPDRs by co-operating partners. It is working at the corporate level to institute electronic means of CPDR completion and submission.</p> <p>The Secretariat also agrees that actual distribution data, while not available in time for the report of the current month, should be included in the report of the subsequent month.</p>	Programme Division	April 2011



ACRONYMS USED IN THE DOCUMENT

CP	co-operating partner
COMPAS	Commodity Movement Processing and Analysis System
CPDR	co-operating partner distribution report
EMOP	emergency operation
ENDF	Ethiopian National Defence Forces
OS	Oversight Office
PACE	Performance and Competency Enhancement Programme
PDM	post-distribution monitoring
PRRO	protracted relief and recovery operation
RM	Resource Management and Accountability Department
RMP	Performance and Accountability Management Division
SMCA	strengthen managerial control and accountability
TFG	Transitional Federal Government
UNHCR	Office of the United Nations High Commissioner for Refugees
WINGS II	WFP Information Network and Global System II