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**Executive Board
First Regular Session**

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RESOURCE, FINANCIAL AND BUDGETARY MATTERS

Agenda item 6

For consideration



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RESPONSE OF THE SECRETARIAT TO THE REPORT OF THE EXTERNAL AUDITOR ON THE IPSAS DIVIDEND: STRENGTHENING FINANCIAL MANAGEMENT

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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).



INTRODUCTION

1. Further to the “Report of the External Auditor on the IPSAS Dividend: Strengthening Financial Management” (WFP/EB.1/2010/6-E/1), this document sets out the Secretariat’s responses to the recommendations made by the External Auditor in relation to maximizing the benefits WFP has achieved from implementing the International Public Sector Accounting Standards (IPSAS) since 1 January 2008. This document also sets out the courses of action the Secretariat will undertake to implement these recommendations.

OVERALL RESULTS OF THE AUDIT

2. This document is based upon an analysis of the issues that gave rise to the recommendations made by the External Auditor. Monitoring of the implementation of these recommendations by the Secretariat will be included in the composite progress report on the implementation of External Audit recommendations, which will be submitted to the Board during its 2010 Annual Session.
3. The Secretariat welcomes the observations and recommendations made by the External Auditor, as they assist in its efforts to improve the financial management and governance of WFP’s resources. In particular, the Secretariat welcomes the External Auditor’s observation that WFP has led the implementation of IPSAS within the United Nations.

IMPLEMENTATION OF RECOMMENDATIONS

Recommendations:

The implementation of IPSAS supported by WINGS II provides the opportunity for the WFP to further improve business management processes and the following actions will assist in realizing those benefits:

- *finance should establish a framework to provide more regular financial management reports focused at the corporate level on a monthly basis;*
- *reporting to senior management should provide focus, through the use of appropriate metrics and qualitative analysis on trends or risks, to ensure that the combined strength of the senior management is focused on identifying risks to the achievement of objectives;*
- *the enhanced information now collated by WFP to support IPSAS disclosures should be used as a basis for identifying and reporting key financial performance metrics during the course of the year, for example - stock levels and wastage, income generation and investment performance;*
- *there is an acknowledged need to provide clearer links between resources expended and the strategic objectives - given the difficulty in these objectives being cross cutting management may wish to consider alternative performance reporting, for example identifying expected results which can be linked to one or more Strategic Objectives and reporting against these as a measure of performance; and*
- *the senior management team should meet on a monthly basis to provide a collective and corporate overview of financial performance using qualitative analysis as well as financial information drawn from WINGS II.*

Secretariat's Response

⇒ *Analysis of recommendation*

4. As noted by the External Auditor, financial information is provided to senior Secretariat staff and the Board from many sources. Senior Secretariat staff members receive information guiding the management of financial resources and hold discussions in many different fora, and are broadly satisfied with the financial management information available to them.
5. The Secretariat in particular welcomes the comparison of the current structure of financial information it produces against the External Auditor's model of financial management reporting to Boards.
6. In response to the specific recommendations made by the External Auditor, detailed above:
 - a) The Office of Financial Accounting provides a set of the most important financial statements reflecting WFP's financial performance, financial position and cash flow to the Executive Director and Deputy Executive Directors each quarter. This set of financial statements is supported by basic financial analysis. In the future, the Office of Financial Reporting will provide these financial statements on a more regular basis, supported by analysis of the metrics detailed by the External Auditor in its report.



- b) The senior management team will meet on a monthly basis to discuss the main conclusions from the analysis of financial statements and other sources, to identify possible improvements in the management of WFP's resources.
- c) The External Auditor recognizes the cross-cutting nature of the Strategic Objectives and the difficulty of linking resources to objectives on a regular basis. WFP will continue to provide analysis of resource utilization against the Strategic Objectives in its Annual Performance Report. The Strategic Results Framework approved by the Board in February 2009 provides the basis for the assessment and reporting of results. As part of its ongoing work to develop a comprehensive Performance Management Framework (which will include both the Strategic Results Framework and a new Management Results Framework), the Secretariat will continue to explore possibilities for closer integration of resource and performance data. The Secretariat will consult the Board on any proposals for changes to the Strategic Results Framework.

⇒ *Proposed implementation timetable*

- 7. The Secretariat appreciates the recommendations made by the External Auditor, which will assist it in providing detailed financial information to decision-makers.
- 8. The Secretariat proposes to implement the recommendations of the External Auditor as indicated in paragraph 6 from the first quarter of 2010.