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AUDITED BIENNIAL ACCOUNTS (2000–2001)—SECTION IV

**Final Report on the Implementation of
Recommendations in the 1998–1999 Report of
the External Auditor**

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FINAL REPORT ON THE IMPLEMENTATION OF RECOMMENDATIONS IN THE 1998–1999 AUDIT REPORT OF THE EXTERNAL AUDITOR

1. In prior biennia, the Executive Director introduced the practice of presenting progress reports to the Executive Board on the implementation of the External Auditor's recommendations. The present report refers to the 1998–1999 Audit Report.
2. The first and second progress reports were submitted to the Board at its Third Session of 2000 (WFP/EB/3/2000/4-B/1) and 2001 (WFP/EB/3/2001/5-A/1), respectively. These reports reflected the recommendations as presented in the report of the External Auditor on the financial statements for 1998–1999, and the corresponding response of WFP and the actions taken or to be taken. This document is the third and final report on the recommendations for the 1998–1999 biennium. The first three columns of the annex present the recommendations and responses contained in the last progress reports while the fourth column reflects the actions taken to date.
3. In summary, the current status of the 1998–1999 External Auditor's recommendations are as follows:

Implemented with single actions	22
Implemented and are now ongoing procedures/processes	22
Clarified/implemented and requiring no further action	10
Being implemented, and will be followed up in the progress report for 2000–2001 Audit Recommendations	11
Total	54

4. It should be noted that the progress towards the implementation of the recommendations has been made within existing available resources and in line with the ongoing or expected changes in regulations, policies, systems and other arrangements. Most of the recommendations have been completed, and the remaining outstanding tasks involve mainly the preparation of appropriate directives, guidelines and procedures arising from the implementation of WINGS. The Executive Director has given the utmost importance and consideration to the recommendations of the External Auditor and assures the Executive Board that this will continue as implementation of the remaining items in the next biennium is completed.





External Auditor's recommendations (as per WFP/EB.3/2000/4-B/1)	WFP response (as per WFP/EB.3/2000/4-B/1)	Actions taken to date or to be taken as indicated up to August 2001 (as per WFP/EB.3/2001/5-A/1)	Implementation status as at June 2002
FINANCIAL MATTERS 1. Format of Financial Statements			
The addition of new lines in Statements I, II and III for the biennium ended 31 December 1999 brings more transparency in the reporting on the operations of the biennium. More comments should, however, have been included in the notes (para. 9).	The financial information relating to the new lines in Statements I, II and III are all adequately explained in the relevant Notes.	No further action necessary.	No further action necessary.
The accounting policy that records the contributions to bilateral operations directly as income when they are received, even if the related expenditures are not incurred in the same financial period, is likely to lead to the conclusion that the Programme is running a deficit in its Trust Fund activity. That policy should be re-examined (para. 46).	Since the initial Trust Fund balance is clearly shown as adequately covering for the current shortfall in income over expenditure, no deficits are incurred.	A bilateral contribution is in the nature of a Trust Fund and should therefore be a balance sheet account only. For financial statement presentation purposes, however, the receipts and disbursements of the fund are shown as income and expenditures, to disclose the movements in the fund. WFP is reviewing its accounting policy on the presentation of bilateral/Trust Fund income and expenditure in the financial statements. Pending completion of this review and in view of the current procedures ensuring that cash is received before expenditures are incurred, the Secretariat is of the opinion that the cumulative fund balance is more relevant than the excess or shortfall of income over expenditure in a given accounting period.	Bilaterals were presented in the 2000–2001 Financial Statements in a manner that is consistent with previous biennia. Finance and Information Systems Division is reviewing the accounting policy on income recognition for all contributions including bilaterals and is considering a change to accrual method. No further action necessary.
2. Interim Financial Statements			
The Secretariat will, in future, prepare interim accounts with appropriate notes and disclosure (para. 52).	Agreed.	The Interim Financial Statements ending 31 December 2000, together with notes and disclosure, will be issued in September 2001.	The interim Financial Statements for 2000 were submitted to the External Auditor on 5 October 2001 and these are included in the Notes as recommended. Done.

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3. Reprogramming and Refund of Unused Fund Balances			
<p>Comments more detailed than those provided under Note 14 (paras. 48 and 59) were needed from the Secretariat to explain the origin of the present situation, its impact on the accounts, and decisions to be made regarding the results of this reprogramming exercise.</p>	<p>We agree that additional background information need to be provided not in the Notes but in the Statement of the Executive Director.</p> <p>In the meantime, the Secretariat has began to close numerous inactive projects (more than 1,000 bilaterals and some 350 development and relief operations). Once the exercise—a necessary step for the migration of data to the new SAP system—is finalized, additional potentially reprogrammable resources will be identified and discussed with donors.</p>	<p>When the 2000 Interim Financial Statements are finalized and donor reports are completed by December 2001, donors will be requested to approve the reprogramming of unused fund balances.</p>	<p>During the 2000–2001 biennium \$102.2 million and \$4.2 million respectively reprogrammed and refunded. At 31 December 2001, fund balances included \$30.8 million from contributions made prior to 1996 and \$49.8 million from projects closed during 2000.</p> <p>Standard Project Reports for 163 projects closed in 2000 were sent to donors during 2001 informing them of any unspent balances of their contributions. Discussions with the donors on the reprogramming or refunding of balances are ongoing. A final report on the closed project balances migrated to WINGS will be presented to the Executive Board in October 2002.</p> <p>No further action necessary.</p>
<p>Such a situation raises several important issues, which are a matter of debate and decision for the Executive Board (para. 12). Utilization of these reserves resulting from a lack of known contributors should be decided by the Member States (para. 60).</p>	<p>Agreed.</p>	<p>On 23 October 2000, the Executive Board approved utilization of unused Prior 1996 fund balances totalling US\$86.8 million to fund operations and to replenish the Immediate Response Account (IRA). These were a significant portion of the Prior 1996 fund balances as at 31 December 1999 that could no longer be identified to specific donors.</p>	<p>Done.</p> <p>The analyses and clean-up, including the surrender of outstanding obligations, of the Prior 1996 contributions continued in 2001. Henceforth, reprogramming and refund will become a regular internal exercise. These clean-up activities reflect a final balance of US\$30.8 million in the prior-1996 account. Of these US\$30.8 million, US\$17.4 million are with identified donors who have been approached for proper disposition. A total of \$13.4 million could not be identified and will be presented to the Board in</p>



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			October 2002 for reprogramming, as disclosed in Note 15 of the financial statements. This exercise will bring to a close the accumulated fund surplus of WFP prior to R<F (Prior 96).
4. Transfers from Reserves (Operational Reserve)			
The US\$13.5 million transferred from the Operational Reserve (OR) to cover expenditures under Prior 1996 Development projects led to a reduction in the authorized level of the OR, which accordingly requires an Executive Board decision. Executive Board approval is needed when the Reserve is used but not replenished because of non-collection of a confirmed contribution (para. 62).	Confirmed contributions fully backed up the use of the OR at the time when these funds were spent in order to ensure continuity of operations. Thus during this time, there was authority to use the OR. Later on, however, it was established that such contributions were no longer collectible, hence the depletion of the OR.	On 23 October 2000, the Executive Board approved replenishment of the Operational Reserve to the US\$57.0 million level through a transfer of US\$13.5 million from the unarmarked portion of the General Fund.	Done
The Financial Regulations should be reviewed, as they do not provide for this kind of situation (paras. 13 and 62).	Agreed. Financial Regulation 10.5 does not have specific provisions for this situation, when the confirmed contributions against which the Operational Reserve is used do not materialise.	On 22 May 2001, the Executive Board approved the revised Financial Regulation 10.6 with immediate effect and took note of the relevant amendment to Financial Rule 110.1.	Done
5. Commodity Contributions			
The valuation methods applied to contributions in kind were simplified following the introduction of a new procedure at the end of 1997 (para. 14). Clarifications are needed regarding the status of documentation recognized as donor invoice.	Agreed. The one instance noted by the External Auditor referred to a commodity contribution for emergency projects by a major donor in which the estimated costs that were used for valuation purposes were significantly higher than the actual costs. This is consistent with the present practice of valuation of commodity contributions	The freight forwarder is now able regularly to submit worksheets showing actual commodity prices based on procurement documents from donors. Procedures for implementing actual commodity prices in the WFP Information Network & Global System (WINGS) will be prepared.	OT, FS and RE will review WINGS commodity valuation procedures with an aim to streamline and standardise the process whilst providing detailed procedural guidance. Progress will be reflected in the report on the 2000–2001 Audit Recommendation.



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A more detailed procedure should be issued and implemented by the Programme, to include utilization of more effective control to avoid the recurrence of such anomalies and enable the correction of its records on actual costs (para. 66).	for which the concerned donor does not make adjustments due to rigorous monitoring and administrative constraints, which in the end do not account for significant variances.	WINGS includes an automation facility that will allow simpler and quicker adjustment of in-kind commodity values. This facility will allow recording of in-kind commodities received based on donor invoice prices and will automatically adjust related contributions receivable.	
6. Contributions Receivable			
An internal directive should be promptly issued by the Secretariat to establish clear responsibilities for contribution management and impose an effective working relationship through regular meetings of the existing interdivisional working group and regular reporting of difficulties encountered and decisions taken (paras. 15 and 70).	Agreed.	<p>A meeting of the Resources and External Relations Division (RE), Finance and Information Systems Division (FS) and Operations Department, Programming Service (ODP) was held on 1 March 2001. A Note for the Record (NFR) was prepared delineating the responsibilities of each unit in the contributions management cycle.</p> <p>The main responsibility of RE is to ensure that donors' conditions are acceptable and contributions are recorded and made available to the Programme.</p> <p>The main responsibility of ODP is to ensure that contributions are programmed against projects according to donors' conditions and the pledged quantities are called forward for in-kind contributions.</p> <p>A new Contribution and Project Accounting Branch was established in May 2001 from existing staff resources within FS (FSC). The main responsibility of FSC is to ensure the complete and proper accounting and reporting of all contributions.</p> <p>These responsibilities will be further reviewed once the implementation of WINGS is fully stabilized.</p>	<p>The delineation of responsibilities as set out in the NFR of 1 March 2001 has proven to be effective. During the data migration and 2000–2001 financial closure, RE, ODP and FSC conducted an intensive analysis of contribution and fund balances in which RE had the primary task of identifying invalid receivables, ODP had the primary task of verifying income allocations and FSC had the primary task of accounting for adjustments and analysing data.</p> <p>Both ad hoc and scheduled meetings are held between RE, FSC and ODP to discuss further refinement of the division of responsibilities which will subsequently be set out in a comprehensive guideline on contribution management.</p> <p>Progress will be reflected in the report on the 2000–2001 Audit Recommendation.</p>





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A clear definition of responsibilities should be established among the administrative units concerned with respect to registration of pledges, allocation of resources and monitoring of the outstanding value of pledges. The pledge-management process should be thoroughly reviewed and upgraded (para. 69).	Agreed.	See above.	See above.
7. Full Cost Recovery Policy and Implementation			
A procedure should be quickly issued with respect to the way the Programme monitors implementation of the full cost recovery principle in the case of an important donor (para. 72).	Agreed.	<p>The working paper analysis was discussed with the donor during a meeting in April 2001 and accepted as a useful monitoring tool. The analysis presented the global figures on expenditures by major cost categories compared with related pledged amounts and corresponding receipts, summarized by contribution years.</p> <p>On the basis of cost information in WINGS, the monitoring of full cost recovery will be enhanced. The Secretariat is also presenting in October 2001, to the Executive Board, a separate information paper on cost analysis and containment.</p>	<p>All contributions registered in RMS are identified as meeting full-cost recovery at either an individual contribution level or at an aggregate level, unless the Executive Director has approved a waiver in accordance with General Rule XIII.4. Indirect Support Cost recovery is monitored through the management of receivables by FSC.</p> <p>Full-cost recovery is therefore implemented and monitored through the registration of contributions, the recovery of actual costs in WINGS and ISC management.</p> <p>This will become a regular exercise by these Divisions.</p>
8. Government Cash Contributions for Local Costs (GCCC)			
Prompt finalization and implementation of the basic agreement is needed to the effect that Financial Regulation 4.7 be fully enforced through adequate	Agreed.	Having passed legal and administrative scrutiny, the draft basic agreement is in the final stages of completion. A new set of procedures to guide country offices is being	A newly revised Basic Agreement, which makes general reference to government contributions, was piloted in late 2001/early 2002 in six country offices.



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<p>agreements with recipient governments or explicit waivers granted by the Executive Board (paras. 16 and 77).</p>		<p>drafted, taking into account the need for wider and more precise modalities.</p> <p>The Office of the Executive Director—Budget (OEDB) in consultation with the Operations Department (OD), the country offices, legal counsel and organizational units in WFP, will circulate a management paper before the end of August 2001.</p> <p>It should be noted that as WFP closes its operations in non-LDC countries and concentrates more on LDCs, there will be fewer countries able to meet these contributions, resulting in a decline in the aggregate amount of GCCC.</p>	<p>Unfortunately, the management paper on GCCC could not be finalized as planned and will be treated as a priority.</p> <p>Meanwhile efforts to collect GCCC continued with country offices being advised to collect outstanding amounts from previous biennia and that for current years.</p> <p>Recently, there have been several cases where governments have agreed to pay but indicated their desire to have the GCCC retained for their country costs rather than be considered as a contribution to the PSA.</p> <p>Progress will be reflected in the report on the 2000–2001 Audit Recommendations.</p>
<p>Contributions based on these legal obligations should be accounted for as receivable (para. 77).</p>	<p>The accounting of GCCC will be analyzed in terms of its implications on in-kind contributions by host governments. This will be reviewed by the Consultative Committee on Administrative Questions (Finance and Budget) (CCAQ(FB)) as it has an impact on the UN common system.</p>	<p>To be included by OEDB in the above-mentioned paper.</p>	<p>A directive will be prepared by the end of October 2002 to give general guidance on the financial rules and procedures, covering billing, collection and use of GCCC contributions.</p>
<p>Financial rules and instructions should be issued to complement Financial Regulation 4.7 and provide the Programme with clear criteria and rules of procedure with respect to applicability of GCCC and valuation methods used to establish the amounts to be claimed (paras. 16 and 77).</p>	<p>Agreed.</p>	<p>To be included by OEDB in the above-mentioned paper.</p>	<p>See above.</p>

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9. Outstanding Obligations and Provisions for Future Disbursements			
The Secretariat assured my staff that in the system the information on the amount to be included in the provisions would be generated from a report, ensuring that the actual level of internal transport, storage and handling (ITSH) unliquidated obligation would not be underestimated (paras. 18 and 84).	Agreed.	The change in WINGS in the modalities of recording ITSH expenditures will ensure that ITSH unliquidated obligations are not underestimated at the end of the biennial reporting period.	Done. In WINGS, information on LTSH provisions is now available and this is represented by the unobligated value of the LTSH Cumulative Fund. This is disclosed in Note 13 of the 2000–2001 Financial Statements.
10. Cancellation of Outstanding Commitments			
There should be a more transparent method of reporting cancelled commitments, to appear in the financial statements themselves, not in the notes only (paras. 19 and 88).	We consider that the new procedure introduced this biennium of reflecting cancelled commitments in the Notes is sufficient and transparent enough to enable the reader to ascertain the impact of these cancellations. Normally, project implementation and the relevant expenditures span across two or more biennia. Expenditures are accumulated from beginning to end of a project and are reported to donors upon completion. If in the course of the project some previous commitments are cancelled, we deem it more appropriate to reduce the expenditures by the amounts cancelled so as not to overstate the cumulated total of expenditures at the completion of the project. Thus, we can not agree with the recommendation of the	In WINGS, where expenditures will be recorded based on receipt of goods or services and not on commitments, the issue of reporting cancelled commitments in the financial statements does not retain the same significance as in the legacy system.	The cancellation of commitments is effected in WINGS with the reversal of expenditure functionality. The automatic present disclosure in the Notes to the Financial Statements is considered sufficient and transparent. No further action necessary.



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	External Auditor that the cancelled commitments on prior biennium provisions be recorded as a credit to the donor as this will not only artificially overstate expenditures but also the contribution.		
Greater attention should be given to the updating and monitoring process of the LTSH matrices (para. 89).	The review and updating of LTSH matrices is an ongoing process.	The Secretariat has been concentrating on further improving the quality of LTSH matrices. Measures taken have included adopting a more proactive review process by involving the Logistics Officers at the regional bureaux. These officers will be provided with comprehensive information concerning LTSH status of projects in their regions from records maintained at Headquarters to enable them to perform a more effective review of the matrices.	Last year, the Secretariat reviewed and approved 99 LTSH matrices of projects or activities within Country Programmes. The Secretariat is taking the steps detailed in paragraph 20 under the heading "Shortcomings in the Implementation of Some Specific Tasks". Updating and monitoring of LTSH will become a regular exercise by regional bureaux.
11. Country Office Expenditures			
<p>Prompt and adequate measures aiming at reinforcing the control on the field transactions by Headquarters are needed (paras. 22 and 103).</p> <p>The Headquarters unit in charge of monitoring Field Accounting should be adequately reinforced.</p> <p>This unit's control of decentralized processing should be an ongoing process throughout the biennium, so that global evaluation at Headquarters and lessons to be learned and passed to the decentralized offices are timely and effective.</p>	Agreed.	<p>The currently reinforced Field Support (FSF) structure will be maintained in the 2002–2003 biennium. New mechanisms whereby daily contacts with country offices are now enhanced and systematic monitoring of field financial activities is functioning. These mechanisms will be further strengthened in line with the field roll-out and stabilization of WINGS.</p> <p>With the completion of decentralization, FSF will maintain close consultations with the Regional and country office Finance Officers. The development of the country office-SAP-Interface (COAG-SAPInt) field database system has been completed and tested. It was introduced with effect from</p>	During the biennium, controls and review of field transactions were provided to country offices by FSF in terms of general accounting, reporting and financial management. Particular attention was given to the COAG-SAPInt interface. As this is used to record directly in WINGS. COAG-SAPInt and its interface with WINGS facilitate enhanced control on field financial transactions for those country offices that do not have access to WINGS.






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<p>Adequate monthly reporting should be required from regional offices on the processing and controls implemented in their clusters, so that Headquarters are in a position to follow up on the actual situation and take corrective action if necessary.</p>		<p>February 2001 in all country offices, including the liaison and regional offices, and allows the automatic upload of country office financial transactions into WINGS. The processing of country office transactions will be further enhanced with the completion of field roll-out of WINGS to regional and country offices.</p>	<p>At present, FSF as well as other specialized functional units in Headquarters with in-depth WINGS knowledge, support the 15 countries and 6 Bureaux that currently have on-line WINGS connection.</p> <p>In order to continuously strengthen COAG-SAPInt and ensure reliability, the following actions were taken during the biennium:</p> <ul style="list-style-type: none">(i) A Consultant was hired as Project Manager during the 2000–2001 biennial accounts closure period to focus on handling of rejects, strengthening the controls on the field financial transactions and ensuring their accuracy.(ii) In addition, FSF staff were sent on training missions to field offices.(iii) To complement the widely used COAG-SAPInt User Guide, a SAP Training Guide on COAG-SAPInt Maintenance Menu was published in January 2002.(iv) Improved versions (1.1 and 1.2) and a reporting tool for COAG-SAPInt rejections has been developed (Table Maintenance Menu) that allows for detailed analysis of rejections by type and frequency. This knowledge is used for focused training at the regional level to decentralize the reject correction process.


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			A global meeting for Finance Officers from all major field offices was organized in late 2001 to discuss lessons learned on the implementation of WINGS and COAG-SAPInt and other financial and administrative issues from the completion of the decentralization. A monthly discussion forum with senior Headquarters and Regional Bureaux Finance Officers commencing in August 2002 has also been formalized to strengthen the ongoing communication process in decentralized WFP. This discussion forum will commence in August 2002.
12. Programme Support and Administrative (PSA) Costs			
The principles laid down in the R<F policies adopted in 1995, whereby the full cost recovery principle calls for PSA costs to be covered by GCCC and ISC levied on contributions to operational costs at predetermined rates approved by the Executive Board, were not fully implemented in the 1998–1999 biennium (para. 23 and 104).	It was recognized even by the Executive Board during the review of the implementation of the RLTF in this biennium that the funding of PSA costs is rather complicated. In fact, the review resulted in the revision of the ISC rate from a multiple to one rate approach across programme categories.	To be included in the above-mentioned management paper.	The funding of the PSA budget is being reviewed in the current study on ISC rates. To date, two papers that address the recovery of PSA costs have been prepared: (i) a preliminary review, submitted in August 2002; and (ii) a final review that will be submitted in October 2002.
PSA Accounting			
The distinction between PSA—and Direct Support Cost (DSC)—funded activities was neither clear nor backed by a consistent set of guidelines (paras. 24 and 105).	It should be borne in mind that the clusters have their own local peculiarities (i.e. implementing operations that are regional in nature). Thus, these peculiarities and the nature of direct support provided to	OD, FS and OEDB issued a Joint Directive on 2 February 2001 providing guidance on procedures for management and administration of DSC funds.	Done. A further OD Directive (OD/2001/4) was issued on 7 August 2001 to give guidance to country offices on DSC budgeting.



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	the country offices within the cluster should be the basis for ascertaining the appropriate source of funding these activities. The new RLTF indicates that the determination of the appropriate cost categories is on the direct or indirect relationship of the funded activity and the purpose of the project and not on the geographical location where the disbursements are made.		These guidelines clarify the distinction between DSC and PSA costs.
 <p>In future, a more rigorous method of reviewing and reporting Unliquidated Obligations (ULOs) should be posted at the end of the biennium against the PSA budget (para. 106).</p>	The new system of recording obligations will provide the necessary reports that will facilitate the periodic review and reporting of ULOs at any given time.	In WINGS, payables will be set up on the basis of goods received or services rendered, which will limit them to valid and legal ones. Country offices not online with WINGS at the end of the biennium will prepare journal entries to accrue valid PSA and DSC expenditures. Instructions on this will be issued in November 2001 as part of the Closure Instructions.	<p>WINGS facilitated the review of outstanding obligations at the end of 2000–2001. All outstanding obligations were reviewed at the end of the year to cancel the outstanding ones that were raised in the previous year. For PSA, the cancelled amounts were credited to the General Fund, for DSC credited back to project funds.</p> <p>For country offices that are not yet online with WINGS, all outstanding obligations were determined through control worksheets in accordance with WINGS Bulletin No. 47 (Guide to the 2000–2001 Closure Process and Preparation of Financial Statements) issued on 7 December 2001.</p> <p>The review and monitoring process will be done regularly in the future.</p>
13. Cash Management			
There is an urgent need for the Programme to have the instruments to manage the Treasury function in a	Agreed.	The consultants' recommendations to improve security of the electronic banking systems have been implemented, reviewed	The only remaining recommendation is the Treasury Manual, which is in the process of completion.

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modern and efficient way. These should be in line with the study of Treasury operations initiated in January 2000 and the resulting proposals made by the consulting firm with respect to strengthening security systems and evaluating Treasury systems (paras. 25 and 114).		and updated in line with the best practices in cash management. A request for proposal (RFP) for an integrated treasury solution is being drafted and will be issued to prospective vendors and providers by the year's end. The Treasury Manual is still being finalized.	With regard to the integrated Treasury solution, an RFP was completed and after reviews and proposals, WFP decided to postpone the final decision by first fully implementing the functionalities that are already in WINGS. This will be followed by a gap analysis between RFP requirements and SAP TR-TM capability to the Contracts Committee.
14. Investment Management Policy			
The Secretariat should promptly finalize the written procedures applicable to the management of investment and reinforce its structure to ensure effective control and supervision of external managers and control of bank accounts (paras. 25 and 119).	Agreed.	The Secretariat has developed procedures to monitor and assess the performance of external investment managers as a basis for reporting to the Investment Committee. Discussions between WFP and IFAD are being conducted to outsource these services.	The original intention of outsourcing these services to IFAD fell through towards the end of 2001. Procedures for monitoring the performance of Investment Managers were immediately put in place including the establishment by the ED of an investment officer's post that will perform this monitoring function. This post will be funded from interest income and recruitment is in progress.
15. Bank Accounts			
Headquarters Bank Accounts	Agreed.		
The rules governing the reconciliation of bank statements should be strictly adhered to, because as they are essential for monitoring the accuracy of the accounting records and safeguarding WFP's assets (para. 120).	Agreed.	Bank statements continue to be reconciled on a regular basis. The aim is to do this monthly when processing in WINGS becomes routine. Automatic bank uploads to facilitate daily reconciliation of bank balances against book balances for Headquarters bank accounts is being developed as part of WINGS and is expected to be operational by the third	Doing the bank reconciliation in WINGS for the first time was a learning process. Testing of the automatic bank statement upload was completed in December 2001 and minor problems continued in the ensuing months. These were resolved eventually but work was delayed as well. The monthly reconciliations for 2001 were completed during the closure period.



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		<p>quarter of this year. Pending completion of the automatic bank statement upload, electronic balances and transactions of bank accounts are downloaded on a daily basis and compared against cash transactions initiated by the Secretariat during the previous day.</p> <p>In the Finance Division Memorandum dated 22 May 2001, the responsibilities for the reconciliation of Headquarters and country office bank accounts have been clearly delineated.</p>	<p>Delays are now shortened and reconciliations are expected to be updated with the arrival of additional staff for vacant posts.</p> <p>No further action necessary.</p>
Field Bank Accounts			
 <p>Rules governing the opening and closing of WFP bank accounts and the assignment of responsibilities for operating individual bank accounts at Headquarters and in the field should be strictly adhered to (paras. 26 and 122).</p>	Agreed.	<p>With the new centralized banking arrangement for remittance of non-US dollar contributions and the centralized disbursement function at Headquarters, 9 of 26 Headquarters bank accounts will be closed by the end of the year. With an up-to-date database for country office bank accounts, requests from the field to open new bank accounts can easily be evaluated and scrutinized prior to approval.</p> <p>For purposes of monitoring and controlling the cash holding levels in the country offices, a data base for all country office bank accounts has been established in September 2000 from which a Monthly Cash Book Balances Report is prepared. The report is also used as basis for reviewing the continued need for existing bank accounts.</p>	<p>As at end of June 2002, 9 out of 26 Headquarters bank accounts were closed. Regarding field bank accounts, a total of 23 bank accounts were also closed.</p> <p>The rules governing the opening and closing of the bank accounts were followed and requests from field offices are reviewed. However, we recognize that this control addresses one part only.</p> <p>Currently, FS only review and monitor bank accounts of which they are informed by Country offices. Therefore, in addition, FS will compare its database of requests with COAG-SAPInt database to ascertain whether or not there are unauthorized bank accounts in operation in country offices.</p>

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16. Monetized Funds Held in Trust			
<p>More attention should be given to management of the monetized funds held in trust, because local audits were not performed on a regular basis and because the amount of cash recorded on these accounts in some countries considerably exceeded their operational requirements (paras. 26 and 124).</p>	<p>Agreed.</p>	<p>Following Internal Audit Report on Monetization (AR/05/01), dated 26 March 2001, and its recommendations, an improvement in the approach to and emphasis on processing results of local external audits aimed at increasing management awareness of and responsibility for monetization issues is being undertaken. An example is the periodic circulation of bank balances to the Executive Staff and the Regional Directors.</p> <p>Furthermore, Treasury (FST) reports with regard to the level and make up of the monetized funds are now being submitted to the Investment Committee on a quarterly basis.</p>	<p>Part of FSF's workplan is to follow-up on monetization accounts and their audit by local internal auditors, and WFP's internal and external auditors.</p> <p>Progress will be reflected in the report on the 2000–2001 Audit Recommendations.</p>
17. Interest for Trust Funds and Special Accounts			
<p>The practice of deducting a part of the interest earned to the Trust Funds before the interest is allocated should be stated in the Financial Regulations (para. 126).</p>	<p>There are factors (compensating mix between savings and time deposit accounts, delays in processing country office disbursements) that are believed to affect the actual amount of interest generated for trust funds. Hence, these are considered in the calculation of the interest to be accrued to the Trust Funds to reflect a more accurate amount of actual interest earned from these balances. This procedure of interest calculation is a practice consistent with previous years and need not be stated in the Financial Regulations.</p>	<p>No further action necessary.</p>	<p>In WINGS, interest can now be automatically calculated and applied in full for Trust Funds and Special Accounts. For 2000, adjustments were made to the interest so that its distribution was consistent for the whole biennium.</p> <p>With the WINGS functionality, the practice of making a deduction before applying interest is no longer done and therefore there is no need to update the Financial Regulations.</p> <p>However, Accounting Instructions will be issued to outline the manner of interest computations which will form part of the new finance manual.</p>



External Auditor's recommendations (as per WFP/EB.3/2000/4-B/1)	WFP response (as per WFP/EB.3/2000/4-B/1)	Actions taken to date or to be taken as indicated up to August 2001 (as per WFP/EB.3/2001/5-A/1)	Implementation status as at June 2002
18. Accounts Receivable and Payable			
The reconciliation with WFP and FAO should be continued until present discrepancies in the payable/receivable amount are fully explained and accounted for. It should then become a routine exercise performed on a monthly basis (paras. 28 and 132).	Agreed.	The FAO reconciliation has been completed for 2000. All discrepancies were identified and explained. Discussions are being held with FAO on how to facilitate regular reconciliation of the accounts.	During 2001, the monthly transactions with FAO were regularly compared with FAO's Oracle records and FAO's monthly statements. However, as indicated in the 2000–2001 report, FAO's balance reflected in the statement of account forwarded to WFP were not the same as that reflected in their final accounts. This will therefore be reviewed with their next monthly statements. Reconciliation is now an ongoing action in FSA. Progress will be reflected in the report on the 2000–2001 Audit Recommendations.
In the case of FAO, there is a need to reconcile the payable account with the payroll transactions, because the data were generated by two different systems (para. 28). Efforts should continue to be made to explain the discrepancy between Finsys and payroll data and Oracle records for 1999 and to compute those for 2000; adjustments will have to be made. WFP should also obtain from FAO payroll transactions from Oracle, not Finsys, in order to avoid discrepancies in the future (para. 132).	Agreed.	The account with FAO as at 31 December 2000 has been reconciled on the basis of FAO's Oracle records.	The FAO payroll reconciliation has been completed as at 31 December 2001. Now that WFP has taken over the payroll function from FAO effective January 2002, the only items to be reconciled will be those with retroactive effect in pay prior to January 2002, and FAO agreed to continue the same on WFP's behalf.
There is an absolute necessity to clear all provisional or uncertain entries before data migration to the new system (para. 30).	Agreed.	The extensive clean up exercise has been concluded and relevant adjusting entries made. A significant portion of provisional and uncertain items were cleared prior to final migration to WINGS in August 2001. A few	At the date of migration certain analyses of balances had not been completed. However, all balances were migrated into WINGS. Subsequently, ten task forces were set up to clean the data in



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		provisional items were migrated to WINGS, but with a defined timeframe and methodology for clearing in the new system.	preparation for the presentation of the Financial Statements for 2000–2001 Biennium. These ten task forces addressed the following areas: <ul style="list-style-type: none">(i) Bank account upload and reconciliation;(ii) Recording of Payroll for 2001;(iii) COAG-SAPInt handling and correction of rejected transactions;(iv) Clearing of Treasury clearing account;(v) Contributions clean-up—adjustment of reconciling items, write-off of uncollectible accounts, and write-down of invalid receivables;(vi) Final migration—adjustments of allotments, contributions, fund balances, balance sheet accounts, disbursements and project budgets;(vii) OD task force—handling of operational and cross-functional business issues related to the start-up of WINGS;(viii) Invoice processing. Recording of all outgoing invoices;(ix) Insurance processing and accounting; and(x) Closure of 2000–2001 biennial accounts.



External Auditor's recommendations (as per WFP/EB.3/2000/4-B/1)	WFP response (as per WFP/EB.3/2000/4-B/1)	Actions taken to date or to be taken as indicated up to August 2001 (as per WFP/EB.3/2001/5-A/1)	Implementation status as at June 2002
			<p>The work of these task forces enabled WFP to undertake necessary adjustments in time for the presentation of an auditable set of Financial Statements on 2 April 2002.</p> <p>FS will complete the reconciliation of the remaining items in the next biennium.</p> <p>Progress will be reflected in the report on the 2000–2001 Audit Recommendations.</p>
Personal Advances			
<p>More attention should be given to the treatment of personal advances, so that they do not exceed three months. Staff receivables and payables should no longer be set off in the financial statements (para. 135).</p>	<p>Personal advances which are related to the separation of staff (agreed termination and repatriation entitlements), advances for education grants, and car/house rentals upon transfer are entitlements and the amounts and recovery/settlement could exceed three months' salary of the staff concerned and a 3 months period, respectively.</p> <p>It should be noted that receivables and payables were offset only at the financial statement level but not at the subsidiary level of individual staff accounts. The recommendation of the External Auditor can not be done in the existing system, as it would have required a lengthy process of manual intervention.</p>	<p>With the availability in WINGS of detailed information on personal advances, more aggressive monitoring of these accounts will be performed to ensure that advances exceeding three months will be recovered on a timely basis.</p>	<p>Done.</p> <p>Prior to the migration of the 2000 balance sheet accounts to WINGS, extensive cleaning of Persys/Finsys data was done to reconcile, correct and resolve the individual personal accounts.</p> <p>With WINGS in which each transaction is posted to the corresponding payable or receivable accounts, monitoring and collection/recovery of personal advances are now facilitated.</p>

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Receivable from Host Government			
Action should be taken to claim from the Italian Government receivables with respect to wages paid for the transfer from the former Headquarters to the new location in Parco de Medici (paras. 30 and 136).	Agreed.	On 4 October 2000, the Host Government agreed to refund these costs up to ITL12.5 billion on an instalment basis for a three-year period. The first instalment of ITL2.0 billion was paid in December 2000.	Done. The instalment for 2001 was paid and only the instalment for 2002 amounting to Euro 2.58 million (ITL 5.0 billion) is outstanding.
Project Preparation Costs			
The project preparation costs account should be monitored and cleared regularly (paras. 30 and 137).	Agreed.	FSC, the new section in FS, will now carry out this function.	OEDB monitors and controls the project preparation costs.
Despatch and Demurrage Accounts			
Despatch should be paid and demurrage recovered or written off after a decision of the Executive Director in accordance with the present rule, without further delay (paras. 30 and 140).	The Secretariat concurs with the recommendation that demurrage and despatch be settled in a timely manner.	Design of WINGS procedures for dispatch and demurrage will be issued in September 2001 by way of an OD, MS and FS Joint Directive.	The organizational units concerned have met several times during the period and have agreed on the basic procedures for payment and recovery of these accounts. The final draft of the Joint Directive on "Policies and Procedures for Demurrage and Despatch" were circulated in July 2002 and will be formally issued shortly. Progress will be reflected in the report on the 2000–2001 Audit Recommendations.



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<i>Insurance Accounts</i>			
The global excess concerning the period 1989 to 1994 would have to be written off. All efforts should be made to complete the reconciliation for the period after 1994 in view of the upcoming data migration and to prepare the necessary write-off (paras. 30 and 142).	Agreed. Due to the lack of supporting documents for the period 1989 to 1994, further attempts at detailed reconciliation are futile. The reconciliation of accounts for the period after 1994 is ongoing.	The sum of US\$510,011.89 was approved for transfer to the IRA by the Executive Board on 23 October 2000. The insurance claims and recoveries from 1995 onwards have been extensively analysed. Suspense accounts and finalized or settled claims have been cleared. Insurance recoveries payable to donors and the IRA, open items on claims against 3 rd parties and self-insurance payables have been identified for migration to WINGS.	Transaction details of the SIA have been identified except for unidentified credit transactions totalling US\$2.3 million on claims against transporters. These represent recoveries from transporters and are being reviewed to determine the particular claims against which these should be applied and the appropriate accounting action to take.
<i>Insurance Recoveries Payable to Donors</i>			
Clearing of all these accounts and reporting to donors or the Executive Board is a matter of urgency. I recommend rapid and effective measures (paras. 30 and 143).	Agreed, except that the disposition of these recoveries is a matter for the individual donors to decide and not the Executive Board.	As part of the post-migration activities, the insurance recoveries as at 31 December 2000 will now be reported to the donors for their preferred disposition.	In August 2001, FS reported these recoveries totalling \$20.6 million to RE, which subsequently informed the concerned donors. To date, US\$1.5 million have been reprogrammed from Directed and Bilateral contributions and US\$2.6 million from Multilateral contributions. Progress will be reflected in the report on the 2000–2001 Audit Recommendations.
<i>Provisions to Cover Bilateral Expenditure Not Yet Refunded by the Host Government</i>			
The Secretariat should continue to pursue its action to recover the receivable of US\$3.4 million from the Host Government for refurbishing the former headquarters (para. 144).	Agreed.	See prior note on the agreement reached with the Host Government on 4 October 2000.	No further action necessary.



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19. Staff-related Schemes			
<i>Separation Payment Scheme and Compensation Payments Revolving Fund</i>			
<p>The Programme should adjust its records for the excess assets over actual liabilities related to the Separation Payment Scheme (SPS) and the Compensation Payments Revolving Fund (CPRF) as soon as it has the relevant information. The Executive Board should decide on the reapportioning of any excess of investment (paras. 31 and 147).</p> <p>The WFP share of actuarial liability should be reported in conformity with FAO policy and agreement should be reached with WFP to implement such a policy (para. 146).</p>	Agreed.	The Secretariat has received the latest (end 1999) Actuarial Valuation Report and has reservations on the methodology followed. Accordingly, the Secretariat is developing a strategy to take action only after the next actuarial valuation is undertaken at the end of 2001.	The Secretariat decided to conduct its own actuarial study for the SPS, CPRF and the After Service Medical Benefit as at 31 December 2001. The Actuary submitted its report on 5 July 2002 and the new valuation has been disclosed in Note 21 of the 2000–2001 Financial Statements. The result was a net excess on investments over liabilities which will be reported to the Board in October 2002.
<i>Entitlements for Staff Ruled by UNDP Contracts</i>			
Note 18 to the financial statements may not disclose the total amount of personnel-related liabilities towards local staff hired under UNDP rules. These liabilities should be evaluated and reported in future financial statements (para. 149).	At present, UNDP's actuarial study does not clearly segregate WFP national staff covered under their scheme; hence it is impossible to determine the liabilities of WFP.	The Secretariat has requested UNDP for information on the extent to which UNDP has provided for after-service medical benefits for WFP field staff. UNDP replied that they were gathering the required information and would respond after they completed their 2000 year-end closure.	WFP received a copy of UNDP's January 2001 actuarial valuation report, but since it did not have information on the valuation of liabilities of participating agencies, WFP's share cannot be determined. The UN has advised WFP that the most practical way to move forward is to do its own study. Progress will be reflected in the report on the 2000–2001 Audit Recommendations.




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MANAGEMENT MATTERS 20. Decentralization Policy			
<i>Creation and Modification of "Clusters"</i>			
The decision to create a cluster or modify a cluster's perimeter should be prepared against a clearly defined procedure and always formalized through a circular issued by the Executive Director (paras. 33 and 151).	Agreed.	No further action required.	No further action necessary.
<i>Missions of the Regional Offices</i>			
A clear policy should be set up by the Secretariat to establish the different responsibilities of country offices, regional offices and Headquarters. All functions performed by regional managers should be described in detailed instructions and any change of the basic pattern should be in written statements (para. 154).	Agreed.	<p>The AED issued an OD Directive on decentralization in October 2000, which outlined the various roles and responsibilities of country offices, regional offices and Headquarters.</p> <p>Decentralization was one of the main themes of the senior managers' strategy workshop in November 2000. Roles and responsibilities were further discussed, especially in the context of the last phase of decentralizing the Africa and Asia regional bureaux by 1 September 2001.</p> <p>In the first and second quarters of 2001, the Africa and Asia regional bureaux and OD held workshops to discuss implementation of the last phase of decentralization.</p> <p>The AED's OD Directive will be updated in the context of the last phase of decentralization and reissued by September 2001 as an Executive Director's Circular on Decentralization.</p>	<p>The decentralization was fully implemented in 2001 and was communicated through the issuance of several instructions and memos as well as coordination meetings. A Directive setting out responsibilities under the decentralized structure is being finalized based on inputs from all divisions in WFP. The document will be finalized in the second half of 2002.</p> <p>In addition, documents describing the detailed post-decentralization roles and responsibilities of Regional Bureau Liaison Officers has been finalized and that of the Regional Programme Advisers has been drafted.</p>



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Shortcomings in the Implementation of Some Specific Tasks			
<p>Particular attention should be given by the Secretariat to the follow-up of staff training and LTSH reviews. The responsible Headquarters unit should produce a global assessment of the situation regarding LTSH reviews. (para. 155)</p>	Agreed.	<p>In line with improving the LTSH review process, the Secretariat circulated a memorandum of 9 February 2001 to regional and country office directors giving the policy of the Transport Division, Logistics Service (OTL) regarding clearance procedures for LTSH rates in project budgets. At a global meeting of senior logistics staff held in April 2001, LTSH issues were discussed with emphasis on rate calculation and review.</p> <p>The Secretariat will investigate levels of LTSH expenditures of closed projects, with a view to identifying common factors that lead to deviations from the calculated project budget rate, and will take action, as necessary.</p>	<p>Following the implementation of WINGS and the completion of data migration, OT informed all country offices of the levels of funds migrated WINGS. These are the subject of ongoing discussions with country offices to ascertain reasons for funds not having been disbursed.</p> <p>OT is also commencing work to create an information tool for managers that will bring information on LTSH budgets and expenditures (from the LTSH matrix and SAP) and commodity movements (from COMPAS). This tool will provide the information necessary for the efficient monitoring of LTSH budgets and hence improve funds management.</p> <p>OT has also made budgetary provision for Regional Logistics Officers to travel every six months (as specified in the Transport Manual) to review LTSH budgets (reviewing both the logistics plan and unit costs). This will lead to an adjustment of LTSH rates when necessary.</p> <p>OT is shortly to provide the status on current LTSH rates by region and on required LTSH reviews.</p>
The Funding of Regional Offices			
Every effort should be made to match as closely as possible posts and their funding sources in regional offices. If some functions are to be shared	Agreed.	OEDB will be issuing guidelines vis-à-vis the mechanics for funding posts from DSC for Rome- and field-based headquarter offices, including regional bureaux.	Guidelines for the mechanics and procedures for funding posts from DSC were stated in WINGS Bulletin No. 49.



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between country and regional offices, this should be done through an established and formal procedure (para. 156).			<p>Current guidance and practice provides that any Headquarters positions established should be approved by the Executive Director.</p> <p>OEDB also provides periodic reports to all Regional Directors and Country Directors on all positions funded from DSC in their respective regions/countries (including Headquarters and regional bureau positions).</p> <p>All of these will be coordinated and communicated in one directive.</p>
<i>Decentralization of Regional Bureaux</i>			
 <p>A clear policy should be set up regarding the situation and responsibilities of regional bureaux. Proper evaluation of the advantages and inconveniences of the transfers (decentralization of two regional bureaux) already made and the financial and staffing consequences should be implemented (para. 157).</p>	Agreed.	<p>The AED's OD Directive of October 2000 on Decentralization, mentioned above, clarified the roles and responsibilities of regional bureaux, vis-à-vis country offices and regional offices. This Directive will be updated and reissued in the last quarter of 2001 to reflect the new reality after decentralization of the Africa and Asia regional bureaux.</p> <p>The decentralization of the Africa and Asia regional bureaux was conducted after a thorough analysis of staffing changes and in the context of the PSA budget preparation process. The location of the host cities was chosen after a careful analysis of many criteria such as security, costs and logistics.</p>	<p>At the February 2003 EB session the Executive Board's programme of work indicates that WFP is to present a "review of decentralization (including aspects of cost efficiency, the effects on programming, etc.)".</p> <p>Progress will be reflected in the report on the 2000–2001 Audit Recommendations.</p>

External Auditor's recommendations (as per WFP/EB.3/2000/4-B/1)	WFP response (as per WFP/EB.3/2000/4-B/1)	Actions taken to date or to be taken as indicated up to August 2001 (as per WFP/EB.3/2001/5-A/1)	Implementation status as at June 2002
<i>Follow-up to the Decentralization Policy</i>			
There should be greater involvement of the managerial structure set up at Headquarters to control, monitor and follow up the reform. The results of the consultants' review should be brought to the attention of the Executive Board (para. 158).	Agreed.	WFP made a presentation to the Executive Board Annual Session in May 2001 about the decentralization initiative. At the Board's request, a status report on decentralization will be tabled at the October 2001 Board session.	The AED/OD presented the decentralization status report to the Executive Board in October 2001. In several meetings of the Executive Staff, the implementation of the decentralization has been an item for discussion in order to monitor progress and learn lessons. Very recently, one of the Regional Directors presented a preliminary review of the decentralized set-up based on his own experience over the past year to Management.
<i>Evaluation of the Results of the Decentralization Policy</i>			
An evaluation should be made of the cost-effectiveness of the decentralization process. It should include precise assessment of the evolution of the financial costs and savings, with data such as the number of posts created in the field and suppressed at Headquarters, the administrative cost of the regional offices and the global cost of decentralization (para. 159).	Agreed.	Bearing in mind that the bureaux decentralization and WINGS project will be completed in the second half of 2001, the Secretariat decided it was not yet the appropriate time to undertake an immediate evaluation. Instead the Secretariat is presenting to the Board at its February 2002 session a report on the decade of change, and has a plan for the progressive evaluation, from 2002 onwards, of all aspects of the initiative.	As indicated in the Executive Board's programme of work, WFP is to present a "review of decentralization (including aspects of cost efficiency, effect on programming, etc)" at the February 2003 EB session. Progress will be reflected in the report on the 2000–2001 Audit Recommendations.




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21. Human Resources Management			
<i>Budget and Post Control</i>			
Tools designed to monitor achievement of geographical and gender recruitment goals could be more broadly used (para. 165).	Agreed.	Since January 2001, distribution of the report on recruitment is no longer limited to WFP senior management but has been extended to all WFP Regional and Country Directors as well. Use of these tools is now an ongoing process for which no specific action is required.	No further action necessary.
<i>Post Creation and Recruitment</i>			
More attention should be given to reconciliation of staffing tables in the Post Control System between Headquarters and the actual situation in the field. The filling of vacancies remained a slow process when it came to external recruitment (paras. 168 and 169).	Agreed.	The annual reconciliation was conducted jointly by the Human Resources Division (HR), country offices and the Office of Budget. In preparation for data migration, data lists are produced monthly for review and amendment in the present Post Support system and/or Persys. The number of roster profiles was increased from 7 in 1999 to 10 in 2000 and 19 as of June 2001, in order to reduce external recruitment time.	In WINGS, OEDB track all posts where the staff member is paid through the WINGS payroll. Human Resources and OEDB are working together to address this, using the functionalities available in the HR/Payroll part of WINGS.
<i>Parallel Posts, Rest and Recuperation, Temporary Duty Assignments and Casual Labour</i>			
The procedures for the so-called "Parallel Posts" and "Rest and Recuperation" should be introduced in the FAO manual to deal with these situations, and guidelines issued to deal with temporary duty assignments and casual labour (paras. 37, 170 and 172-174).	Agreed. The parallel posts for staff on mission status and the related ad hoc DSA rates instead of Mission Subsistence Allowance (MSA) are issues; HR has to deal with this within revised/amended personnel manual sections.	The policies and practices on casual labour are under review. A consultant has visited and reviewed practices in seven countries. The policy will be drafted and reviewed during the second half of 2001. The Executive Staff is currently reviewing the policy on Rest and Recuperation. When approved, the new policies will be translated	The policy on Rest and Recuperation has been issued. The draft policy on Casual Labour is being reviewed. As soon as the consultations are finalized, it will be issued in the third quarter of 2002.





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	The use of casual labour in country offices requires an in depth analysis and review by HR, considering the complex contractual situation of national employees who are governed by UNDP rules and regulations. The incentives for staff assigned to very difficult duty stations (security-related) have been kept under review by HR on a continuous basis.	into new or amended sections of the WFP Human Resources Manual. Finalization is expected by the end of 2001.	New policies are being incorporated into the WFP Human Resources Manual, which is envisioned to replace the FAO Manual.
There should be a minimum set of guidelines surrounding the Programme's mobilization of these human resources (temporary duty assignments) on almost instantaneous notice (para. 170).	Agreed.	<p>The Emergency Response Roster (ERR) of internal WFP staff was built in October 2000. This ERR constitutes a pool of about 120 WFP staff, with mixed skills, available for deployment on emergency mission at 24 to 48 hours notice. Almost all the staff retained on the ERR attended a ten-day emergency training in 2001, following which they were requested to remain on standby for a three-month period.</p> <p>As of June 2001, about 20 staff had been deployed. After one year's implementation of the ERR, HR will review the lessons learned in collaboration with the Office for Humanitarian Affairs, in order to improve the WFP emergency deployment mechanism.</p>	<p>Done.</p> <p>Directive OD2001/006—Principles of the Emergency Response Roster and Procedures for Selection of ERR provides this guidance.</p>
22. Financial Management Improvement Programme			
The go-live date should be established in line with the completeness of all system-introduction activities (paras. 40 and 199).	Agreed. During the development of the new system, there has always been the assumption that the go-live date of its application is dependent on the successful completion of all the tasks which are a prerequisite of	SAP, now WINGS, went live in January 2001, covering all business areas except HR/Payroll functions.	<p>Done.</p> <p>WINGS is now operational.</p>

External Auditor's recommendations (as per WFP/EB.3/2000/4-B/1)	WFP response (as per WFP/EB.3/2000/4-B/1)	Actions taken to date or to be taken as indicated up to August 2001 (as per WFP/EB.3/2001/5-A/1)	Implementation status as at June 2002
	project success. The application will not be taken into production prior to successful completion of prerequisite tasks.	Interim solutions for HR and Travel were developed in WINGS while Payroll activities remained outsourced with FAO. The current schedule makes provision for a decision to be made in November, based on the preparation in WINGS, whether or not to go-live for January 2002 payroll.	
23. Management of the Office of the Executive Director			
 <p>For reasons of simplicity, transparency and logic, all activities of the Executive Director should be financed through the PSA budget only (paras. 41 and 200).</p>	<p>We can not agree with this recommendation because in the funding modalities introduced in the RLTF, the linkage of the activity (purpose of the travel) to the project is the determining factor on which expenditures are to be charged. It is considered that expenditures incurred by OED that are directly relating to new or stepped-up large-scale/complex operations (e.g. DPRK, Angola, etc.) should be financed from the DSC component of these projects. Charging these against PSA for simplicity is not only inconsistent with the costing methodologies but could also put considerable strain on PSA budgets of offices like OED that tend to increase its travel agenda and communications when such big emergencies suddenly arise.</p>	<p>No further action required.</p>	<p>No further action necessary.</p>

External Auditor's recommendations (as per WFP/EB.3/2000/4-B/1)	WFP response (as per WFP/EB.3/2000/4-B/1)	Actions taken to date or to be taken as indicated up to August 2001 (as per WFP/EB.3/2001/5-A/1)	Implementation status as at June 2002
OTHER MATTERS 24. Procurement			
The Programme should carefully check that vendor and payee are part of the same legal entity, because the audit disclosed that proper verifications were not always made (paras. 42 and 201).	Agreed. It should be noted though that the case cited by the External Auditor refers to only one vendor which is a major and regular supplier of commodities with whom the Programme has conducted business through the years as they had been rendering satisfactory performance.	This is an ongoing process.	No further action necessary.
25. Upgrading of Financial Information, Accounting and Procedural Discipline			
There should be further development and dissemination of clear, organization-wide operational and financial guidance, particularly the Finance Manual. The finance staff should be urgently reinforced, particularly at Headquarters, both in quantity and quality. These efforts should be intensified in view of the upcoming implementation of the new information system (paras. 43 and 202–203).	Agreed. In the process of configuring the systems and procedures under the new SAP environment, certain finance and accounting-related policies had to be amended by way of FMIP Issue Resolutions.	<p>The upgrading of financial information and accounting procedures is an ongoing activity that forms part of the work plans of FS units with the participation of the country office Finance and Administration Officers. Completion of the Finance Manual is targeted for the middle of 2002; changes made in the new system will be incorporated.</p> <p>In line with strengthening the Financial Services of the Programme and as previously mentioned, the FSF organizational structure has been reinforced with the hiring of two additional professional staff and the creation of a new Contribution and Project Account Branch (FSC) in FS.</p> <p>To strengthen and rationalize information systems, communications technology and information management, the Executive Director issued a circular on 31 July 2001 (ED2001/003) creating a new division to be</p>	<p>A number of initiatives were undertaken that communicated corporate-wide finance guidance during 2000–2001:</p> <ul style="list-style-type: none"> ➤ In total, 47 WINGS Bulletins were issued during 2000–2001; ➤ 9 FS Directives were issued after a consultation process; ➤ 4 FS memoranda were also produced. ➤ A conference was held in December 2001 for Finance and Administrative Officers from the Regional Bureaux and selected country offices in which operational and financial problems faced by the field were discussed in addition to issues related to the closure of the 2000–2001 biennial accounts.





External Auditor's recommendations (as per WFP/EB.3/2000/4-B/1)	WFP response (as per WFP/EB.3/2000/4-B/1)	Actions taken to date or to be taken as indicated up to August 2001 (as per WFP/EB.3/2001/5-A/1)	Implementation status as at June 2002
		<p>known as the Information and Communications Technology Division (ICT). Effective from 1 July 2001, ICT was formed by merging the Information Systems Service of FS and the Central Information Management and Statistics Branch (SPI) of the Strategy and Policy Division (SP).</p>	<ul style="list-style-type: none"> ➤ COAG-SAPInt, the reporting system for country offices without WINGS, was distributed with a User Guide. This User Guide gave basic guidance on system use and basic accounting instruction—codings and transaction types. <p>To re-inforce finance staff:</p> <ul style="list-style-type: none"> ➤ WINGS was rolled-out in 2001 to all regional bureaux and subsequent training was given before the roll-out and training missions were conducted once regional bureaux went live; ➤ Training sessions were also provided by FSF staff for the implementation of COAG-SAPInt in Headquarters for all WFP Liaison offices and in Bangkok for ODB country offices; ➤ In Headquarters before Go-Live of WINGS a comprehensive programme of training modules was designed and delivered, including modules on Finance-related topics. <p>To strengthen the management of contributions in terms of accounting, reporting and costing, a new section—FSC—was created from existing staff resources.</p> <p>At the end of December 2001, WFP had 52 professional finance staff, 20 in Headquarters and 32 in the field. Of those in Headquarters, the number of</p>



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			<p>professional accountants that are in posts in FS has risen substantially. In FSA, all four professional staff are professional accountants; in FSC, three. In FST an additional senior post has been established, and in FSF there is now additional professional resource covering FS Emergency Response input. FS has formulated strategies for 2002 in relation to strengthening management and business processes and so far, the following have been accomplished:</p> <ul style="list-style-type: none">➤ Roll-out of WINGS to 12 additional country offices in January 2002. This brings the number of offices that are online with WINGS to: 6 regional bureaux, 14 country offices and the Headquarters office in Rome. Training was given in advance of this roll-out and training missions have also been undertaken since.➤ Improvement of country office accounting practices through enhancement to the COAG-SAPInt—Version 1.2 was distributed in February 2002.➤ Reporting of monthly financial statements to the Executive Staff started in April 2002 providing a summary of financial operations and position each month.➤ Engagement of a consultant to develop material and conduct a Training of Trainers for the essence of financial management.

ACRONYMS USED IN THE DOCUMENT

ASMCP	After-Service Medical Coverage Plan
CFA	Committee on Food Aid Policies and Programmes
COAGSAPINT	Country Office Accounting Guide SAP Interface
COMPAS	Commodity Movement, Processing and Analysis System
CPRF	Compensation Plan Reserve Fund
DEV	Development
DHA-CERF	Department of Humanitarian Affairs – Central Emergency Revolving Fund
DOC	Direct Operational Costs
DSC	Direct Support Cost
DSCAF	Direct Support Cost Advance Facility
ELA	Emergency Logistics Authorization Mechanism
EMOP	Emergency Operation
FAC	Food Aid Convention
FAO	Food and Agriculture Organization of the United Nations
FITTEST	Groups of Fast IT and Telecoms Emergency and Support Teams
GCCC	Government Cash Contributions for Local Costs
GF	General Fund
GL:M	General Ledger:Millennium
HR	Human Resources
ICT	Information/communications technology
IEFR	International Emergency Food Reserve
IRA	Immediate Response Account
ISC	Indirect Support Recoveries
ISP	Institutional Strengthening Programme
JPO	Junior Professional Officer
LTSH	Landslide transport, storage and handling
NGO	Non-governmental organization
OASIS	Operational and Strategic Integrated System
ODOC	Other Direct Operational Costs
PRRO	Protracted Relief and Recovery Operation
PSA	Programme Support and Administrative costs
RLTF	Resource and Long-Term Financing
RMS	Resource Mobilization System



SAP	Systems Application Product
SIMMS	Strategic Integrated Management Support System
SO	Special Operation
SPR	Standard Project Reports
SPS	Separation Payment Scheme
STRIPSUS	Seperate Trading of Registered Interest and Principal of Securities
TC/IT	Telecommunications/information technology
UNDP	United Nations Development Programme
UNHRD	United Nations Humanitarian Response Depot
UNJSPF	United Nations Joint Staff Pension Fund
UNSECOORD	Office of the United Nations Security Coordinator
WINGS	WFP Information Network and Global System
WIS	WFP Information Systems

