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# FINANCE COMMITTEE

**Hundred and Sixty-seventh Session**

**Rome, 29 - 31 May 2017**

**WFP Management Response to the Recommendations of the Report of the  
External Auditor on Decentralization**

Queries on the substantive content of this document may be addressed to:

**Mr Jim Harvey  
Chief of Staff  
World Food Programme  
Tel: +3906 6513-2002**

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### EXECUTIVE SUMMARY

- In its report on Decentralization, the External Auditor made 17 recommendations.
- Management welcomes the external audit of WFP's Decentralization and the External Auditor's recommendations.
- Specific responses to the External Auditor's recommendations are presented in the document.

### GUIDANCE SOUGHT FROM THE FINANCE COMMITTEE

- The Finance Committee is requested to note the response made by WFP management to the recommendations of the Report of the External Auditor on Decentralization and to endorse it for the notification of the Executive Board.

#### Draft Advice

- **In accordance with Article XIV of the General Regulations of WFP, the Finance Committee advises the WFP Executive Board to take note of the management response to the recommendations of the Report of the External Auditor on Decentralization.**

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Agenda Item 6

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Resource, Financial and Budgetary Matters

**For consideration**

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

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## **Management Response to the Recommendations of the Report of the External Auditor on Decentralization**

### **Background**

1. Management welcomes the external audit on Decentralization and the External Auditor's recommendations.
2. Responses prepared by WFP management are presented in the attached matrix.

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#### **Focal point:**

Mr J. Harvey  
Chief of Staff  
tel: 06 6513-2002

<b>MANAGEMENT RESPONSE TO THE RECOMMENDATIONS OF THE REPORT OF THE EXTERNAL AUDITOR ON DECENTRALIZATION</b>			
<b>External Audit Recommendations</b>	<b>Action By</b>	<b>WFP Management Response</b>	<b>Timeframe</b>
<p><b>Recommendation 1:</b> The External Auditor recommends publishing on the intranet the distribution of powers determined by management, a comprehensive Headquarters organization chart, including units within divisions, and a list of the country offices and the countries covered, ensuring that this information is regularly updated.</p>	<p>Office of the Executive Director (OED)</p>	<p>Agreed.</p> <p>WFP continues to increase and improve the information available on the intranet, and ensure that it is regularly updated. WFP recently launched the new WFPgo website in which each department, division or unit has a dedicated page in the “Department” section. Information includes contact details and a high-level summary illustrating the main areas of work of each entity, informing staff of “what they do and who they are”. The “Department” section also has links to the latest Global WFP Presence Map, which illustrates WFP’s global footprint by office type, and the regularly updated WFP Organigram, outlining the latest management changes and the distribution of powers among managers.</p> <p>These functions were not available on the old intranet, and represent an efficient and informative way of providing the entire WFP workforce with access to essential, timely information. Enhancements are ongoing and will include regular updating, for example to reflect changes or clarifications made in response to other recommendations made in the report.</p>	<p>Under discussion by management</p>
<p><b>Recommendation 2:</b> The External Auditor recommends: a) undertaking a reflection on the critical number of reporting lines assigned to each manager in the field; and b) making the establishment of any additional posts in the regional bureaux subject to a prior review of the organization chart.</p>	<p>Operations Management (OM) in consultation with regional bureaux (RBs)</p>	<p>Partially agreed.</p> <p>The allocation of Programme Support and Administrative (PSA) resources to regional bureaux – or any other level of WFP – is subject to a review process, carried out as part of the Management Plan and PSA budget exercise, in line with corporate priorities.</p> <p>WFP will ensure that decisions on the allocation of resources to regional bureaux taken as part of the annual budget setting process address the recommendations of the External Auditor as appropriate.</p> <p>Management will consider reviewing the structures of the regional bureaux with a view to clarifying respective roles and responsibilities.</p>	<p>Under discussion by management</p>

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<p><b>Recommendation 3:</b> The External Auditor recommends defining thresholds (operations funding, country needs) under which a review is launched to evaluate the viability of the office and issue an opinion on whether to maintain, merge or close it. The conclusion should be reported to the Executive Board.</p>	<p>OM in consultation with the Operations Services Department (OS), the Resource Management Department (RM) and IRM</p>	<p>Agreed.</p> <p>Management will review implementation of this recommendation in the context of the roll-out of Integrated Road Map (IRM) components.</p> <p>The country strategic plans (CSPs) operationalize the WFP Strategic Plan and define WFP's portfolio of assistance within a country in support of achieving national results. The country portfolio budget demonstrates the performance of WFP's work by creating a "line of sight" linking strategy, budgeting, implementation and resources obtained to results achieved.</p> <p>The absence of a viable, adequately funded CSP or interim CSP (ICSP) will be one criterion for reviewing WFP's presence in a given country, taking into consideration the principles identified in the context of the 2030 Agenda.</p>	<p>Under discussion by management</p>
<p><b>Recommendation 4:</b> The External Auditor recommends that the Secretariat systematically support the regional and local levels in negotiations to transfer the overhead costs of country offices to the host governments in upper-middle-income countries.</p>	<p>The Partnership, Governance and Advocacy Department (PG) in collaboration with RM/RBs/Legal Office (LEG)</p>	<p>Partially agreed</p> <p>Responsibility lies primarily with country offices and the regional bureaux. In supporting national zero hunger strategic reviews, WFP works with governments and other stakeholders on the programme response that is defined as value-adding contribution to achievement of the Sustainable Development Goals (SDGs). Any resourcing made available by host governments will be negotiated over time, and hence it is premature to confirm actions on negotiations to transfer overheads in upper-middle-income countries.</p> <p>WFP senior management will support the negotiations on transferring the overhead costs of country offices to host governments once the level of resourcing that host governments will make available to country offices is broadly defined.</p>	<p>Under discussion by management</p>

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<b>Recommendation 5:</b> The External Auditor recommends supporting exit strategies in the countries concerned, by developing appropriate tools for country offices and involving regional bureaux in this process.	OS/Policy and Programme Division (OSZ)	<p>Agreed.</p> <p>WFP's Strategic Plan (2017–2021) and the Policy on CSPs outline the boundaries and framework for WFP's engagement in a country. WFP may not have a significant role in working towards SDG 2 and SDG 17 in countries that are able effectively and efficiently to undertake the necessary functions and actions themselves, or in contexts where viable, inclusive, safe and reliable commercial alternatives are available or other actors are better placed to contribute. In countries that can achieve zero hunger by 2030 without assistance, WFP's presence should be phased out.</p> <p>To be fully effective in advancing towards the goal of zero hunger in diverse contexts, CSPs need to be informed by country-led national zero hunger strategic reviews or similar analyses as well as evaluations, assessments – including joint needs assessments – feasibility studies, etc. CSPs will include the criteria and conditions under which WFP support might no longer be required, including transition or hand-over plans.</p>	Under discussion by management
<b>Recommendation 6:</b> The External Auditor recommends specifying the nature, scope and limits of the oversight duties entrusted to the regional bureaux.	OM in consultation with the Innovation and Change Management Division (INC), RM, RBs and other departments	<p>Agreed.</p> <p>Management has started internal consultations to refine consolidated roles, responsibilities and terms of reference for regional bureaux. This will include clarifying roles and responsibilities in service provision, management oversight and management support to the countries under their purview.</p> <p>It should be noted that each regional bureau already conducts functional area-specific oversight missions to country offices.</p>	Under discussion by management
<b>Recommendation 7:</b> The External Auditor recommends specifying the technical conditions governing regional bureaux oversight missions, including the format of reports, the monitoring of recommendations and the expected verifications.	OM in consultation with INC, RM, RBs and concerned departments	<p>Agreed.</p> <p>Within the context of work addressing recommendation 6, management will explore options for developing system-wide guidelines, including technical advice on the format of reports and tools supporting the verification process.</p> <p>These improvements should help WFP to develop a clearer overview and reporting on accountability issues related to the country office based on the regional bureaux oversight mission reports.</p>	Under discussion by management

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<b>Recommendation 8:</b> The External Auditor recommends establishing, in directives updated on an annual basis, the priorities assigned to each regional bureau regarding oversight and support, taking into account the contexts in which they operate.	OED in consultation with concerned departments	Agreed. Management accepts the principles identified in the recommendation and will seek opportunities to adopt them through existing institutional mechanisms including the Executive Management Group, the Management Plan process, regional directors' performance compacts and relevant regional bureaux annual plans of work.	Under discussion by management
<b>Recommendation 9:</b> The External Auditor recommends assessing the partnership tools available to country offices and undertaking extensive communication to strengthen the support provided to the field offices.	PG/RBs	Partially agreed. Partnership tools aim to provide constant support to and empower Regional Bureaux Partnership Officers so that they deliver appropriate services to country offices to strengthen partnership engagement and relationship management. The tools were assessed during the evaluation of the Corporate Partnership Strategy (2017) and were considered of value. PG will continue to support regional bureaux in delivering appropriate services to country offices to strengthen partnership engagement.	Under discussion by management
<b>Recommendation 10:</b> The External Auditor recommends studying the sustainability of the geographical scope of the regional bureaux, especially those of Dakar and Cairo.	OM in consultation with INC	Agreed. Management will review the geographic perimeter of the regional bureaux taking into consideration the different natures, sizes and challenges of each region, to ensure an equitable approach.  Linked to implementation of recommendation 2, management will consider reviewing the structures of the regional bureaux with a view to clarifying respective roles and responsibilities at all levels,  Through the 2018 Management Plan and PSA process, management will identify potential readjustments of the PSA allocation to the regional bureaux with a view to identifying immediate structural realignments while taking into consideration current operational requirements and office structures.	Under discussion by management

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<b>Recommendation 11:</b> The External Auditor recommends making any further scaling down of the resources of Headquarters and concomitant transfers of responsibilities and authority to the field subject to a full assessment of the persistence of systemic risks, particularly regarding cash-based transfers and procurement.	OED in consultation with all concerned departments	Agreed. Management recognizes the importance of assessing corporate-wide functions and risks before delegating authority from Headquarters to the field.	Under discussion by management
<b>Recommendation 12:</b> The External Auditor recommends reviewing the viability of small liaison offices, and their added value, in terms of efficiency and economy.	PG	Partially agreed. Management reviews the viability of all WFP offices during the budget-setting process. Management notes, however, that liaison offices in capitals are making huge efforts to continue providing advocacy and funding support to country offices. At a time when WFP needs to diversify its donor base, liaison offices are exploring additional innovative resourcing with the private sector, civil society, individuals and diasporas, among others.	Under discussion by management
<b>Recommendation 13:</b> The External Auditor recommends that country offices systematically report to the Office of the Inspector General (OIG) all losses reasonably likely to constitute cases of fraud.	OM in collaboration with RBs, RM	Agreed. Management will emphasize the importance of systematically reporting fraud to the Office of the Inspector General. It should be noted that when losses occur and constitute cases of fraud, WFP carries out appropriate investigations using the procedure currently in force.	Under discussion by management
<b>Recommendation 14:</b> The External Auditor recommends ensuring that losses likely to constitute fraud are recorded and monitored at the local level in a summary table, and are reported to the Chief Financial Officer and the External Auditor in a consolidated form.	OM in collaboration with RBs and RM	Agreed. Management will use existing tools to improve monitoring and reporting of losses likely to constitute fraud at the local level.	Under discussion by management
<b>Recommendation 15:</b> The External Auditor recommends formalizing to a greater degree the procedure for the recognition, analysis and monitoring of losses at the local level.	OM, RBs, RM and OIG	Agreed. Management will review the tools and improve as necessary the procedures for recognizing, analysing and monitoring losses at the local level. At present, the monitoring of losses at this level is carried out through existing guidelines and reported in standard project reports.	Under discussion by management



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<b>Recommendation 16:</b> The External Auditor recommends instructing each office to draw up a list of all local standard operating procedures (SOPs), ensuring that they are regularly updated and rigorously classified. The list of SOPs should be a mandatory component of the hand-over reports between directors.	OM in collaboration with RBs and RM	Agreed. Instructions on classifying and maintaining a list of local SOPs will need to be incorporated in the hand-over notes for country directors. To communicate this requirement, issuance of a Directive from OED could be considered.	Under discussion by management
<b>Recommendation 17:</b> The External Auditor recommends that any organizational reform be accompanied by: a) a detailed implementation schedule; b) a monitoring mechanism providing visibility of all initiatives that were launched; c) impact indicators, including financial impact indicators, and an independent evaluation mechanism to measure the success of the reform in light of its strategic objectives.	OED, OM, RM, INC, IRM	Agreed. Management welcomes the audit recommendation and agrees with the principles identified by the External Audit. For example, management has ensured that IRM implementation includes: i) a detailed implementation schedule; ii) a monitoring mechanism providing visibility for all the initiatives launched; and iii) impact indicators, including financial impact indicators. Management notes that evaluations carried out by the Office of Evaluation are subject to coverage norms set out in the WFP Evaluation Policy, and seek to contribute to the accountability and learning needs of WFP.	Under discussion by management

**Acronyms Used in the Document**

CSP	country strategic plan
INC	Innovation and Change Management Division
IRM	Integrated Road Map
OED	Office of the Executive Director
OIG	Office of the Inspector General
PG	Partnership, Governance and Advocacy Department
PSA	Programme Support and Administrative
OS	Operations Services Department
RB	regional bureau
RM	Resource Management Department
SDG	Sustainable Development Goal