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# FINANCE COMMITTEE

## Hundred and Eighty-sixth Session

7–9 June 2021

**WFP management response to the recommendations in the report of the  
External Auditor on critical corporate initiatives**

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

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### EXECUTIVE SUMMARY

- Management welcomes the recommendations made in the External Auditor's report on critical corporate initiatives (CCIs). The external audit was conducted at WFP headquarters in Rome in two phases, from 20 to 24 July 2020 and from 18 to 29 January 2021. As stated by the External Auditor, the main objectives of the audit were to examine whether:
  - the CCIs address issues that are strategic for WFP and fall within the definition previously agreed by the Executive Board (relevance review);
  - the process for selecting, implementing and monitoring CCIs is adequately controlled and enables the Board to decide whether to approve them on the basis of sound evidence (governance review);
  - the budgetary framework and financing modalities for the CCIs are transparent and suited to the needs of WFP (financial management); and
  - the CCIs have been designed in a way that allows for the measurement of results and a determination of whether their objectives have been achieved (performance).
- Management is pleased to note that many of the issues noted in the audit findings validate and reinforce the activities that were under way before the start of the audit, including the bottom up strategic budgeting exercise (BUSBE), the Strategic Resource Allocation Committee (SRAC) prioritization process and clearer articulation of WFP's corporate priorities, including their expected results and required resources.

### GUIDANCE SOUGHT FROM THE FINANCE COMMITTEE

- The Finance Committee is requested to review the "WFP management response to the recommendations in the report of the External Auditor on critical corporate initiatives" and to endorse it for consideration by the Executive Board.

#### Draft Advice

- **In accordance with Article XIV of the General Regulations of WFP, the FAO Finance Committee advises the WFP Executive Board to approve the draft decision as outlined in the document "WFP management response to the recommendations in the report of the External Auditor on critical corporate initiatives".**



World Food Programme  
Programme Alimentaire Mondial  
Programa Mundial de Alimentos  
برنامج الأغذية العالمي

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Resource, financial and budgetary matters

For consideration

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

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## **WFP management response to the recommendations in the report of the External Auditor on critical corporate initiatives**

### **Background**

1. Management welcomes the recommendations made in the External Auditor's report on critical corporate initiatives (CCIs). The external audit was conducted at WFP headquarters in Rome in two phases, from 20 to 24 July 2020 and from 18 to 29 January 2021. As stated by the External Auditor, the main objectives of the audit were to examine whether:
  - the CCIs address issues that are strategic for WFP and fall within the definition previously agreed by the Executive Board (relevance review);
  - the process for selecting, implementing and monitoring CCIs is adequately controlled and enables the Board to decide whether to approve them on the basis of sound evidence (governance review);
  - the budgetary framework and funding arrangements for the CCIs are transparent and suited to the needs of WFP (financial management review); and
  - the CCIs have been designed in a way that allows for the measurement of results and a determination of whether their objectives have been achieved (performance review).
2. Management is pleased to note that many of the issues noted in the audit findings validate and reinforce the activities that were under way before the start of the audit, including the bottom up strategic budgeting exercise (BUSBE), the Strategic Resource Allocation Committee (SRAC) prioritization process and clearer articulation of WFP's corporate priorities, including their expected results and required resources.

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### **Focal points:**

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3. The BUSBE, in particular, anticipated several of the issues raised in the audit recommendations. The objectives of the BUSBE include optimization of funding source allocation; ensuring that all funding sources are consistently aligned with the various activities undertaken at headquarters and the regional bureaux; enabling the more efficient use of funding, in line with management and operational priorities; and providing an in-depth analysis of recurring programme support and administrative requirements and corresponding funding sources.
4. Management welcomes the recommendations that call for more detailed funding requests, periodic tracking reports, annual reporting and a stronger field voice in global resource allocations. Those recommendations complement and enhance the ongoing efforts to improve budgetary decision making and oversight.
5. To encourage full implementation by the target dates, management will monitor progress and undertake regular reviews of outstanding recommendations.
6. Management thanks the External Auditor for its constructive collaboration and for sharing its draft report at an early stage, which provided an opportunity for deeper internal review by management.
7. The following matrix sets out the planned actions and implementation timelines.

### **Draft decision\***

The Board takes note of the WFP management response to the recommendations in the report of the External Auditor on critical corporate initiatives (WFP/EB.A/2021/6-F/1/Add.1).

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

<b>WFP MANAGEMENT RESPONSE TO THE RECOMMENDATIONS IN THE REPORT OF THE EXTERNAL AUDITOR ON CRITICAL CORPORATE INITIATIVES</b>			
<b>External Auditor recommendation</b>	<b>Action by</b>	<b>WFP management response</b>	<b>Timeframe</b>
<p><b>Recommendation 1</b></p> <p>The External Auditor recommends that the scope of WFP's corporate priorities be clarified and that a detailed strategy for each priority, including expected results and outputs, be developed.</p>	Office of the Executive Director (OED)	<p>Agreed</p> <p>The Executive Director's corporate priorities are presented to the Executive Board and all staff. The corporate priorities are cross-cutting and are important pillars that support the WFP strategic results and operational goals.</p> <p>Some improvements are in progress, as the leadership group is further articulating the corporate priorities through activity and high-level results statements. A more detailed strategy will also be prepared</p>	Third quarter (Q3) 2021
<p><b>Recommendation 2</b></p> <p>The External Auditor recommends that more attention be paid to how CCIs contribute to the strengthening of WFP's organizational capacity to achieve its strategic goals and objectives, including by configuring the framework used to prioritize investment cases to that end.</p>	Corporate Planning and Performance Division (CPP)	<p>Agreed</p> <p>The prioritization framework implemented for the 2021 budget allocation process will be further refined to build a stronger results chain. The refined framework will allow WFP to demonstrate how CCIs build corporate capacity to enhance the organization's ability to support the achievement of its strategic goals.</p> <p>The renewed focus on corporate priorities and strengthened priority statements mentioned in response to recommendation 1 above will inform the framework used to prioritize investment proposals.</p>	First quarter (Q1) 2022
<p><b>Recommendation 3</b></p> <p>The External Auditor recommends that the fiscal governance bodies, in particular the Executive Board, be provided with a consolidated statement of WFP investments, both CCIs and non-CCIs, specifying their source of funding.</p>	CPP	<p>Agreed</p> <p>The organization's proposed approach to budgeting, to be introduced in 2021 through the BUSBE, is expected to give a clearer picture of total funding needs and allow reporting in the management plan of planned expenditure across all funding sources.</p> <p>Management will provide consolidated information on WFP investments approved by the Executive Board in the annual performance report.</p>	Fourth quarter (Q4) 2022

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<p><b>Recommendation 4</b></p> <p>The External Auditor recommends that a standardized and more demanding format for significant investment cases (for investments in general and CCIs in particular) be established to ensure traceability of the decisions of the Strategic Resource Allocation Committee.</p>	CPP	<p>Agreed</p> <p>Any investment cases presented for decision to the new budget governance body or bodies (the number of bodies has not yet been decided and is still under consideration in connection with the BUSBE budget governance workstream) will use a template that includes a list of deliverables, provisional key performance indicators, a provisional budget (including planned staffing) and a timetable for implementation.</p> <p>The new template will build on the template introduced in Q4 2020 in connection with the enhanced prioritization process for 2021 budget allocation.</p> <p>The budget governance body or bodies to be established in connection with the BUSBE budget governance workstream will be supported by secretariats with expanded responsibilities for providing substantive support on the development of budget proposals and for reviewing and assessing final submissions. This expanded role is expected to enhance the quality of submissions.</p> <p>The relevant secretariats will also ensure that decisions are properly documented and collect information on implementation progress to enhance the traceability of resource allocation decisions.</p>	Q4 2022

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<p><b>Recommendation 5</b></p> <p>The External Auditor recommends that a specific decision for each critical corporate initiative – specifying the proposed budget for the CCI, including for staffing, organizational change objectives, expected results and an implementation schedule – be presented in the management plan for approval by the Board.</p>	CPP	<p>Partially agreed</p> <p>WFP will strengthen the content of information hitherto provided in concept notes for CCIs in the management plan (as done in annex IV of the 2020–2022 management plan (WFP/EB.2/2019/5-A/1)) so that their objectives, actions, benefits and budgets are better articulated; or draw from separate Board documents, as was the case with the multi-year private sector strategy.</p> <p>Management’s informal consultations with the Executive Board in the process of preparing each management plan provide Member States with an opportunity to raise concerns that can be considered and addressed by management as it finalizes the management plan. In the light of this, management is of the view that the Board decision on each CCI should indicate only the proposed budget while the details are set out in the management plan.</p>	Q4 2021
<p><b>Recommendation 6</b></p> <p>The External Auditor recommends that monitoring of the implementation of CCIs and of investment cases in general be strengthened by introducing, for the most significant cases, a standardized quarterly report to the fiscal governance bodies that allows expenditures to be tracked against the budget, performance indicators and expected outcomes.</p>	CPP	<p>Agreed</p> <p>Standardized tracking reports will be submitted quarterly to the internal budget governance body or bodies that will be established in connection with the BUSBE budget governance workstream or, where appropriate, to any steering committee that is specifically established to oversee a CCI.</p> <p>The reports will include CCI expenses against budgets, performance indicators and expected and achieved results, with the mid-year and year-end reports providing more analysis than the first and third quarter reports.</p>	Q4 2021

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<p><b>Recommendation 7</b></p> <p>The External Auditor recommends that investment cases that involve the continuation of similar past or current expenditures include a specific section on the results already achieved.</p>	CPP	<p>Agreed</p> <p>As indicated in the response to recommendation 4 above, the budget governance body or bodies to be established in connection with the BUSBE budget governance workstream, and their secretariats, will support the use of a new template for investment case submissions. The template will require disclosure of whether a proposed investment case is a continuation of a similar past or ongoing investment case and a clear statement of the results achieved previously. That template, together with a review by the secretariats in their records of prior investment cases, will serve to inform decision making.</p>	Q4 2021
<p><b>Recommendation 8</b></p> <p>The External Auditor recommends that an update on CCIs be included in the annual performance report, in a standardized, concise format, showing actual expenditures against the approved budgets in the management plan, including for staffing, and the results achieved.</p>	CPP	<p>Agreed</p> <p>The annual performance report will provide, in a harmonized and synthetic format, the information suggested in this recommendation, which can be drawn from the standardized internal reporting noted in recommendation 6.</p>	Second quarter (Q2) 2022



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<b>External Auditor recommendation</b>	<b>Action by</b>	<b>WFP management response</b>	<b>Timeframe</b>
<p><b>Recommendation 9</b></p> <p>The External Auditor recommends that internal controls be strengthened to ensure that the expenditures charged to CCIs are directly related to their purpose.</p>	CPP	<p>Agreed</p> <p>The allotment instructions will remind budget holders of their responsibility and authority to ensure that expenses charged to CCIs are related to a CCI's purpose. The tracking reports to be submitted by CCI managers will include certifications from the managers stating that only expenses related to the CCIs have been charged to the CCI budgets.</p>	Q4 2021
<p><b>Recommendation 10</b></p> <p>The External Auditor recommends that realistic, measurable and achievable performance indicators be established for each CCI.</p>	CPP	<p>Agreed</p> <p>Building on the above management responses to recommendations 4, 6, 7 and 8, the budget governance body or bodies to be established in connection with the BUSBE budget governance workstream, and their secretariats, will support the establishment, tracking and reporting of performance indicators for each CCI through:</p> <ol style="list-style-type: none"> <li>1. the use of a new template for investment case submissions that will identify measurable indicators of expected and achieved results;</li> <li>2. the use of a standardized tracking report, which will include updates on implementation and performance indicators; and</li> <li>3. inclusion in the annual performance report of information on performance achievements in respect of WFP investments approved by the Executive Board.</li> </ol>	<p>1. Q4 2021</p> <p>2. Q4 2021</p> <p>3. Q2 2022</p>

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<b>External Auditor recommendation</b>	<b>Action by</b>	<b>WFP management response</b>	<b>Timeframe</b>
<p><b>Recommendation 11</b></p> <p>The External Auditor recommends that local-level involvement in the deliberations of the Strategic Resource Allocation Committee be increased through the inclusion of regional bureau representatives.</p>	OED, CPP	<p>Agreed</p> <p>The revised SRAC prioritization criteria introduced in Q4 2020 includes scoring for relevance to country office and regional bureau voting. This criteria allowed regional bureaux to directly influence the final ratings assigned to investment cases under consideration. It also encouraged early dialogue with regional bureaux and country offices in the preparation of investment cases</p> <p>Management is considering additional opportunities for greater engagement of regional bureaux, country offices and headquarters directors in budget decision making through consultation processes and membership in the budget governance body or bodies to be established in connection with the BUSBE budget governance workstream. For the 2022 budgeting cycle, the Executive Director has established a committee to review all budget submissions, which includes members drawn from regional bureaux and country offices.</p>	Q4 2021