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FINANCE COMMITTEE

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Report of the External Auditor on Warehouse Management

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

Mr Stephen Hongray

Director of External Audit

World Food Programme

Tel: +3906 6513 2392

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EXECUTIVE SUMMARY

- This report presents the results of the Comptroller and Auditor General of India's audit of the World Food Programme (WFP) with regard to its performance on warehouse management. The main objective of the audit was to ascertain whether WFP warehouses were managed in an economical, efficient and effective manner and the management of food commodities stored therein was in line with its manuals and existing guidelines.
- Warehouse management plays a crucial role in the successful operation of WFP keeping in view its core mandate of delivering food for ending global hunger. Each year, WFP purchases food commodities with the objective of ensuring availability of appropriate food commodities to beneficiaries in a timely and cost-effective manner. There are 632 WFP managed warehouses in 75 countries where food is stored for distribution to beneficiaries. In addition, there are warehouses of government and non-governmental organization partners. The warehouse operation cost for the years 2012, 2013 and 2014 (up to June) were USD 85.05 million, USD 70.72 million and USD 36.71 million respectively.
- We observed that WFP did not have overarching global guidance for managing warehouse operations. As warehouse management plays a crucial role towards fulfilling its Strategic Plan (2014–2017), we encourage WFP to formulate global guidance on warehouse management.
- We noted that WFP did not have a specific work plan/sub-plan relating to warehouse management at the Headquarters level and sub-plan at the regional bureau/country office level for achieving overall objectives under the Strategic Plans (2008–2013 and 2014–2017).
- As WFP has to respond to the urgent needs of beneficiaries in dynamic and volatile environments and in light of the strategic shift of WFP from being a food aid agency to a food assistance agency, there is a need for revising the normative manuals after considering feedback from relevant parties and stakeholders.
- To use the warehouses at their optimal level, space requirements need to be assessed well in advance and accordingly, specific planning at each warehouse is to be ensured before arrival of the stock. WFP needs to review its oversight mechanism for space planning and stock layout.
- Quality management of food and commodities stored in the warehouse is a crucial aspect of warehouse management. We recommend that WFP may ensure that the guidelines prescribed for regular inspection of warehouses may be complied with by all country offices to ensure the quality of food commodities kept in the warehouses.
- The United Republic of Tanzania country office observed that against total warehouse losses of 170.44 mt attributable to damaged/spoiled commodities during the period January 2012 to June 2014, only 44.78 mt (26 percent) could be disposed of. We recommend that WFP may ensure early disposal of damaged/spoilt items, following the required procedures, processes and formalities.
- In the Cameroon country office, we observed that the information furnished by the cooperating partners pertaining to the period October 2013 to September 2014 were not being reconciled with the stock position indicated in the Commodity Movement, Processing and Analysis System (COMPAS). WFP may ensure monthly reconciliation of the stock position as reported by the cooperating partners with COMPAS so as to assess whether there is any loss, wastage or misappropriation.
- We observed that numerous warehouse management trainings have been undertaken at country office level but not all of these have been reported through the Learning Management System.

- In operational terms, the data for regional bureaux/country offices with regard to the number of warehouses, capacity and utilization thereof is part of the critical information which should be centrally available for working out an overall plan on warehouse management, for proper monitoring and for efficient service delivery. We recommend that WFP may develop a suitable management information system (MIS) relating to warehouse management which may, inter alia, contain details of number of warehouses, capacity and utilization thereof, legal cases, etc. in a centralized manner.

GUIDANCE SOUGHT FROM THE FINANCE COMMITTEE

- The Finance Committee is invited to consider the document “Report of the External Auditor on Warehouse Management” and provide comments for consideration by the Executive Board.

Draft Advice

- **In accordance with Article XIV of the General Regulations of WFP, the FAO Finance Committee considered the document “Report of the External Auditor on Warehouse Management” and made comments to the Executive Board in the report of its 158th Session.**