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# FINANCE COMMITTEE

**Hundred and Fifty-eighth Session**

**Rome, 11 - 13 May 2015**

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

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

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### EXECUTIVE SUMMARY

- In its report on Warehouse Management in WFP, the External Auditor made ten recommendations.
- Warehouse management is crucial for WFP's mandate of ending global hunger, and in fulfilling the Strategic Plan (2014-2017). There are 632 WFP managed warehouses in 75 countries, with a warehouse operation cost for 2014 of USD 36.71 million.
- WFP management has analysed and agreed with the ten recommendations and prepared a response and timeline for their implementation.
- WFP will draw on the External Auditor's findings and recommendations as it continues to enhance its warehouse management.

### 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 Warehouse Management 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 Warehouse Management.**



**World Food  
Programme**

**Executive Board  
Annual Session**

**Rome, 25–28 May 2015**

# **RESOURCE, FINANCIAL AND BUDGETARY MATTERS**

*Agenda item 6*

*For consideration*

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**WFP/EB.A/2015/6-H/1/Add.1/Rev.1**

29 April 2015

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## **WFP MANAGEMENT RESPONSE TO THE RECOMMENDATIONS OF THE REPORT OF THE EXTERNAL AUDITOR ON WAREHOUSE MANAGEMENT**

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

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## NOTE TO THE EXECUTIVE BOARD

**This document is submitted to the Executive Board for consideration.**

The Secretariat invites members of the Board who may have questions of a technical nature with regard to this document to contact the WFP staff focal points indicated below, preferably well in advance of the Board's meeting.

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## DRAFT DECISION<sup>\*</sup>

The Board takes note of "WFP Management Response to the Recommendations of the Report of the External Auditor on Warehouse Management" (WFP/EB.A/2015/6-H/1/Add.1/Rev.1).

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1. This document presents the Secretariat's response to the recommendations in the report of the External Auditor on WFP's warehouse management.

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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.



## WFP MANAGEMENT RESPONSE TO THE RECOMMENDATIONS OF THE REPORT OF THE EXTERNAL AUDITOR ON WAREHOUSE MANAGEMENT

External Auditor Recommendations	Action by	WFP management response	Timeframe
<b>Recommendation 1:</b> WFP may formulate an overarching Global Guidance on Warehouse Management.	Logistics and Transport Service (OSLT)	Agreed: OSLT will produce a guidance document on warehouse management that sets out rules, regulations and best practices and that reinforces the oversight roles of country offices, regional bureaux and Headquarters. It will also include contingency and emergency preparedness and monitoring of cost-effectiveness; the latter will also cover pre-positioned Global Commodity Management Facility food stocks.	Mid-2016
<b>Recommendation 2:</b> WFP may establish a work plan and sub-plan for its warehouse management at the levels of Headquarters, regional bureaux and country offices.	OSLT	OSLT will establish a warehouse management work plan for the Logistics Division, with guidance for regional bureaux and country offices.	End 2015
<b>Recommendation 3:</b> WFP may revise the Transport Manual, Food Storage Manual and Warehouse Management Handbook, after considering feedback from relevant parties and stakeholders.	OSLT	The logistics manuals are routinely updated by OSLT through the Transport Manual protocols. These will be reviewed in consultation with regional bureaux and all updates will be documented.	Mid-2016
<b>Recommendation 4:</b> WFP may review its oversight mechanism for space planning and stock layout.	OSLT	Details of space planning and stock layout are provided in the Food Storage Manual and the Warehouse Management Handbook. OSLT will, however, reinforce its oversight mechanisms and clarify the roles of country offices, regional bureaux and Headquarters in the guidance document on warehouse management.	Mid-2016
<b>Recommendation 5:</b> 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.	OSLT, Funds Analysis and Commodity Accounting and Support Branch (OSLF)	The Transport Manual contains a requirement for a physical inventory every quarter in all WFP-managed warehouses and for all stocks managed by WFP; the process is monitored by OSLF. The Transport Manual recommends monthly stock quality and quantity checks. OSLT will review roles and responsibilities relating to the monitoring of warehouse inspection visits and reporting, with a view to improving documentation and oversight.	End 2015
<b>Recommendation 6:</b> WFP may review the measures taken to ensure fire safety and also look at the insurance policy to safeguard against loss of stored items.	Operational Risk Management Service (OSLR), OSLT	Guidance on fire safety is provided in the Transport Manual. OSLT will review possible improvements in consultation with the relevant WFP units and will monitor implementation with the regional bureaux. Logistics manuals will be updated accordingly.  OSLT, with OSLR, will provide additional insurance details regarding safeguards against loss of stored items; the Transport Manual will be updated accordingly.	Mid-2016



**WFP MANAGEMENT RESPONSE TO THE RECOMMENDATIONS OF THE REPORT OF THE EXTERNAL AUDITOR  
ON WAREHOUSE MANAGEMENT**

External Auditor Recommendations	Action by	WFP management response	Timeframe
<p><b>Recommendation 7:</b> WFP may ensure early disposal of damaged/spoilt items, following the required procedures, processes and formalities.</p>	OSLT	<p>WFP's instructions in the Transport Manual for disposal of damaged and spoiled goods require country offices to comply with the regulations of local and national authorities. In some locations bureaucratic processes can lead to delays.</p> <p>OSLT and the regional bureaux will assess options for reinforcing the compliance and oversight mechanisms for disposal; this could be organized like the Committee on Commodities, Transport and Insurance (CCTI) process.</p>	End 2016
<p><b>Recommendation 8:</b> WFP may ensure monthly reconciliation of the stock position as reported by the cooperating partners with the Commodity Movement, Processing and Analysis System (COMPAS) so as to assess whether there is any loss, wastage or misappropriation.</p>	OSLF	<p>With the Logistics Execution Support System (LESS) and WFP's country office monitoring and evaluation tool (COMET) in operation by the end of 2016, the reported stocks held by cooperating partners will be systematically reconciled with information about the stocks delivered.</p>	End 2016
<p><b>Recommendation 9:</b> WFP may ensure that Learning Management System reflects the true status of warehouse management training.</p>	OSLT	<p>The Logistics Division regularly trains logistics field staff, using its detailed training materials. OSLT will improve the tracking and documentation of training in the Learning Management System and will explore options for improving training for management and staff, in coordination with the Human Resources Division and others concerned with the supply chain.</p>	End 2015
<p><b>Recommendation 10:</b> WFP may develop a suitable management information system (MIS) relating to warehouse management which may, <i>inter alia</i>, contain details of the number of warehouses, capacity and utilization thereof, legal cases, etc. in a centralized manner.</p>	OSLF	<p>The warehouse management system in LESS will provide improvements in areas where the current system COMPAS is limited. LESS is to be rolled out to all country offices by the end of 2016.</p>	End 2016

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## ACRONYMS USED IN THE DOCUMENT

COMPAS	Commodity Movement, Processing and Analysis System
LESS	Logistics Execution Support System
OSL	Logistics Division
OSLF	Funds Analysis and Commodity Accounting and Support Branch
OSLR	Operational Risk Management Service
OSLT	Logistics and Transport Service