



联合国
粮食及
农业组织

Food and Agriculture
Organization of the
United Nations

Organisation des Nations
Unies pour l'alimentation
et l'agriculture

Продовольственная и
сельскохозяйственная организация
Объединенных Наций

Organización de las
Naciones Unidas para la
Alimentación y la Agricultura

منظمة
الأغذية والزراعة
للأمم المتحدة

FINANCE COMMITTEE

Hundred and Sixty-seventh Session

Rome, 29 - 31 May 2016

Report of the External Auditor on Decentralization

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

Mr R. Bellin
Director of External Audit
World Food Programme
Tel: +3906 6513 2392

*This document can be accessed using the Quick Response Code on this page;
an FAO initiative to minimize its environmental impact and promote greener communications.
Other documents can be consulted at www.fao.org*



mt091

EXECUTIVE SUMMARY

- The “Report of the External Auditor on Decentralization” is submitted to the Board for consideration.
- The Executive Summary of the “Report of the External Auditor on Decentralization” is included within the main document presented to the Committee for its review.

GUIDANCE SOUGHT FROM THE FINANCE COMMITTEE

- The Finance Committee is invited to consider the document “Report of the External Auditor on Decentralization” 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 Decentralization” and made comments to the Executive Board in the report of its 167th Session.**



World Food Programme

Executive Board

Annual Session

Rome, 12–16 June 2017

Distribution: General

Date: 12 May 2017

Original: French

Agenda Item 6

WFP/EB.A/2017/6-G/1

Resource, Financial and Budgetary Matters

For consideration

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

Report of the External Auditor on Decentralization

Draft decision*

The Board takes note of “Report of the External Auditor on Decentralization” (WFP/EB.A/2017/6-G/1) and management response in WFP/EB.A/2017/6-G/1/Add.1, and encourages further action on the recommendations, taking into account considerations raised by the Board during its discussion.

* 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.

Focal point:

Mr R. Bellin
Director of External Audit
tel.: 066513-2392

Cour des comptes
FRANCE



EXTERNAL AUDIT OF THE WORLD FOOD PROGRAMME

AUDIT REPORT REVIEW OF DECENTRALIZATION

2016 financial year

COUR DES COMPTES REFERENCE: WFP-2016- 3



TABLE OF CONTENTS

I.	SUMMARY	5
II.	OBJECTIVES AND SCOPE OF THE AUDIT	7
III.	AUDIT METHOD	9
IV.	LIST OF RECOMMENDATIONS	11
V.	INTRODUCTION.....	12
VI.	OBSERVATIONS AND RECOMMENDATIONS.....	13
1.	Objectives of the new organizational design	13
1.1.	Shifting resources to the field	14
1.2.	Organizational entities	14
1.3.	Rationalization of the network.....	16
2.	Transfer of resources	16
2.1.	Transferring resources to the regional bureaux.....	16
2.2.	Staff mapping with no major changes.....	18
3.	Strengthening the country offices.....	19
3.1.	Updating delegations of authority	19
3.2.	Structural reforms not directly linked to Fit for Purpose ...	20
3.3.	The programme approval process	20
4.	Viability of country offices.....	21
5.	Regional bureaux and oversight.....	24
5.1.	The concept of support and oversight	24
5.2.	Effectiveness of oversight	25
5.3.	Transfer of responsibilities from Headquarters	26
5.4.	Geographical scope of the regional bureaux	27
6.	A lean, field-oriented Headquarters	28
6.1.	Restructuring of Headquarters.....	28
6.2.	An increase and significant reorganization of staff.....	29
6.3.	The Cost Excellence Initiative	30
7.	Optimization of liaison offices.....	30

7.1.	Justification of the presence of WFP in countries where no operations are carried out	30
7.2.	Rationalization of liaison office reporting lines	31
8.	Internal control and accountability	32
8.1.	The local anti-fraud mechanism.....	33
8.2.	Formalization of standard operating procedures at the local level.....	34
9.	Management of the new organizational design project	35
9.1.	The steering mechanism.....	35
9.2.	The absence of specific impact indicators	35
9.3.	The cost of the operation	36
	ACKNOWLEDGEMENTS	37
	ANNEXES	38
	Annex 1 – Detailed presentation of the methodological approach.....	38
	Annex 2 – Delegations of authority	40
	Annex 3 – Conclusions of the survey.....	41
	Annex 4 – Field offices (excluding liaison offices) at the end of February 2017	43

I. SUMMARY

Launched as part of the Fit for Purpose initiative in 2012, the new organizational design project sought to make WFP better able to perform its mission by achieving an optimal balance between the central, regional and local levels. The principle underlying the new structure is simple: being a field-based organization, WFP's decision-making authority needs to be located as close as possible to its beneficiaries. The project therefore aimed to put field offices at the centre of the organization, with the regional bureaux in the front line of support and oversight, while Headquarters and the liaison offices (now called "WFP offices") concentrated on strategic activities and corporate services.

Following the launch of the reform, there was a rise in the number of emergencies, competition for funds increased, and accountability and performance requirements intensified. This complicated implementation of the redesign process, while also making it more essential than ever for WFP to operate effectively and efficiently. Four years later, the objective has not been fully achieved, despite numerous activities having been implemented.

Overall, the rebalancing of functions between WFP's various entities has been relatively successful. Liaison offices located close to major donors have performed well. Although the diagnosis prior to the 2012 Action Plan found Headquarters to have too much weight, it still plays a predominant role and its workforce continues to grow faster than that of the field offices. Nonetheless, a degree of centralization is necessary bearing in mind WFP's operational context and its intrinsic risks. Various initiatives and resource transfers have targeted the regional bureaux with a view to significantly increasing their capabilities, and the country offices appear to have gained more room for manoeuvre.

Closer examination of the WFP network on the ground, however, reveals a number of weaknesses, some of which have already been identified in the past. Country offices were strengthened without reassessing the existing operational presence, as the process of revising the location of offices was interrupted before its completion. As a result, although country offices are well equipped overall, there are major disparities between them, and the activity of the smaller offices is hampered by a real shortage of resources. Moreover, changes in WFP's modes of intervention, particularly as regards development, call for a re-examination of its presence at the country level.

Regional bureaux were also affected by this failure to reassess the existing network, and those with a broader remit risk being overburdened. Moreover, the oversight functions assigned to regional bureaux remain ill-defined and the activities of the six bureaux are somewhat heterogeneous. Even though WFP's activities need to adapt to each context in order to be relevant, uniformity of the organization's functioning is necessary to ensure its cohesion and mitigate internal and external risks. The regional bureaux have yet to strike the right balance between adaptation to the intervention area and unity of action.

As a direct consequence of the foregoing observations, although internal control is essential in a decentralized organization tackling emergencies and distributing foodstuffs and money, its scope within WFP is limited. Thus, our findings do not allow us to conclude that the pyramid system of assurance statements is based on a sufficiently solid organizational structure at the regional level to guarantee that this level performs sufficient checks on the reports sent by the level below. Optimal fraud risk prevention, in conjunction with the stated policy of "zero tolerance", requires strengthening of the system for notifying and following up on potential incidents by the country offices. Proactive integrity reviews constitute a valuable innovation in this respect. Conducting these reviews should be encouraged and the corresponding know-how kept at the central level, as it would be unrealistic to transfer all fraud detection responsibilities to the regional level.

Ensuring the quality of country offices' internal control by Headquarters is even more important now that entities at the local level are to be given greater autonomy through the upcoming implementation of the country strategic plans. Now seems to be a good time to fully take stock of the organizational redesign so as to allow lessons to be drawn and any remaining shortcomings to be mitigated. No extensive overhaul, such as implementation of the Integrated Road Map, can be successfully completed until each entity is fulfilling its role in a balanced and rationalized organization.

II. OBJECTIVES AND SCOPE OF THE AUDIT

1. As announced in the notification letter dated 31 October 2016, a team of three External Auditors conducted a verification mission at the World Food Programme (WFP) Headquarters in Rome from 14 November to 25 November 2016 and from 18 January to 20 January 2017. The objective of the audit was to assess the decentralization recommenced in 2012 through to the year ended 31 December 2016.
2. Pursuant to an Executive Board decision of 10 November 2015, the WFP External Audit was entrusted to the First President of the Cour des Comptes of France for the period from 1 July 2016 to 30 June 2022, in accordance with Article 14.1 of the WFP Financial Regulations.
3. The External Auditor's mandate is specified in Article XIV of the WFP Financial Regulations and its annex, and in the call for applications for the appointment of the External Auditor. The call for applications together with the offer of services of the External Auditor, particularly his detailed technical offer, which was approved by the Board, constitute the terms of reference.
4. The responsibilities of the External Auditor consist of auditing the accounts of WFP (Article 14.1 of the Financial Regulations) and making observations, if he sees fit, regarding the effectiveness of the financial procedures, the accounting system, internal financial controls and the administration and management of WFP, in general (Article 14.4 of the Financial Regulations).
5. Pursuant to Article 3.1 of the Financial Regulations, the Executive Director is responsible for the financial management of the activities of WFP, for which he is accountable to the Board.
6. A letter of engagement was drawn up with the Executive Director in order to ensure that, in accordance with international audit standards, the respective obligations of the management and the External Auditor are clearly understood. In addition, prior to each audit, the External Auditor informs the Secretariat of the scope of the verifications to be undertaken.
7. This report comes under the annual work plan of the External Auditor submitted to the WFP Executive Board during its second regular session in November 2016, which details the verifications to be carried out between July 2016 and June 2017. In accordance with the terms of reference, each year the External Auditor must produce an audit report on the financial statements of WFP (submitted to the Board for approval), accompanied by an opinion on the accounts, two reports on the performance and the compliance of the management of WFP, also known as performance audit reports (submitted to the Board for consideration), and ten management letters prepared following visits to external offices (including regional bureaux and country offices). The External Auditor also validates the draft annual report on implementation of his previous recommendations, submitted by the Secretariat to the Board for consideration.
8. The decentralization audit was carried out in accordance with the International Standards of Supreme Audit Institutions (ISSAI) on performance and compliance auditing, the WFP Financial Regulations, and the additional terms of reference annexed thereto. These standards require the External Auditor to perform the audit in compliance with the applicable rules of professional conduct, exercise professional judgement and demonstrate critical thinking throughout the audit.

9. The field visits to country offices (COs) and regional bureaux (RBs)¹ mainly focused on proper management of the offices, although the checks carried out also contributed to preparation of this report.

10. The primary aim of the audit was to determine:

- whether management of the area examined complied with the principles of economy, efficiency and effectiveness and whether there is scope for improvement; and
- whether the activities, financial transactions and information were, in all material respects, compliant with the provisions of the WFP basic texts.

11. Each observation and recommendation was discussed with the staff members concerned, particularly the staff of the Innovation and Change Management Division. The partial audit closure meeting was held in the presence of the Chief of Staff, Mr James Harvey, on 25 November 2016. An additional meeting was held at WFP on 3 April 2017. The management confirmed the validity of the information presented. This report fully takes into account its comments and responses, provided in written form on 4 April 2017.

¹ Regional bureaux in Bangkok and Dakar, WFP offices in Brussels, Copenhagen and London, country offices of Burkina Faso, Cambodia, Cameroon, Ethiopia, Myanmar, Pakistan, the Central African Republic and Lao Democratic People's Republic.

III. AUDIT METHOD

12. During an audit conducted according to the international standards, performance and compliance are examined based on appropriate criteria, with the causes of any discrepancies in relation to these criteria being analysed. The goal is to answer the main audit questions and to recommend improvements. The first stage of the audit consists of outlining the "subject matter", which is the information or activity to be measured. It can take various forms and have various characteristics, depending on the audit objective. An appropriate subject matter must be definable in such a way that it can be measured consistently against set criteria and that procedures can be established to gather sufficient and appropriate audit evidence to support the audit opinion or conclusion.²

13. For the review of decentralization at WFP, the subject matter addressed by the External Auditor was the new organizational design implemented within the framework of the Fit for Purpose initiative (FfP) launched in 2012. We examined all measures that contributed to decentralization,³ which can be defined as placing decision-making as close as possible to the place of implementation. The scope of the audit included not only transfers of responsibility and authority to the regional bureaux and field offices, but also transfers of financial and human resources and the creation of new positions in the field.

14. The main audit questions which we endeavoured to answer were:

- What have been the results of the decentralization initiatives taken since 2012?
- Were these initiatives conducted in an economic and efficient manner?
- Can the balance of power between central, regional and local levels now be considered optimal?

15. In order to examine the quality of the management of this initiative, we identified the decentralization objectives pursued by WFP based on the documents available, mainly the WFP Fit for Purpose new organizational design action plan adopted by the Executive Director on 17 August 2012, and then arranged them within a logical framework. Our approach, entailing the preparation of a logical framework for objectives, is based on the principle that the goals of a given policy can be schematically classified according to three categories: immediate, operational and strategic objectives. To attain each type of objective, a programme focuses on different kinds of outputs: operational objectives result in factual outputs; operational objectives presuppose obtaining outcomes that call for a more qualitative assessment; strategic objectives manifest through the expected long-term impacts, whose analysis is more related to evaluation. The outputs, outcomes and expected impacts identified within the logical framework constitute the basic evaluation criteria for performance of the operation. The degree of complexity when evaluating the achievement of objectives varies according to their status and, in some cases, the status of their ultimate effects, may exceed the limits of a single performance audit. The approach of using a logical framework of objectives is summarized⁴ in the diagram below.

² ISSAI 100 Standard, paragraphs 22 and 26.

³ The report uses the expression "decentralization" to refer to the process which is generally called "deconcentration". The term "decentralization" is used for the sake of consistency with the terminology of the United Nations.

⁴ See Annex 1 – Detailed presentation of the methodological approach.

Figure 1: Approach using the logical framework for objectives

The outputs contribute to the outcomes, which themselves contribute to the achievement of the expected impacts. This process may also occur backwards, as an entity generally starts by defining strategic objectives before acquiring the means to attain them through operational objectives and immediate actions.



Source: External Auditor.

IV. LIST OF RECOMMENDATIONS

16. The recommendations are classified according to their priority level:

- **Priority 1**, fundamental issue, requiring immediate action by management.
- **Priority 2**, control issue to be dealt with by management in the short or medium-term.
- **Priority 3**, issue on which possible improvement of controls could be made and which is brought to the attention of management.

Field	Priority	Recommendations
Distribution of roles	2	Recommendation 1. 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.
Deployment of staff	2	Recommendation 2. 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.
Viability of country offices	2	Recommendation 3. 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.
Viability of country offices	1	Recommendation 4. 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.
Viability of country offices	2	Recommendation 5. 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.
Oversight duties	1	Recommendation 6. The External Auditor recommends specifying the nature, scope and limits of the oversight duties entrusted to the regional bureaux.
Oversight duties	2	Recommendation 7. 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.
Oversight duties	2	Recommendation 8. 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.
Management of partnerships	2	Recommendation 9. 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.

Field	Priority	Recommendations
Geographical scope	1	Recommendation 10. The External Auditor recommends studying the sustainability of the geographical scope of the regional bureaux, especially those of Dakar and Cairo.
Restructuring of Headquarters	1	Recommendation 11. 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.
Liaison offices	3	Recommendation 12. The External Auditor recommends reviewing the viability of small liaison offices, and their added value, in terms of efficiency and economy.
Internal control	1	Recommendation 13. 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.
Internal control	2	Recommendation 14. 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.
Internal control	1	Recommendation 15. The External Auditor recommends formalizing to a greater degree the procedure for the recognition, analysis and monitoring of losses at the local level.
Internal control	3	Recommendation 16. 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.
Project management	3	Recommendation 17. 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.

V. INTRODUCTION

17. The decentralization of WFP, which consists of placing decision-making power as close as possible to the place of implementation, is not a recent idea. This action principle was established by the management of WFP as a priority in 1992; affirming WFP's aim of being a field-based organization was perceived as a condition for its effectiveness. The main operational objective of decentralization was to reinforce the resources of the country offices – the level of action in most direct contact with beneficiaries – by granting them more areas of responsibility and broader decision-making powers, particularly regarding the use of resources, and by deploying more senior staff in the field.

18. Upon taking office on 5 April 2012, the Executive Director announced that she would launch a study to identify actions intended to make WFP more efficient and effective. This process, known as the WFP Fit for Purpose initiative (FfP), began with a review to determine the strengths of WFP and areas requiring improvement. Some of the conclusions of this review had already been drawn ten years earlier by the audits of the first wave of decentralization.⁵ WFP's centre of gravity was skewed towards Headquarters, the distribution of responsibilities lacked clarity, duplications were observed and the regional bureaux were weak. On 18 June 2012, on the basis of these observations, the Executive Director drew up a framework for action with seven pillars, one pillar of which entailed an overhaul of WFP's organizational design in order to bring it closer to the field.

19. This initiative was deemed sufficiently important to devote an entire audit to it and to inform the Executive Board of the results. The importance of decentralization cannot be reduced to merely the investments made; decentralization is inherent in the mission of WFP, which benefits from shorter decision-making circuits enabling it to respond to emergencies effectively and be perceived as a responsive interlocutor by donors. WFP is confronted with an ever-changing world, an increase in emergencies and fluctuating funding: between 2012 and 2016, emergency operations rose from 5 to 11⁶ and its budget increased from USD 3.5 billion to USD 5.4 billion. In principle, WFP should constantly review its structure and territorial organization in order to optimize them in light of current circumstances.

VI. OBSERVATIONS AND RECOMMENDATIONS

1. Objectives of the new organizational design

20. When the new organizational design was presented on 17 August 2012, within the framework of the FfP initiative, the Executive Director stressed the need to realign the structure with the strategic priorities of WFP. The stated goal of the new organizational design was to reframe and adjust the role of each entity to create synergies, eliminate duplication of responsibilities and locate decision-making power as close to beneficiaries as possible.

21. Figure 2 summarizes the objectives pursued by FfP in relation to decentralization.

⁵ External audit reports of 2002 (WFP/EB.3/2002/5-A/1/3) and 2007 (WFP/EB.2/2007/5-C/1).

⁶ Twelve in 2017.

Figure 2: Logical framework of the objectives of the new organizational design

Immediate objectives	Operational objectives	Strategic objectives
<ol style="list-style-type: none"> 1. Review viability of small country offices (COs). 2. Ensure a more substantial contribution of resources to build COs' capacity. 3. Explore other Headquarters entities' potential. 4. Review WFP's non-operational footprint (LOs). 5. Regional directors serving as members of the Executive Management Group. 6. Reconfiguration of two RBs. 	<ol style="list-style-type: none"> 1. COs empowered to perform the task they are responsible for ; they are WFP's centre of gravity. 2. Location of support services in COs (in RBs if needed). 3. RBs as front-line platform for managing, overseeing and supporting COs. 4. Strong corporate identity to counterbalance subsidiarity (everybody complies with core policies). 5. Lean Headquarters focused on corporate strategy and oversight. 6. Clear communication between Headquarters and field offices. 7. Clear single line of accountability and points of reference for RBs, COs and LOs. 8. Strengthened functional networks and consolidated functional expertise. 9. LOs as components to achieve higher quality of engagement than with Headquarters only and to save costs. 	<ol style="list-style-type: none"> 1. Beneficiaries are the focus of all WFP's work: Field Presence. 2. Subsidiarity with decision-making authority closer to beneficiaries. 3. Maximized relationships with cooperating partners. 4. Avoid overlaps and duplications. 5. Create synergies among HQ-LO-RB-CO. 6. Build a fit-for-purpose organization. 7. Align design with strategic priorities. 8. Cost-effectiveness. 9. Deliver WFP's mandate effectively.
Outputs	Outcomes	Impacts

Source: External Auditor, based on the new organizational design.

22. These objectives can be grouped into three principles:

- shifting resources to the field;
- specialization of organizational entities; and
- rationalization of the WFP network.

1.1. Shifting resources to the field

23. The new organizational design established that a more substantial share of the Programme Support and Administrative (PSA) budget would be allocated to the field offices, particularly the country offices (COs). The same applied to human resources, with priority being given to deployment of the staff required in the field, in terms of both numbers and skills.

24. The provision of more financial and human resources should increase the field offices' capacity for action, with the priority being the country offices.

1.2. Organizational entities

25. The FfP programme aimed to enable WFP to best meet the needs of beneficiaries through a decentralized structure of empowered country offices and a global Headquarters focused on the field.⁷ Therefore, the roles of the various components of the global Headquarters (Headquarters in Rome, liaison offices and regional bureaux) had to be redefined to make them serve the COs, understood as being the centre of gravity of the organization. This redefinition of roles would also reduce functional overlap and duplication caused by insufficient specialization.

⁷ WFP Fit for Purpose New Organizational Design (August 2012).

1.2.1. *Distribution of powers*

26. The distribution of powers between action levels provided for in the new organizational design can be summarized as follows.

Table 1: Principles of the distribution of powers

Headquarters	Development and coordination of policies; modification and approval of projects and programmes; coordination and oversight of management; budget and financial statements; supply of centralized services.
Liaison offices	Mobilization of resources; dialogue with donors.
Regional bureaux	Contribution to the definition of WFP policies; coordination, oversight and support of country offices; representation of WFP in countries with no permanent offices.
Country offices	Implementation of projects and programmes in the country (design, monitoring, reporting); establishment and development of partnerships at the local level.

Source: External Auditor based on FfP.

27. Although management plans precisely describe the roles of the regional bureaux and country offices, WFP does not have a comprehensive document detailing the general distribution of powers among the central, regional and local levels that is easily accessible to staff and members of the Executive Board. Similarly, the duties of the departments and divisions at Headquarters are defined only by the generic job profiles of their directors. The organization charts of the units making up the Headquarters divisions are not all posted online or centralized. The number of country offices and countries covered by WFP indicated on the internet differs depending on the sources, and the concept of "countries covered", different to that of country offices, also varies.

28. Greater transparency in the presentation of the organization's structure would only benefit its governance, especially given that WFP is engaged in an ongoing process of reorganization and turnover is high among Members of the Executive Board. There is a pressing need for information that is easy to access, exhaustive and updated in real time.

Recommendation 1. 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.

1.2.2. *Strengthened country offices*

29. WFP has made its presence in the field the top priority: Fit for Purpose was thus intended to greatly increase the country offices' capacity for action, in particular with suitable delegations of authority based on the principle of subsidiarity. A study of the viability of the smaller offices, which are sometimes overwhelmed by the responsibilities entrusted to them, was also planned.

1.2.3. *Regional bureaux, front-line support*

30. The WFP action framework of June 2012 states that the main purpose of the RBs is their coordination, oversight and support of the country offices. However, the Regional Bureau Gap Analysis carried out in 2013 revealed that these entities did not have all the capacity and resources required to fulfil this role.

31. The change in WFP's action context, with an unprecedented number of prolonged emergency operations, also required the reorganization of certain RBs and, more generally, a reflection on their optimal configuration.

1.2.4. A lean Headquarters

32. The logic of the new organizational design involved Headquarters being streamlined and refocused on strategy, policies, innovation, performance monitoring and overall oversight.⁸ Consequently, the FfP entailed decreasing the number of executive positions and keeping in Rome only those positions which, by their nature, require a high degree of centralization. Headquarters was charged with providing corporate services only.

1.2.5. Liaison offices in contact with partners

33. The new organizational design presented the liaison offices (LOs) as assets for maximizing the involvement of WFP's partners thanks to their presence close to major donors and representation in inter-agency and inter-government fora. Another announced objective of the LOs was to minimize costs by reducing travel expenses or by avoiding duplications with Headquarters in Rome.

34. To optimize the presence of WFP in countries with no operations, in line with the objectives associated with LOs, the new organizational design provided for a review of their configuration.

1.3. Rationalization of the network

35. Consolidation and – to a certain extent – empowerment of COs must be counterbalanced by measures to ensure the cohesion of the organization. Thus, it is imperative to communicate a corporate identity that ensures that WFP as a whole conforms to the same general policies. This compliance with basic rules must be combined with an efficient internal control system.

36. The move towards decentralization also involves simplifying interactions between the various entities. Therefore, the designers of FfP planned to clarify reporting lines, designate specific focal points for COs, RBs and LOs, and standardize the responsibility and accountability mechanism for all units.

2. Transfer of resources

2.1. Transferring resources to the regional bureaux

37. Between 2012 and 2016, the weight of Headquarters in the PSA budget decreased by 13.5 points. The amount allocated to Headquarters rose by USD 5.7 million, a moderate increase of 3.53 percent, whereas the total WFP budget increased by 38.48 percent and the PSA budget by 17.58 percent over the same period. The allocation to the WFP offices (formerly LOs) rose by USD 2.2 million over four years, with its proportion of the PSA budget remaining stable.

⁸ "Headquarters in Rome will be smaller and more heavily geared towards policy and support tasks that can only be done cost-effectively in a Headquarters location (presentation by the Executive Director on the WFP Fit for Purpose New Organizational Design on 17 August 2012).

38. While this budgetary trend clearly benefits entities in the field, to date it has primarily favoured the RBs. The share of the PSA budget allocated to the RBs significantly increased between 2012 and 2016, receiving an additional USD 24.3 million. Over the same period, the COs benefited from a more measured budget increase of USD 11.2 million. The share of the regional bureaux in the PSA budget increased by 5.9 points, while that of the country offices rose by 1.9 points.

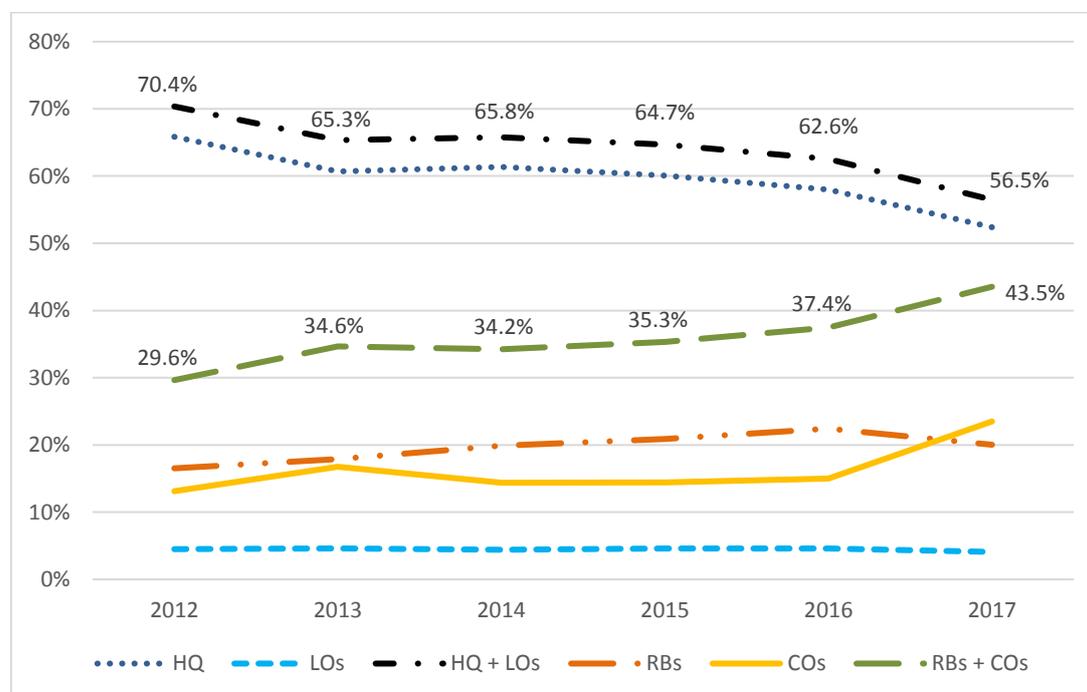
39. The figures for 2017 presented in the last management plan⁹ confirm the weight of the field in the PSA budget but predict a reversal of the trend between RBs and COs, in favour of the latter.

Table 2: PSA budget allocated to the various levels (in millions of USD)

	2012	2013	2014	2015	2016	Change between 2012 and 2016 (amounts)
Headquarters	162.6	150.2	172.9	168.6	168.3	5.74
Programme support – Headquarters	70.3	54.4	55.4	51.9	47.8	-22.5
Management and administration – Headquarters	92.3	95.8	117.5	116.7	120.5	28.24
Liaison offices	11.1	11.4	12.4	12.9	13.3	2.16
Regional bureaux	40.8	44.3	56.0	58.6	65.1	24.3
Country offices	32.4	41.4	40.5	40.5	43.6	11.2
Regional bureaux and country offices	73.2	85.7	96.5	99.1	108.7	35.5

Source: External Auditor – Figures from the Management Plans from 2012 to 2016 (estimates for 2016).

Figure 3: Distribution of the PSA budget (as a percent of the total PSA budget)



Source: External Auditor – Figures from the Management Plans from 2012 to 2017 (2016 estimates, 2017 forecasts).

⁹ WFP/EB.2/2016/5-A/1/Rev.2.

2.2. Staff mapping with no major changes

2.2.1 *Allocation of human resources*

40. Between 2012 and 2016, in a context of significantly increased operational needs, the total number of employees rose by 13 percent, although the distribution of employees among Headquarters, regional bureaux and country offices remained fairly stable, at around 10 percent, 4 percent and 83 percent, respectively. However, Headquarters saw more marked growth in its headcount; the increase in the number of employees based in Rome is greater than among employees in the field.

Table 3: Location of employees, 2012–2016

	2012	2016	Variation between 2012 and 2016	Share in 2012	Share in 2016
Headquarters and liaison offices	1 403	1 820	30 percent	10.1 percent	11.6 percent
Special statuses	90	74	-1.2 percent	0.7 percent	0.4 percent
Country offices	11 442	13 043	14 percent	82.9 percent	83.5 percent
Regional bureaux	581	688	18 percent	4.2 percent	4.5 percent
Sudan regional bureau	292	-	-	2.1 percent	-
Total	13 808	15 625	13 percent	100 percent	100 percent

Source: Data provided by WFP.

Note: In order not to distort the comparison, the Sudan regional bureau, which was closed in 2016, has been handled separately from the other RBs. The “special statuses” category refers to *employees on unpaid leave or seconded to other entities*. Brindisi is included with the country offices.

41. On the whole, the redirection of resources between Headquarters and regional bureaux has been very limited.

42. The 2013 Regional Bureaux Gap Analysis showed that the estimated requirements of the RBs totalled USD 18 million, 60 percent of which related to staff costs (a shortfall of 70 jobs). Overall, for the period, WFP created 76 positions in the regional bureaux, financed from the PSA budget.¹⁰

43. With regard to the country offices, the number of employees increased moderately over the past four years, and their share of the total headcount has remained almost the same. However, the comparative analysis of the distribution of personnel between 2012 and 2016 reveals that WFP has successfully adapted its configuration to its priorities: the number of employees increased by 45 percent in the Middle East, North Africa, Eastern Europe and Central Asia Region, and decreased by 40 percent in Asia (-802 employees), reflecting changes in the food situations in those regions.

2.2.2 *Suitability of staff deployed*

44. In addition to the number of employees, there arises the question of the quality of the staff in each entity, especially how well their skills match the requirements of the field.

¹⁰ Innovation and Change Management Division.

45. The survey¹¹ carried out by the external audit team confirms the satisfaction of the field offices regarding the support given to staff in the framework of the decentralization process: more than 60 percent of managers think that their staff members have been adequately trained for their responsibilities.

46. However, a majority of country offices still cited difficulties finding local staff with the required specialized skills. Moreover, international recruitment timeframes make it difficult to hire suitably qualified people in a timely manner. Some of the field audits¹² highlighted this recurring phenomenon of vacancies in senior management positions.

47. For regional bureaux, FfP aimed to improve their capacity to provide country offices with the support they need, especially given the increase in emergency operations and the ever-greater complexity of missions. However, regional bureaux can encounter difficulties in absorbing the new human resources assigned to them. This can give rise to a risk of overloading the reporting lines attached to the Regional Director and the Deputy Regional Director. In one of the RBs visited,¹³ the director was responsible for directly supervising 17 staff members. This suggests that the transfer of resources to the regional bureaux without a review of their purview cannot be extended indefinitely.

Recommendation 2. 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.

3. Strengthening the country offices

3.1. Updating delegations of authority

48. Responsibility is defined by WFP¹⁴ as the scope of obligations entrusted to an entity¹⁵; authority is the decision-making power granted to that entity in order to successfully fulfil its responsibilities.¹⁶ The purpose of WFP means that the country offices have significant responsibilities; thus, suitable delegations of authority (DoAs) are essential to enable them to carry out their missions.

49. In response to the diagnoses performed,¹⁷ FfP sought to clarify and rationalize the existing DoAs to ensure that everyone is aware of his or her responsibilities and the resources available to fulfil them. Thus, an update of the delegations linked to the new organizational design was carried out, a common approach for the drafting of manuals, directives and DoAs was established in 2015,¹⁸ and the methodology for designing DoAs was harmonized thanks to the purchase of the ProVision v9 software. The updated procedures have now been published in the e-guide, which collates documentation on WFP processes.

¹¹ See Annex 3 – Conclusions of the survey.

¹² Management Letter on the WFP country office in Pakistan.

¹³ Regional Bureau in Bangkok.

¹⁴ Financial Resource Management Manual, Section 5 – Responsibilities and Authorities.

¹⁵ “The obligation to accomplish the goals related to a position and the organization”.

¹⁶ “A discretionary decision-making power granted to a position in order to [...] successfully carry out his or her responsibilities. It can be inherent to a particular position by its terms of reference or formally delegated.”

¹⁷ LEG interim report in February 2012 and final report in April 2013. HR-related DoAs were excluded from this review as the HRM Division had brought up to date the list of HR-related DoAs in 2011.

¹⁸ ED Circular (Management Services Division) No. OED2015/011 dated 28 April 2015, which supersedes old circulars (ED2001/006 – ED99/002 – ED98/008).

50. The implementation of FfP was not limited to a simplification of existing procedures; it also gave rise to an extension of DoAs to country offices. This concerned several key fields¹⁹: food procurement, goods and services procurement, country-specific trust funds and cash-based transfers.

51. The main parties concerned by this update of the delegations of authority – the country offices – have expressed an overall positive opinion regarding the current DoAs. Indeed, according to the survey conducted by the External Auditor,²⁰ two thirds of COs do not consider it necessary to further extend the delegations of authority granted by Headquarters. The opposite question, about the appropriateness of reversing DoAs towards higher levels, received a near-unanimous negative response (95 percent).

3.2. Structural reforms not directly linked to Fit for Purpose

52. Certain investments authorized independently of the FfP initiative contributed to strengthening the COs by providing tools to facilitate the implementation of programmes in the field. These include: the new Logistics Execution Support System, which gives WFP an overview of its food stocks in real time; the deployment in the country offices of a new tool for programme management, coordination and monitoring (COMET²¹) in 2015–2016; the evaluation policy that opens the way towards the implementation of decentralized evaluations in the field offices to strengthen accountability and feedback; and the Fill the Nutrient Gap and Cost of Diet tools, developed by the new Nutrition Division²² in collaboration with WFP partners, which can be adapted to the specific circumstances of the countries in which they are used. The resulting analyses facilitate the integration of nutrition priorities into the country strategic plans (CSPs).

3.3. The programme approval process

53. The country offices are responsible for programme design, implementation, monitoring and reporting; therefore, they must be given room for manoeuvre, support and appropriate tools to perform these tasks.

54. Although the importance of the role of Headquarters has not been disputed, the new organizational design sought to increase the influence of the local level in the programme approval process. This resulted in a simplification of the programme review process (PRP), which applies to all proposals exceeding the authority of regional directors or country directors. Since 2014, the PRP²³ has been based on two pillars: a strategic programme review process (s-PRP) requiring the meeting of a committee chaired by the Chief of Staff,²⁴ and an electronic programme review process (e-PRP) comparable to a technical examination of the project documentation. Since 2015,²⁵ programmes developed within the framework of an approved country strategy do not require an s-PRP. They are then only subject to an e-PRP, a process that takes no longer than five working days. However, this streamlined procedure does not apply to emergency operations (EMOPs), which require an e-PRP carried out by the regional director, followed by an s-PRP review. This streamlined arrangement also gives

¹⁹ See Annex 2 – Delegations of authority.

²⁰ See Annex 3 – Conclusions of the survey.

²¹ WFP's country office tool for managing effectively.

²² The funding allocated to nutrition within the framework of FfP partly contributed to its creation in 2015.

²³ Operations Management Directive dated 11 June 2014 – OM2014/002 – which supersedes OM 2009/001; now superseded by OED 2015/004.

²⁴ OED 2015/004 Circular dated 12 February 2015.

²⁵ OED 2015/004 Circular dated 12 February 2015.

regional directors and the Executive Director the option of participating in the procedure, particularly to convene an s-PRP review.

55. While it does facilitate and speed up the programme approval process for country directors, the revised PRP constitutes more of a simplification than a further delegation of authority.²⁶ It should, however, be noted that section 5 of the Financial Resource Management Manual (FRMM), which defines authority thresholds for programme approval, has not changed since 2012 and is currently being updated. **Thus, while it is too early to reach a conclusion about further delegation to country offices in matters of programme approval, the exercise of the authority that the countries already possessed can be said to have been facilitated by the PRP simplification conducted in tandem with the FfP initiative.**

4. Viability of country offices

56. WFP is present in countries with varied profiles, from extremely low-income states to upper-middle-income countries (UMICs). Its anchoring also follows various models: the “standard” WFP establishment is a country office headed by a country director or, failing that, an “Officer in Charge” who manages assistance or emergency operations, but there are also COs that only carry out development operations, COs with no operations, operational presences without COs, crisis management offices, and COs with reduced operations and staff.

57. The size of the 84 country offices is also extremely variable. Although these variations are justified by the diversity of the activities carried on in each country, the functioning of the smallest COs can be severely hampered by a lack of resources. This risk was confirmed by the significant decrease in the PSA budget allocated to very small country offices in 2013, with the allocation key for PSA funds being modified in 2014 to mitigate the insufficiencies. Consequently, small and very small country offices accounted for 36 percent of the costs financed by the PSA budget in 2016 (USD 14.8 million out of USD 41 million), whereas they constituted only 29 percent (25 out of 84 offices) of the number of COs.

58. Thus, it appears that WFP must fund the smallest offices to a degree greater than their actual weight in order to ensure their viability, whereas the running of other offices can rely more on income specifically related to their activities.

Table 4: Average PSA budget by category of COs (2012–2016) (in thousands of USD)

	Very small	Small	Medium	Large	Very large	Average
2012	630.8	600.0	510.0	333.3		518.5
2013	438.5	725.0	470.0	350.0		495.9
2014	500.0	654.5	527.8	336.4	358.3	475.4
2015	487.5	610.5	604.5	430.0	355.6	497.6
2016	563.6	614.3	612.5	369.2	352.6	502.4

Source: External Auditor – Data extracted from WFP Management Plans (from 2012 to 2018) or provided by the WFP Secretariat.

²⁶ See Annex 2: Delegations of authority.

59. A number of reviews of country presence took place, most recently in 2006 and 2010. A possible lack of presence or the possibility of stopping activities in several countries had been highlighted, but no major changes followed those two last reviews.

60. In 2014, FfP decided to refocus on the need to rationalize WFP's "country footprint" by setting up the Country Office Presence and Operating Model Review (COPrOM). This had two main objectives:

- develop a defined and replicable framework, with guidance, to enable senior leadership to assess current and future country office presence and associated operating models; and
- determine how WFP's country presence might change, make recommendations for decisions, and consider how this presence could be funded.

61. In the framework of this review, countries where WFP operates were examined according to several criteria: gross national income, level of need of the country,²⁷ level of WFP activity and funding problems.

62. The review targeted 16 countries²⁸ with varied profiles, which were subsequently subject to a closer examination in terms of national context, strategic orientation, structure and funding of the office. The findings confirm the existence of two main categories of country where the presence of WFP could raise questions:

- upper-middle-income countries (UMICs), where WFP acts mainly in support of the host government, to which it provides specialized skills or technical capabilities. Some donors are reluctant for PSA budgets – indirectly funded from their contributions – to fund a permanent office dedicated to development projects;
- small country offices in countries where the need is urgent, but the uncertainty of the funding and its fluctuation might compromise their sustainability.

Table 5: Countries targeted by COPrOM

	Lower needs	Higher needs
Upper-middle-income countries	Cuba, Dominican Republic, Panama, Peru, Tunisia	Angola, Namibia
Lower-middle-income countries	Cape Verde, Sao Tome and Principe	Paraguay (potential new presence), Swaziland
Low-income countries		Benin, Comoros (potential new presence), Eritrea, Guinea, Togo

Source: Data provided by WFP.

²⁷ The level of need of the country was measured using the GHI (Global Hunger Index) and the number of refugees and IDPs (internally displaced persons). Gross National Income (GNI) per capita is used to evaluate government capacity.

²⁸ India and the Islamic Republic of Iran, although targeted for the small size of their offices and fragile funding, were excluded from the review by the Executive Director, who had visited them in 2013; similarly, Timor-Leste was excluded because of the conclusion of an agreement for a development project to transfer the management of operations to the government.

63. The general recommendations of COPrOM targeted UMICs, with only one exception, and advocated that their eligibility for un-earmarked multilateral funding be suspended²⁹ and that the PSA budget should no longer fund international positions other than the country director (or the officer in charge). COPrOM also advised that all projects proposed by country offices in UMICs should be subject to the two pillars of the programme review process and that the PSA budget savings be placed in a fund dedicated to exit strategies. There were specific conclusions that recommended closing the country office if the host government refused to increase its financial support for WFP.

64. The only general recommendation, which did not relate to MICs, proposed to launch a strategic review of small country offices with high funding shortfalls located in low-income countries with high needs in order to reduce their dependence on the PSA budget.

65. The decisions made as a result of the review were included in a memo from the Executive Director dated 18 July 2014, and reviewed in 2015.³⁰ Yet monitoring of the recommendations was suspended by management pending the deployment of the CSPs: the rationalization of WFP's field presence was postponed *sine die* in the hope that the detailed planning of the activities and funding of each CO would facilitate the evaluation of their viability. However, CSPs do not replace the establishment of a framework for the evaluation of WFP's country presence; this fragmented approach is unlikely to answer all the questions inherent in the establishment of COs. In addition, external considerations, for example, using a strategically well-located CO as a platform for operating in other countries,³¹ are likely to be insufficiently taken into account in CSPs.

66. WFP did not complete the process commenced with COPrOM; the aim of placing beneficiaries at the centre requires an evaluation of priorities in the field and of the means available to meet them. Thus, it would have been extremely useful to define clear criteria for the evaluation of WFP's country presence and for maintaining offices.

67. Considering the doubt surrounding the viability of the smaller COs, it seems necessary to undertake a WFP-wide reflection on strengthening COs in terms of their impact on beneficiaries, particularly to strike a balance between proximity to the target population and consolidation of COs of a significant size through a concentration of resources, even if this means transferring activities from smaller offices. Mergers of small offices in neighbouring countries facing funding shortages could also be considered.

68. The current configuration of emergencies, increased competition for contributions, and the doubts of some members regarding the allocation of funds for development projects should prompt WFP to make a global negotiation effort so that UMICs contribute to the operating costs of offices located in their countries (government cash counterpart contributions³²), or fund the transformation of indirect support costs into direct support costs supported by country-specific trust funds. In the event of refusal on the part of the host government, the closing of the office should be seriously considered.

²⁹ Except for EMOPs or PRROs, or in the case of an exit strategy.

³⁰ Decision Memo from the Deputy Executive Director approved by the Executive Director dated 11 May 2015.

³¹ For example, the political stability and logistical conditions in the Dominican Republic make it a desirable deployment base for emergencies in Haiti; the officer in charge in Tunisia plays a key role in the coordination of several school feeding programmes in the region, and also supervises the development projects in Morocco; Benin is a corridor guaranteeing access to the countries of the Sahel.

³² Financial Regulation 4.7; "Governments of recipient countries are expected to contribute a substantial portion of the costs of WFP country offices, in kind and in cash. The extent of this contribution shall be set out in an agreement between WFP and the government concerned."

69. Exit strategies, which are still rare, should be encouraged in upper-middle-income countries with lower needs. Directives and tools are essential to support such transitions, but currently seem insufficient, and existing documentation is generally out of date. The capacity of RBs to support the transfer of responsibilities from the CO to the host government, and then monitor the situation in the country in the subsequent years, should be reinforced.

Recommendation 3. 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.

Recommendation 4. 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.

Recommendation 5. 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.

5. Regional bureaux and oversight

5.1. The concept of support and oversight

70. The responsibilities related to the oversight of and support for country offices are assigned by WFP to the RBs, as stated in the job profiles of regional directors.

71. The support function, which consists of directing and helping country offices in their operational and administrative activities, is not mentioned explicitly in these job profiles, although several of their duties are directly related to this function.³³

72. On the other hand, the job profile of regional directors assigns them the duty of oversight: "Hold accountability for effective implementation of evaluation, audit and compliance recommendations and maintain an oversight role throughout the region". According to the theory of the three lines of defence,³⁴ regional bureaux constitute, along with Headquarters, the second line of defence by supervising the management of risks and the compliance of the activities of the country offices.³⁵

³³ "Contribute to the development of WFP corporate strategies and policies ensuring that operational realities and field views inform HQ planning" (KR1); "Provide effective leadership to the region to ensure the continued development of cohesive and high performing teams, and hold accountability for ensuring the effective management of all WFP operations within the region" (KR3).

³⁴ Committee of Sponsoring Organizations of the Treadway Commission.

³⁵ Internal Control Framework (ED Circular OED 2015/016 dated 17 September 2015, paragraph 23).

73. The oversight function encompasses the various control activities aimed at “providing assurance on the effectiveness of managerial control and accountability”.³⁶ The concept of oversight can thus embrace many contrasting activities, either with or without an obligatory and formal scope, ranging from the control of compliance by a higher authority to technical support requested by the teams and including the audit governed by professional standards. Moreover, the discussions with the heads of unit of the regional bureaux visited³⁷ revealed that the concept of oversight is not understood by all staff in the same way. In some cases, no distinction is made between control visits and support visits; practices differ between certain units where oversight is informal (partnerships) and others where it is very structured (finance, security, etc.).

74. In conclusion, although responsibility for the oversight of country offices is clearly assigned to the regional bureaux, the nature of this mission is specified neither in the FfP action plan, nor in the job profiles, nor in the Financial Resource Management Manual (FRMM), which does, however, underline the varied nature of oversight.³⁸ Given that regional directors must juggle numerous responsibilities and that the implementation of the Integrated Road Map will increase the support expected by the country offices, WFP should consider defining the nature and conditions of oversight in general directives.

Recommendation 6. The External Auditor recommends specifying the nature, scope and limits of the oversight duties entrusted to the regional bureaux.

5.2. Effectiveness of oversight

75. Until recently, oversight of field offices was highly fragmented as mission planning was partitioned within each sector, preventing any overall monitoring. Some good practices, such as the development of joint missions and the oversight missions and recommendations tracking sheet, are being implemented in the regional bureaux to remedy the fragmented nature of oversight.

76. However, the oversight tools are still marred by shortcomings: although corporate guidelines and standardized checklists are in place in many areas, some (programmes, partnerships, etc.) do not have a formal approach to controlling compliance. The verifications undertaken by the heads of unit of the RBs do not always translate into formal reports and recommendations with a clearly defined follow-up. The nature of oversight varies depending on the regional bureaux, the methods implemented by managers, the practices of the units and the understanding of the staff. Under these conditions, the assurance statements and letters of representation signed by the country directors, which are reviewed and validated each year by the regional directors and submitted to the Executive Director, cannot be fully homogenous.

³⁶ Chapter 4.2 of the FRMM: “oversight is defined as a variety of different types of supervisory, regulatory or compliance activities carried out by entities external to, or otherwise independent of those responsible for implementing the organizational goals whose purpose is to provide assurance to the Executive Board, the Executive Director and other stakeholders on the effectiveness of managerial control and accountability”.

³⁷ Bangkok and Dakar.

³⁸ Chapter 4.2 of the FRMM: “Oversight is a generic expression that is defined variously as overseeing the performance or operation of a person or group; as watchful and responsible care or as regulatory supervision; the term could therefore be used to embrace any form of supervision”.

77. Without adequate tools, the effectiveness of regional directors' oversight actions is reduced; this, in turn, impacts the effectiveness of the internal control system of the entire organization. In order for the pyramid of internal control statements to work and confer high value on the Executive Director's Annual Statement on Internal Control, the organization needs to have reasonable assurance that the statements issued by the country offices are objective and are verified according to standards common to all regional bureaux.

78. The success of the oversight function cannot be detached from its context. In 2017, a major concern of the regional bureaux will be the implementation of the first CSPs and the Integrated Road Map. The RBs will have to combine these activities with control of compliance, which has become more onerous due to the emphasis placed on oversight by FfP and the increase in cash-based transfers. Given that they will also have to manage ongoing emergencies, RBs will have to limit the number of compliance control missions carried out. It would be beneficial for Headquarters to give them strategic guidance on priority areas to be addressed in oversight missions.

Recommendation 7. 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.

Recommendation 8. 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.

5.3. Transfer of responsibilities from Headquarters

79. FfP aimed to establish closer liaison with the country offices to ensure the application in the field of the strategic orientations decided at Headquarters, an idea embodied in the concept of "Global Headquarters".³⁹ Thus, deployment of the new organizational design was accompanied by a transfer of responsibilities from Headquarters to the regional bureaux in relevant domains:

- programme approval: the regional bureaux have been tasked with checking and controlling the quality of country strategies, concept notes and project documentation;
- emergency preparedness and response: since the introduction of the 2015 WFP Emergency Response Activation Protocol, regional directors are systematically in charge of corporate emergency responses;
- human resources: regional directors' authority has been extended to reducing the duration of *breaks in service* and recruiting new consultants to WFP,⁴⁰ with the effect of reducing formalities for COs.

80. The adjustment of the regulatory framework favouring the support and oversight roles of RBs targeted key areas, and, on the whole, the country offices seem satisfied with the support they receive. In the survey carried out by the external audit team,⁴¹ COs expressed a satisfaction rate of 90 percent, divided equally between medium and high. Emergency preparedness, performance reporting, information technology systems and human resources stand out from the average with highly positive overall assessments.

³⁹ Both the regional bureaux and the liaison offices are integrated into the Global Headquarters.

⁴⁰ Executive Director Circular OED2014/013 dated 4 August 2014.

⁴¹ See Annex 3 – Conclusions of the survey.

81. However, certain functions were largely unaffected, or insufficiently affected, by the organizational restructuring. This is the case of partnerships, the third pillar of FfP: the support provided by RBs was described as “fundamental to enhancing partnerships”⁴² and the WFP Corporate Partnership Strategy 2014–2017 (CPS) stressed the importance of local actors. The repercussions of this are, however, difficult to assess:

- Although the actual number of partnerships with local non-governmental organizations, tailored by each CO, increased between 2014 and 2016 (from 877 to 972), the weight of local partnerships in the total volume of agreements remained fairly stable, falling just slightly (44 percent in 2016 compared with 45 percent in 2014). Moreover, the data available do not explicitly differentiate between transactional partnerships, solely for the provision of certain services, and strategic partnerships. Consequently, it is difficult to state whether the emphasis placed by the CPS on country offices has resulted in a greater proportion of partnerships being concluded at the local level.
- Created within the framework of the CPS, the Partnership Resource Centre offers country offices a series of guides⁴³ to facilitate the design and implementation of strategic partnerships at their level. It also assists them via on-site training courses and provides advice on request. However, as revealed by the Fit for Purpose review published in February 2017,⁴⁴ many actors in the field have not been able to access the documents developed to help them secure fruitful partnerships. This observation was mentioned in the provisional CPS evaluation report,⁴⁵ which highlights the need to increase the support provided to COs.

82. This is also reflected in our survey by the perception of COs of the support provided to them for partnership management, which is more negative than the average: 26 percent are slightly satisfied and only a quarter are completely satisfied, compared with an average of 45 percent for the other functions. Considering the priority placed by WFP on partnerships, this deficiency needs to be addressed by the management; the proposal made during an internal audit to perform a tool set review⁴⁶ should be considered as a priority.

Recommendation No. 9. 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.

5.4. Geographical scope of the regional bureaux

83. While some RBs supervise and support between 9 and 12 country offices (COs), others are responsible for 17 or 19 offices.⁴⁷ In regions where communications can be patchy and travel difficult, there is great pressure on the capacity of the larger RBs, as is the case of the Dakar and Cairo bureaux.

⁴² ED’s presentation of WFP’s New Organizational Design dated 17 August 2012.

⁴³ Now accessible via WFPgo (Partnership Topic Pages).

⁴⁴ Review of Fit for Purpose implementation, February 2017.

⁴⁵ The final report will be presented to the Board in June 2017.

⁴⁶ Review and where necessary update and augment the tool set available for RBs to deliver on their second line oversight mandate. Where necessary, define or clarify ownership of oversight tools at Headquarters level (source: Internal Auditor’s Comparative Review of the Oversight Functions of Regional Bureaux, Advisory Assurance AA-16-003).

⁴⁷ See Annex 4: Field offices (excluding liaison offices) at the end of February 2017.

84. The risk of overburdening is greatly increased by the rise in L2 and L3 emergencies. At the launch of FfP, WFP's emergency management capacity was two major emergencies and one rapid-onset emergency. Although the new organizational design has made it possible to increase this response capacity, the current emergency configuration (six L2 and six L3 emergencies) exerts considerable pressure on the support capacities of the RBs. Added the complexity of managing these operations, it has become difficult to devote time and resources to the smaller COs or those not dealing with emergencies.

85. Within the framework of FfP, the deputy regional directors carried out a gap analysis to identify their funding and functioning difficulties, but the review did not include a reconsideration of the scope of the RBs. The question of the balance of the offices in their configuration prior to the deployment of FfP was raised by one of the regional directors and it led to an updated distribution of the countries covered by two RBs. However, this was more of an *ad hoc* evaluation than a methodical review, as no overall reproducible and transposable criteria were defined to systematically evaluate the scope, missions and means of RBs taking into consideration the context, which is changing significantly and quickly.

86. The lack of a framework to evaluate the scope of RBs and the saturation of their capacities reveal a need to review the current configuration of the network at the regional level; transferring responsibilities from Headquarters to RBs and deploying more staff to RBs only strengthens the support provided to COs if the scope of the regional bureaux is appropriate.

Recommendation 10. The External Auditor recommends studying the sustainability of the geographical scope of the regional bureaux, especially those of Dakar and Cairo.

6. A lean, field-oriented Headquarters

6.1. Restructuring of Headquarters

87. The pre-FfP diagnosis identified the growing importance of Headquarters: over time, important decisions had been centralized in Rome and some functions had been repatriated there, contrary to WFP's wish to shift the balance to the field. The new organizational design modified the structure of Headquarters to make it more field-oriented, notably with the creation of the Operations Services Department in February 2013, and the measure bringing the six regional bureaux under the direct supervision of the Executive Director in January 2015.

88. However, the number of functions based in Rome has not changed significantly and, even though some responsibility has been transferred to the regional bureaux, Headquarters still has significant responsibilities.

89. The reduction of the capacity of Headquarters undoubtedly has its limits. Given that maintaining strong unity of action is a core priority of WFP, and taking into account the high exposure to the risks of certain functions like procurement or cash-based transfers confirmed in recent proactive integrity reviews (PIRs) performed by the Office of the Inspector General,⁴⁸ WFP needs a Headquarters with a robust command capability.

⁴⁸ Notably: Proactive Integrated Reviews 001/16 and 005/16.

90. We consider that WFP should suspend the transfer of capacities to the field until an assessment of the existence of systemic risks in the operational functions has been carried out. This review cannot be performed until the action plan launched in 2017 to mitigate the risks identified by the PIRs has been fully implemented. Although none of the weaknesses identified by the PIRs are directly linked to the delegations of authority to the field, in the case of cash-based transfers it seems that the field offices may lack the necessary resources or maturity to guarantee full control of these activities. Therefore, any further transfers of responsibility and authority to the field offices should be made subject to the assurance that they have fully mastered the responsibilities and authority already entrusted to them. With regard to procurement, it is important to rectify the problems identified at Headquarters in order to clarify this function and strengthen the internal controls before expanding the capacity of the field in this area.

Recommendation 11. 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.

6.2. An increase and significant reorganization of staff

91. The important role of Headquarters is corroborated by its weight in terms of staff numbers, given that its share of total employees increased from 9 percent to 11 percent between 2012 and 2016. This increase is largely attributable to non-staff employees, whose number more than doubled in the space of four years, resulting in 45 percent of personnel being based in Rome in 2016, compared with 28 percent in 2012.

Table 6: Change in staff composition between 2012 and 2016

	2012	2016	Variation between 2012 and 2016	Proportion in 2012	Proportion in 2016
Overall total					
All employees	13 808	15 625	13 percent	100 percent	100 percent
Non-staff	8 694	9 459	9 percent	63 percent	61 percent
Rome Headquarters					
All employees	1 296	1 686	30 percent	9 percent	11 percent
Non-staff	360	757	110 percent	28 percent	45 percent

Source: External Auditor, figures provided by WFP.

Note: The Brindisi office is not included in Headquarters.

92. This evolution of the staff has changed how Headquarters operates, and raises some questions.⁴⁹ Indeed, non-staff employment is normally used for temporary functions. The use of non-staff personnel constitutes a crucial adjustment variable that gives WFP flexibility in meeting its operational needs, especially in a context of increasing emergencies. However, the extensive use of non-staff personnel at Headquarters is less justifiable: its headcount should only vary a little with emergencies, since the aim of the new organizational design is to place field activities under the authority of COs and the corresponding support under the responsibility of RBs. The use of short-term contracts also poses a continuity problem, which is incompatible with the wish to refocus Headquarters on strategy, innovation and corporate services, that is, long-term activities. The increase in non-staff employment at Headquarters thus is contrary to the stated objectives of FfP and is likely to result in a loss of both effectiveness and added value.

6.3. The Cost Excellence Initiative

93. Established within the framework of FfP, the Cost Excellence Initiative included a service centre feasibility review addressing some of the administrative procedures performed by the various WFP entities in areas such as human resources, information technology, management services and finance. Although the feasibility review concluded that improving processes at Headquarters would generate greater savings than bringing them together in a service centre, this initiative reveals Headquarters' desire to free up additional time and funds to enable the country offices to focus on their operational activities.

7. Optimization of liaison offices

7.1. Justification of the presence of WFP in countries where no operations are carried out

94. A liaison office presence review was carried out to determine whether LOs should be opened and maintained in a given location.⁵⁰ That review led to the definition of new terms of reference (ToR) for the liaison offices, which became "WFP offices".⁵¹ Evaluation criteria⁵² were defined for host countries in order to assess whether or not the presence of a liaison office should be reconsidered.

95. Two stand-alone criteria, sufficient in themselves to merit the status of liaison office, were highlighted:

- the host country is a critical global hub for international organizations and media; and
- the host country is a large WFP donor (annual contributions in excess of USD 100 million) with complex funding sources, requiring a high level of presence or technical support to maintain contributions.

⁴⁹ See the external audit report on changes in human resources (WFP/EBA.2017/6-G/1).

⁵⁰ FfP new organizational design, 17 August 2012: "To ensure effective use of the current LOs, a review of WFP's 'non-operational' footprint will determine the optimum configuration, size and staffing required for delivering each LO's mandate".

⁵¹ FfP review: "new ToRs and assessment criteria were established for LOs and reporting lines rationalized as part of the new structure".

⁵² Memorandum of 10 July 2013 from the Assistant Executive Director of PG on the office evaluation criteria, as defined by the WFP Executive Management Group.

96. Four cumulative contributing criteria⁵³ were also listed, permitting a case-by-case evaluation in the event of non-fulfilment of any of the stand-alone criteria.

97. The breadth of these criteria was sufficient to validate, in the eyes of the Executive Management Group, all existing liaison offices, although to varying degrees.

Table 7: Criteria met by the liaison offices

At least one stand-alone criterion	Four contributing criteria	Three contributing criteria	Two contributing criteria
New York, Washington, D.C., Addis Ababa, Geneva, Brussels, Tokyo, Berlin	Paris, Copenhagen	Seoul, Beijing, Dubai	Madrid, London

Source: External Auditor based on WFP data.

98. The new terms of reference have clarified the mission of the liaison offices, and the criteria for evaluating their presence are fully consistent with the objectives of the new organizational design.

99. During the field visits carried out, the external audit team observed the positive activity of the liaison offices in terms of contributions obtained, partnerships formed or participation in international events. However, no evaluation makes it possible to affirm in a documented and objective way that the existence of the LOs leads to a reduction of duplications or to cost savings.

Recommendation 12. The External Auditor recommends reviewing the viability of small liaison offices, and their added value, in terms of efficiency and economy.

7.2. Rationalization of liaison office reporting lines

100. The challenge of rationalizing the reporting lines identified by FfP particularly concerned the LOs; prior to their reorganization, the liaison offices reported to various Headquarters divisions according to diverse structures and delegations of authority. With the new organizational design, all liaison offices are overseen by the Partnership, Governance and Advocacy Department (PG) created in 2013.

101. However, this arrangement was modified in 2015 by the relocation of the Deputy Executive Director (DED) to New York in order to strengthen WFP representation to the United Nations; the Geneva, New York and Addis Ababa⁵⁴ offices reported directly to him. However, the DED returned to Rome in January 2017, which required the reporting lines to be clarified.

⁵³ “Economically strong donor with growing aid presence; Presence required to pursue partnerships; Office requested and funded by governments, or political support critical for WFP’s strategy; Decision-making for foreign aid centralized in donor country.”

⁵⁴ Intended to ensure dialogue between WFP and the Member States of the African Union.

102. The other offices continued to report to the PG according to a variety of arrangements: the Assistant Executive Director (AED), in charge of PG, directly supervises the offices in Dubai, Tokyo, Brussels, London and Washington; the offices in Beijing, Berlin, Madrid, Seoul and Paris report to the Government Partnerships Division; the Copenhagen office reports to the Communications Division (PGM). Thus, there are four types of accountability.

103. During our comparative audit of three offices,⁵⁵ the actual reporting lines appeared to differ from those in the WFP organization chart. Thus, the London office, which supposedly reports directly to PG, indicated that it reported to the PGM, while working daily under the authority of both the PGM and the Private Sector Partnerships Division.

104. Although all WFP offices have the same responsibilities, they prioritize them differently according to their location and the institutional actors with which they deal. Therefore, it is natural for them to have several reporting possibilities, or to sometimes work with different divisions. The offices actually have considerable room for manoeuvre, as attested by the different management cultures of each division with regard to work planning. **Even though it involves fragmented oversight, this adaptation of the activities of the LOs to their immediate environments seems consistent with the strategic objective pursued by FfP of ensuring maximum donor engagement.**

8. Internal control and accountability

105. WFP defines internal control as a process, effected by WFP's Executive Board, management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives relating to operations, reporting and compliance. This is a classic definition of internal control, which conforms to internationally recognized standards such as the Committee of Sponsoring Organizations of the Treadway Commission guidelines.

106. Although FfP does not highlight internal control as a key component of the decentralization, the action plan emphasizes the need "to counterbalance subsidiarity" and to maintain strong unity of action. The decentralization of powers and resources must be balanced by greater responsibility on the part of local decision-makers and robust internal control.

107. Clearer definition of functions, systematization of job profiles, and updating of manuals, directives and checklists have helped strengthen the internal control environment. The importance of ethics and integrity has also been emphasized since 2011. The internal control framework was revised in 2015⁵⁶ to incorporate the most recent directives on good practices⁵⁷ and bring it in line with the "three lines of defence" model promoted by the United Nations. In 2015, WFP adopted a new policy for Enterprise Risk Management.⁵⁸

⁵⁵ London, Brussels and Copenhagen.

⁵⁶ OED2015/016 Circular dated 17 September 2015.

⁵⁷ ICF of the Committee of Sponsoring Organizations of the Treadway Commission.

⁵⁸ WFP/EB.A/2015/5-B.

108. Effective internal control requires an efficient mechanism to combat fraud and rigorous adherence to the rules established at the local level. Given the nature of the risk of fraud, part of the detection controls must be performed by staff working as far as possible from the field to ensure that these controls are independent. This requirement favours the performance of controls by Headquarters rather than by regional bureaux. Thus, **proactive integrity review type missions must not under any circumstances be decentralized to regional bureaux and must remain under the responsibility of the Inspector General, who has the necessary expertise and independence to carry them out.**

8.1. The local anti-fraud mechanism

109. Given WFP's high exposure to the risk of fraud, owing to its highly decentralized structure and its activities in areas where governance is fragile, WFP has stepped up its measures to prevent and detect fraud. Every director in charge of operations (first line of defence) or oversight (second line of defence) signs an annual good management assurance statement, in which the director attests that he or she has considered the potential for fraud when identifying and assessing risks.

110. The anti-fraud and corruption policy implemented by WFP requires all staff to promptly report any reasonably suspected case of fraud or corruption, either to their manager or to the Office of the Inspector General (OIG), and requires managers to immediately notify the OIG.⁵⁹ Following a preliminary review, the OIG will then decide whether to launch an investigation. The OIG informs the Executive Director of the findings of these investigations in its annual report. In addition, the OIG notifies the Assistant Executive Director of the Resource Management Department of any cases of fraud that led to losses during the year. Such losses are published in the annual financial statements.

111. Four cases of fraud were reported by the OIG for 2016. A small number of field visits carried out by the External Auditor⁶⁰ found, however, that theft or disappearances of assets likely to constitute cases of fraud, although observed, are not always reported to the OIG or are reported late.⁶¹

112. All reasonably suspected cases of fraud must be reported to the OIG so that it can exercise its judgement and decide independently which ones warrant investigation. Moreover, country directors are responsible for taking appropriate measures to combat theft and fraud at the local level. This requires great responsiveness in analysing incidents, in order to determine their origin and appropriate reorganization to avoid systemic fraud.

113. Local property survey boards (LPSBs) sometimes discover losses likely to result from theft a very long time – sometimes over a year – after the events. Although our sample was not large enough to come to a generalizable conclusion, certain LPSB minutes reveal that the Board sometimes notes losses without undertaking an analysis of the causes or proposing measures to prevent further problems. Although this function is not formally assigned to the LPSBs, their terms of reference indicate that they must issue recommendations on all cases involving a write-off and assess the financial responsibilities for the losses.

⁵⁹ WFP/EB.A/2015/5-E/1 – “all WFP personnel are required to promptly report any reasonably suspected case of fraud or corruption”.

⁶⁰ Management Letters on the country office in the Central African Republic.

⁶¹ Management Letters on the country office in the Central African Republic and Myanmar.

114. One of the offices audited did not have a chart for monitoring detected losses likely to constitute cases of fraud; it gave the impression that the office lost interest once the cases had been reported to the Inspector General. All this can contribute to a certain culture of impunity at the local level.

115. These observations are at odds with WFP's announced policy of zero tolerance towards fraudulent practices and raise doubts about the exhaustiveness of the information held by Headquarters. They reduce the impact of the Statement on Internal Control signed by the Executive Director and the assurance statements of the country directors regarding fraud. Moreover, they make it impossible to conclude that the system operates in an optimal way at the local level and that it ensures maximum involvement of directors in the field in fraud prevention to achieve the best results.

Recommendation 13. 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.

Recommendation 14. 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.

Recommendation 15. The External Auditor recommends formalizing to a greater degree the procedure for the recognition, analysis and monitoring of losses at the local level.

8.2. Formalization of standard operating procedures at the local level

116. Although all manuals and rules defined by Headquarters are available on the WFP intranet and accessible to all staff, directors sometimes issue instructions at the local level, particularly in the form of standard operating procedures, some of which are permanent. In the offices visited,⁶² we observed that these rules did not always comply with the principle of rigorous classification, with a chronological recording number, and with the revision or cancellation procedures. Some offices do not keep a record of the permanent procedures; several had difficulty producing these texts when requested or were in possession of obsolete texts that had not been updated. This situation shows that there is scope to improve the thoroughness of internal control at the local level.

Recommendation 16. 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.

⁶² See Management Letters on the Dakar regional bureau and the country offices in Pakistan, the Central African Republic and Myanmar.

9. Management of the new organizational design project

117. The launch of a new stage of decentralization was based on in-depth organizational studies carried out in 2012.⁶³ The "new organizational design adapted to WFP's mission"⁶⁴ was just one of the seven aspects of the FfP initiative, but the objective of reorganizing the respective roles of the central, regional and local levels runs through the entire framework for action. For example, the framework for action envisaged the launch of business process reviews, which, although they did not specifically fall within the organizational realignment, did help to optimize interactions between Headquarters and field offices.⁶⁵

9.1. The steering mechanism

118. WFP chose not to entrust implementation of the entire FfP project – and the new organizational design, in particular - to one dedicated team, but rather to set up working groups in charge of defining the main orientations of FfP. That helped secure the engagement of those responsible for key functions, which WFP might not have obtained with a more hierarchical structure.

119. However, the arrangements for coordinating the project and following up the actions implemented were not clearly established from the outset of FfP. It was not until 2014 that the Innovation and Change Management Division (INC) was entrusted with the centralized coordination of the organizational reforms, and was allocated specific resources to that end.⁶⁶ INC did not have a comprehensive vision of the changes implemented within the organization, but concentrated primarily on monitoring the actions of the 14 workstreams, to the detriment of the sectoral actions prepared by the division directors.

120. The FfP framework for action and the resulting high-level business plans were not backed up, in the design phase, by a precise implementation schedule, and the numerous initiatives have advanced at different speeds.

9.2. The absence of specific impact indicators

121. The action plans resulting from Fit for Purpose and WFP's reorganization were not accompanied by specific indicators to measure the impact of the numerous changes implemented since 2012 to improve the effectiveness and efficiency of the organization.

⁶³ See Organizational Development Team Report, May 2012 and McKinsey, Rapid organizational assessment, June 2012.

⁶⁴ WFP's New Organisational Design, 17 August 2012.

⁶⁵ Fit for Purpose framework for action, 18 June 2012: "The processes WFP has in place to get its work done must be streamlined and integrated with the aim of improving efficiency, effectiveness and accountability. They should support the principle of allowing decisions to be taken as close to the field as possible."

⁶⁶ See "global change management" investment case.

122. The review of Fit for Purpose⁶⁷ undertaken by the Secretariat with the support of the INC based its evaluation of the reform on the perceptions of WFP staff, the degree of implementation of the recommendations, and various indicators of means (amount of expenditure incurred within the framework of FfP, amount of resources transferred between Headquarters and the field, etc.). It also relied on generic indicators monitored for preparation of the Annual Performance Report,⁶⁸ although those indicators reveal an objective improvement of the systems, they do not prove that said improvement is attributable to the FfP reforms.

123. The evaluation of the ultimate effects of a reform like the redesign of the organization is highly complex considering the numerous factors that can influence the effectiveness of WFP's action. While an evaluation is not impossible, it does involve procedures that only evaluation professionals can carry out, provided they have the necessary time.

124. Even though the reorganization aspect did not require high levels of direct investment, WFP should apply the principle that any organizational reform must be evaluated because the impacts of a change in general organization spread to all sectoral policies.

9.3. The cost of the operation

125. While the total direct cost of implementing Fit for Purpose was USD 72 million, the organizational realignment aspect only accounted for a small part of that investment (USD 4.5 million⁶⁹). The Secretariat estimates that just USD 2.8 million was spent on actions linked to increasing decentralization.

126. However, this amount is for direct FfP management costs (travel and meetings costs, audits of some areas, etc.) and does not include costs associated with the initiatives carried out. To gain a more complete picture of the cost of the new organizational design, it would be necessary to estimate the financial impact of the rebalancing of powers between Headquarters and the field, which is linked to the question of improved cost-effectiveness, the ultimate strategic aim of FfP. It would have been useful to at least estimate the net cost of increasing the resources assigned to the field offices and, in particular, to determine whether the transfer of resources from Headquarters to the field represented a neutral cost for the organization; in other words, it remains to be seen whether the allocation of additional resources to the field has been offset by a reduction in the resources assigned to Headquarters as a result of rationalization and the elimination of duplications between the various levels of responsibility.

Recommendation 17. 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.

⁶⁷ Review of Fit for Purpose implementation, February 2017.

⁶⁸ See FfP review page 33 for example KPI 3.1 (high-quality programme design and timely approval) or KPI 3.2 (cost-efficient supply chain enables timely delivery of food assistance).

⁶⁹ Innovation and Change Management Division.

ACKNOWLEDGEMENTS

127. The audit team would like to express its sincere gratitude to the Chief of Staff and his office for their support during this audit, particularly the Innovation and Change Management Division. It would also like to thank the other WFP operational departments (the Operations Services Department, the Office of the Deputy Executive Director, the Partnership, Governance and Advocacy Department), all of which contributed to this audit.

End of the audit observations.

ANNEXES

Annex 1 – Detailed presentation of the methodological approach

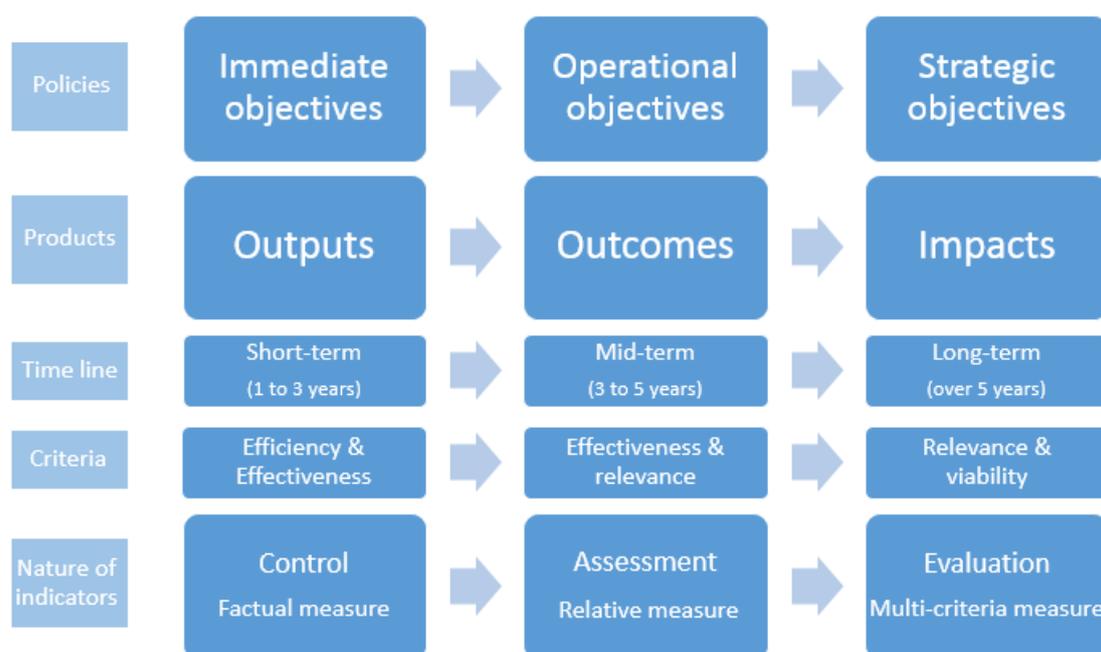
The performance audit, which primarily aims to examine the effectiveness, efficiency and economy¹ of the management of a given area, draws on several separate or combined approaches.

1. Definition of the logical framework for the objectives

The programme's logical framework reflects the process of designing a reform and makes it possible to retrace the results chain, from the end goal to immediate implementation actions. It takes into account the context (particularly internal and external risks) and highlights the objectives, all planned activities and the expected results.

The objectives, which may be classified as strategic, operational or immediate, reflect the direction pursued. They define, in broad terms, all the results expected in both the short and long term, and determine what activities and resources should be deployed to attain them. In order for each objective to be achieved, it must fulfil the SMART criteria (specific, measurable, attainable, relevant, time-bound).

In our approach, any policy or programme can be translated into objectives and activities that can then be organized according to the grid below. Depending on their status, in order to be measured, the objectives and activities require different approaches and tools of varying complexity.



¹ In other words, the extent to which results have been achieved, the manner in which those results were achieved and how well the costs were controlled.

2. Differences between an audit and an evaluation

Although the spirit and methodology of a performance audit are quite similar to those of an evaluation, a performance audit is more limited in terms of the resources and time dedicated to it. As recalled in ISSAI 300,² performance auditing mainly examines the economy, efficiency and effectiveness of immediate results, verifying their compliance as a priority. Results are examined in greater depth and with more time, to assess the overall and socio-economic impacts, in an evaluation. Moreover, the evaluation of a policy primarily concerns its relevance (suitability of the objectives for the needs) and its usefulness (validity, direct and indirect effects, including unintended consequences). Performance audits and evaluations are, therefore, complementary and constitute two key components to assess the utility of a reform.

Consequently, it should be borne in mind that only an evaluation granted sufficient time and significant resources can make an overall appraisal of the object studied, from its design through to its final consequences. This restriction does not preclude the auditor from issuing an opinion on the broader impacts of the audited programme if it identifies relevant and sufficiently substantiated points, but that is not its primary aim.

² See INTOSAI GOV 9400.

Annex 2 – Delegations of authority

1. Approval of programmes and projects (background)

- Executive Board: protracted relief and recovery operations (PRROs) with food value over USD 20 million; development projects over USD 3 million.
- Executive Director + Director-General of FAO: EMOPs over USD 3 million.
- Executive Director: EMOPs up to USD 3 million; PRROs up to USD 20 million; development projects up to USD 3 million (and reallocation of resources among programme components); activation of L2 and L3; special operations.
- Director of Emergencies: immediate response emergency operation (IR-EMOPs) up to USD 1.5 million.
- Regional directors: Immediate Response Account (IRA) account allocations to IR-EMOPs up to USD 1 million directed to cross-country operations, or to countries within his/her region; budget revisions up to USD 3 million under certain conditions.
- Country directors: IRA allocations up to USD 500,000 to country-level IR-EMOPs; bilateral operations up to USD 200,000; budget revisions with no change in planned costs or project orientation.

2. Purchases of foodstuffs (background)

Director, Supply Chain Division	over USD 2 million
Chief Food Procurement	from USD 0.5 million to 2 million
Regional directors/country directors	up to USD 500,000
Heads, Food Procurement Service	up to USD 500,000
Procurement Officers	unauthorized

Delegations of authority are more restrictive where there is an exemption from the principle of competitive procurement:

AED, Operations Services	over USD 2 million
Director, Supply Chain Division	from USD 0.5 million to 2 million
Chief Food Procurement	from USD 0.2 million to 0.5 million
Regional directors/country directors	up to USD 200,000
Heads, Food Procurement Service	up to USD 200,000
Procurement Officers	unauthorized

3. Delegations extended by FfP

- Food procurement. The authority delegated to the field offices for emergency operations (EMOPs) was extended to all programme categories¹, and the authorization ceilings were harmonized for all operations.²
- Goods and services procurement. The authority to place micro-purchase orders of USD 5,000 or less was extended to all offices external to Headquarters.³
- Bilateral contributions or Country Specific Trust Funds. The DoAs for approval of the activities financed by these funds⁴ were revised. The budget authorization ceilings are now USD 500,000 for country directors and USD 3 million for regional directors. However, this revision of DoAs relating to Country Specific Trust Funds (which are managed by the country directors) occurred late, in May 2016.⁵
- The authority conferred on regional bureaux and country offices allows them to approve cash and voucher transfer purchase orders for amounts up to USD 5 million for regional directors and USD 2 million for country directors.⁶

¹ Executive Director Circular OED 2013/023 dated 6 December 2013.

² See Annex 3.

³ Idem note 11.

⁴ Executive Director Circular ED2006/007 dated 9 August 2006. Trust funds generated and utilized locally fall into extra-budgetary resources and are exempted from the prior approval of the Review Committee, up to USD 200,000 in a country office and up to USD 500,000 in the regional bureaux, if the country director (up to USD 200,000) or regional director (up to USD 500,000) certifies that the activity falls within the framework approved by the Steering Committee.

⁵ Executive Director Circular OED2016/006 dated 4 May 2016.

⁶ Office of the Executive Director Circular OED2014/011 (Operations Management Department) dated 5 August 2014; these transfers follow comprehensive procedures enacted by joint directive OS2013/003 RM2013/005 dealing with Operations and Finance Procedures for the use of cash and voucher transfers to beneficiaries now superseded by CBT Manual – Financial Management (released on 01-07-2016).

Annex 3 – Conclusions of the survey

The external audit team responsible for reviewing the decentralization process conducted a survey of the field offices, to which five regional bureaux (83 percent) and 49 country offices (60 percent) responded.

1. A largely positive perception

- The offices are almost unanimous in recognizing the positive changes brought about by the decentralization.
- Three quarters of country offices and all regional bureaux note an increase in their capacity to carry out their missions.
- At 90 percent, the regional bureaux consider that the decentralization has led to an increase in their financial and human resources. However, this percentage falls to 26 percent for the country offices.
- With regard to responsibilities, 80 percent of regional bureaux and 59 percent of country offices consider that the decentralization has increased their responsibilities. More than 60 percent of field offices consider that the delegations of responsibility are now sufficient and none of them are in favour of reverting to the previous arrangement.
- Only 34 percent of country offices reported difficulties implementing the new distribution of powers, against 50 percent of regional bureaux.
- Overall, the offices consider that the decentralization process has been managed satisfactorily. 60 percent of all offices think that their staff have been adequately trained for their new responsibilities. All regional bureaux and 83 percent of country offices consider that the internal control procedures have been adapted.
- The reporting lines appear to be well defined: 91 percent of country offices and 80 percent of regional bureaux find them to be clear.

2. A need for guidance

- All the regional bureaux and 40 percent of the country offices underline that the decentralization process has not eliminated overlapping of responsibilities.
- The field offices, especially the regional bureaux, report additional needs for supervision and guidance: 75 percent of regional bureaux consider that the standard operating procedures (SOPs) established by Headquarters are not regularly updated, particularly in the areas of nutrition (100 percent), programme management (75 percent), and management and monitoring of performance (75 percent).
- On the more general subject of support from Headquarters, which, on the whole, is judged to be satisfactory, the majority of regional bureaux felt that certain areas are not receiving adequate support: management and monitoring of performance (80 percent) and partnerships (80 percent).
- A majority of country offices are dissatisfied with the state of the operating procedures in place concerning partnerships (54 percent), communications (53 percent) and nutrition (52 percent). However, only 10 percent of the offices are dissatisfied with the overall support provided by the regional bureaux.
- All regional bureaux appreciate the support received from Headquarters. However, according to the majority of regional bureaux, certain areas are not receiving adequate support from Headquarters: management and monitoring of performance (80 percent) and partnerships (80 percent).

Key: YES NO

	RB	CO
1. Delegations of authority and resources		
Expansion of responsibilities thanks to the decentralization process	80 percent	59 percent
Increase in financial and human resource allocations as a result of the decentralization process	90 percent	74 percent
Direct support costs allocated to cover operating expenses	80 percent	65 percent
Need for further delegations of authority	60 percent	66 percent
Need for reversal of delegations of authority	100 percent	96 percent
2. Implementation of the decentralization process		
Difficulties met in implementing the new distribution of responsibilities	50 percent	66 percent
Training of staff in responsibilities transferred	60 percent	64 percent
Requests for support	100 percent	100 percent
Adaptation of reporting and internal control processes	100 percent	83 percent
Clear identification of reporting lines	80 percent	91 percent
Provision of standard operating procedures (SOPs)	60 percent	66 percent
Operational and regularly updated SOPs	75 percent	57 percent
Involvement in decentralization process follow-up	100 percent	76 percent
Efficiency of this follow-up	60 percent	67 percent
3. Results of the decentralization process		
Satisfaction with support from Headquarters	100 percent	79 percent
Satisfaction with support from regional bureaux	n/a	90 percent
Elimination of duplications of responsibility	100 percent	62 percent
Increased ability to perform missions thanks to decentralization	100 percent	75 percent
Increased cost-efficiency thanks to decentralization	50 percent	61 percent
Positive consequences of decentralization	100 percent	93 percent

Annex 4 – Field offices (excluding liaison offices) at the end of February 2017

This data has been extrapolated from the Management Plan (2017–2019) and cross-checked with the regional directors to ensure its accuracy.

1. Scope of each regional bureau:

	Number of COs	Operational presence	Total number of countries covered
RBB	15	1	16
RBC	17	1	18
RBD	19	0	19
RBJ	12	0	12
RBN	9	0	9
RBP	12	1	13
Total	84	3	87

2. Operational presence without COs and their reporting line:

- Papua New Guinea: Reporting to the RBB. Emergency operations ended in November 2016, but will restart in 2017 as it has just received Australian funding for another two years.
- Morocco: Reporting to RBC. Its development project runs through 2017 and will be extended with a transitional-interim country strategic plan through 2018, in order for the CSP to start in 2019.
- Paraguay: Reporting to RBP. Two trust funds running until June and September 2017.

3. Distribution of emergencies

	L2	L3	Total number of emergencies
RBB	-	-	0
RBC	Libya, Ukraine	Iraq, Syrian Arab Republic, Yemen	5
RBD	Central African Republic, Mali	Nigeria	3
RBJ	Democratic Republic of the Congo	Southern Africa	2
RBN	Horn of Africa	South Sudan	2
RBP	-	-	0
Total	6	6	12

Acronyms Used in the Document

AED	Assistant Executive Director
CO	country office
COPrOM	Country Office Presence and Operating Model Review
CPS	Corporate Partnership Strategy
CSP	country strategic plan
DED	Deputy Executive Director
DoAs	delegations of authority
ED	Executive Director
EMOP	emergency operation
e-PRP	electronic programme review process
FfP	Fit for Purpose
FRMM	Financial Resource Management Manual
HQ	Headquarters
INC	Innovation and Change Management Division
IRA	Immediate Response Account
IR-EMOP	immediate response emergency operation
ISSAI	International Standards of Supreme Audit Institutions
KPI	key performance indicator
LO	liaison office
LPSB	local property survey board
MIC	middle-income country
OED	Office of the Executive Director
OIG	Office of the Inspector General
PG	Partnership, Governance and Advocacy Department
PGM	Communications Division
PIR	proactive integrity review
PRP	programme review process
PRRO	protracted relief and recovery operation
PSA	Programme Support and Administrative
RB	regional bureau