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الغذية والزراعة
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FINANCE COMMITTEE

Hundred and Eighty-first Session

Rome, 3 - 5 June 2020

**WFP Management response to the recommendations in the report of the
External Auditor on the real estate portfolio**

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

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EXECUTIVE SUMMARY

- In its report on the real estate portfolio, the External Auditor made 15 recommendations.
- Management welcomes the external audit on the real estate portfolio and the External Auditor's recommendations.
- Specific responses to the External Auditor's recommendations are presented in the document.

GUIDANCE SOUGHT FROM THE FINANCE COMMITTEE

- The Finance Committee is requested to note the response made by WFP management to the recommendations in the report of the External Auditor on the real estate portfolio and to endorse it for the notification of the Executive Board.

Draft Advice

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



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For consideration

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

Management response to the recommendations in the report of the External Auditor on WFP's real estate portfolio

Background

1. Management welcomes the recommendations made in the External Auditor's report on WFP's real estate portfolio.¹ The external audit was conducted in two phases, from 15 to 19 July 2019 and from 20 to 31 January 2020, with field missions to the regional bureaux for East Africa and Asia and the Pacific and to six country offices – Côte d'Ivoire, the Democratic People's Republic of Korea, Kenya, Mali, the Philippines and Senegal. As stated by the auditors, the main objectives of the audit were to determine:
 - whether the inventory of real estate used by WFP is accurate and sufficiently detailed;
 - whether WFP's real estate strategy in terms of occupancy and space management is suited to its interests;
 - whether the day-to-day and financial management of premises is as cost-effective as possible;

¹ WFP/EB.A/2020/6-F/1.

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- whether the headquarters extension project will meet the needs of WFP, is on track in terms of timing and complies with the applicable standards; and
 - whether WFP has taken all necessary measures to effectively contribute to the United Nations system target of 50 percent of premises to be shared by 2021.
2. Management appreciates the scope and prioritization of the recommendations and the auditors' recognition that the accuracy of the data in the real estate database requires review and that the strengthening of internal controls will improve the quality of the data.
 3. Management agrees that further additional data fields for the Archibus data management software would enable WFP to tap its potential to gather information, which could be worthwhile developing to enable more precise management of its real estate portfolio.
 4. Management also welcomes the External Auditor's recognition that strategic real estate decisions with a possible long-term impact should be systematically communicated to the regional bureaux and formally validated by headquarters.
 5. Management agrees with the report's observation that the lessons learned from the experience with flexible workspaces and remote working, as well as the rise in the number of headquarters employees, should be taken into account in preparing a strategy for adapting the capacity of the headquarters premises based on several scenarios of staff growth while continuing to consider compliance with fire safety standards. Management will also continue to liaise with the Food and Agriculture Organization of the United Nations to ascertain the viability of additional opportunities to share facilities, in the spirit of Rome-based agency collaboration.
 6. Management remains committed to the Secretary-General's goal of increasing the percentage of common premises and will remind country offices of the importance of co-location.
 7. Management has already started to implement the agreed recommendations. To encourage full implementation prior to target dates, management will monitor progress and undertake regular reviews of outstanding agreed recommendations.
 8. Management thanks the External Auditor for its constructive collaboration and for sharing its draft report at an early stage, which provided an opportunity for effective internal review by management.
 9. The following matrix sets out management's planned actions and the timelines for their implementation.

Draft decision*

The Board takes note of "Management response to the recommendations in the report of the External Auditor on WFP's real estate portfolio" (WFP/EB.A/2020/6-F/1/Add.1).

* 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.

MANAGEMENT RESPONSE TO THE RECOMMENDATIONS IN THE REPORT OF THE EXTERNAL AUDITOR ON WFP'S REAL ESTATE PORTFOLIO			
External audit recommendation	Action by	WFP management response	Timeframe
<p>Recommendation 1</p> <p>The External Auditor recommends that the real estate database management tools be strengthened through the updating of the Archibus Lease Management Manual, the preparation of a detailed glossary and the creation of a shared workspace.</p>	Management Services Division (MSD)	<p>Agreed</p> <p>Materials and guidance (an Archibus lease management guidance and frequently asked questions (FAQs)) have already been released and are available in GoDocs.</p> <p>The Management Services Division – Facilities Management Branch (MSDI) is working on revamping the lease management guidance and FAQs in order to strengthen the management tools of the real estate database.</p>	End 2020
<p>Recommendation 2</p> <p>The External Auditor recommends that the accuracy of all the data in the real estate database be reviewed and that internal controls be strengthened in that regard.</p>	Country offices, regional bureaux, field offices, MSD	<p>Agreed</p> <p>To ensure that the information in is more accurate, a system is in place for following up on country office updates: quarterly monitoring of field data by headquarters, mandatory final follow-up of the International Public Sector Accounting Standards (IPSAS) end-of-year exercise, availability of learning tools on WeLearn; and provision of one-to-one support based on ad hoc requests from country offices. Ultimately, country offices, as owners of the data, are accountable for updating the records pursuant to the letters of representation signed by country directors. Moreover, Archibus is part of the regional administration oversight checklist. The regional administration oversight checklist is a tool that helps regional administration officers review and assess country office activities during support missions. It also serves as the basis for the risk-based oversight missions and recommendations.</p>	Q3 2020

MANAGEMENT RESPONSE TO THE RECOMMENDATIONS IN THE REPORT OF THE EXTERNAL AUDITOR ON WFP'S REAL ESTATE PORTFOLIO			
External audit recommendation	Action by	WFP management response	Timeframe
		<p>MSDI is working to strengthen communication with management at the field office level to ensure that the information in Archibus is more accurate and that additional layers of internal control are in place at the regional bureau and country office levels.</p> <p>MSDI will support regional bureaux in strengthening internal controls as follows:</p> <ul style="list-style-type: none"> ➤ regional bureaux to be more proactive on verification of country office recording and updating; ➤ country offices to ensure accuracy of data; ➤ country offices to ensure accurate handover to new Archibus focal points. <p>MSDI to add a certification tool in the current system so that management can certify that data is verified.</p>	
<p>Recommendation 3</p> <p>The External Auditor recommends the preparation of a strategy to adapt the capacity of the headquarters premises according to several costed scenarios of staff growth.</p>	MSD	<p>Agreed</p> <p>Short-, medium- and long-term strategies have been developed to manage increases in headquarters employee numbers. These include moving to the use of flexible workspaces, for which a strategy concept paper was prepared in 2018 and a pilot project was completed in 2019. In the meantime, the headquarters real estate portfolio grew, with the rental of the Le Torri building, located near the main headquarters building.</p>	Q1 2021

MANAGEMENT RESPONSE TO THE RECOMMENDATIONS IN THE REPORT OF THE EXTERNAL AUDITOR ON WFP'S REAL ESTATE PORTFOLIO			
External audit recommendation	Action by	WFP management response	Timeframe
		A holistic strategy for adapting the capacity of the headquarters premises in accordance with the scenarios for staff growth will be developed. The holistic strategy will take into consideration the coronavirus disease 2019 (COVID-19) experience and increased opportunities for remote working. The strategy will be developed in coordination with the Human Resources Division (HRM) as the organization progresses in its workforce planning exercise.	
<p>Recommendation 4</p> <p>The External Auditor recommends that, under the supervision of the Management Services Division, the country offices undertake long-term analyses of the respective advantages and disadvantages of the various rental, purchase or construction options for their premises.</p>	Country offices, regional bureaux, field offices, MSD	<p>Agreed</p> <p>MSD provides guidance to country offices on the business processes and decisions involved in establishing WFP offices and common premises. It should be noted that WFP's real estate portfolio includes warehouses that are subject to the rules and regulations of the Transport Manual. In addition, directive RM2015/004 already obliges directors and heads of WFP offices to consult with the Chief Engineer regarding the suitability of offices before their acquisition by purchase, lease or otherwise.</p> <p>The facilities management chapter of the Administrative Services Manual will be released shortly and will provide greater guidance to country offices on making informed decisions on the process and long-term implications of establishing, managing and closing offices, guesthouses and common premises.</p>	Q1 2021

MANAGEMENT RESPONSE TO THE RECOMMENDATIONS IN THE REPORT OF THE EXTERNAL AUDITOR ON WFP'S REAL ESTATE PORTFOLIO			
External audit recommendation	Action by	WFP management response	Timeframe
		MSD will continue the awareness campaign in country offices on facilities and facility services. Processes for ensuring that WFP offices seek technical direction from the Chief Engineer before acquiring premises will be developed.	
<p>Recommendation 5</p> <p>The External Auditor recommends that strategic decisions regarding real estate (leases, relocations, renovations, purchases, constructions) with possible long-term impact, even below the delegation of authority threshold, be systematically communicated to the regional bureaux and submitted for formal validation by headquarters.</p>	Country offices, regional bureaux, field offices, MSD	<p>Agreed</p> <p>WFP has policies, circulars, directives and manuals in place that provide process guidance and technical guidance with regard to WFP's real estate portfolio. In particular, paragraph 23 of directive RM2015/004 obliges directors and heads of WFP offices to consult with the Chief Engineer regarding the suitability and condition of any land, facility or building to be occupied as a place of work or as living accommodation before its acquisition by purchase, lease or otherwise. Furthermore, WFP's real estate includes warehouses that are subject to the rules and regulations of the Transport Manual.</p> <p>For the purpose of clarity, MSD is in the process of preparing new guidelines that strengthen those in directive RM2015/004.</p> <p>The facilities management chapter of the Administrative Services Manual will be released soon and will provide greater guidance to country offices in conducting long-term analysis and making informed decisions on the process of establishing, managing and closing offices, guesthouses and common premises.</p>	Q1 2021

MANAGEMENT RESPONSE TO THE RECOMMENDATIONS IN THE REPORT OF THE EXTERNAL AUDITOR ON WFP'S REAL ESTATE PORTFOLIO			
External audit recommendation	Action by	WFP management response	Timeframe
		Business cases will be sent to regional bureaux and validated by MSD. Processes for ensuring that WFP offices seek technical direction from the Chief Engineer before acquiring premises will be defined.	
<p>Recommendation 6</p> <p>The External Auditor recommends that an annual review of the overall change in facilities management costs be conducted in order to strengthen oversight of this activity.</p>	MSD, Corporate Finance Division – General Accounts Branch, Supply Chain Operations Division – Goods and Services Procurement Branch	<p>Partially agreed</p> <p>Real estate management costs (rent, running costs, purchase costs, leasehold improvements, assets within premises, security costs, insurance, brokerage services, etc.) while recorded in WINGS cannot be easily segregated from other costs that are not related to facilities management. The current database (Archibus) was populated with data in line with IPSAS financial reporting requirements to report mainly on the value of in-kind leases and lease commitments and therefore includes rent costs only and not running costs of the building.</p> <p>At present, in accordance with IPSAS reporting requirements, lease obligations are reported on annually in the WFP financial statements.</p> <p>MSD will conduct a feasibility assessment on how to collect and integrate running costs of the facilities with lease costs in order to have an overall annual view of the facility management expenditures.</p>	Q2 2021

MANAGEMENT RESPONSE TO THE RECOMMENDATIONS IN THE REPORT OF THE EXTERNAL AUDITOR ON WFP'S REAL ESTATE PORTFOLIO			
External audit recommendation	Action by	WFP management response	Timeframe
<p>Recommendation 7 The External Auditor recommends that the revised and supplemented version of the administrative services manual, which includes a module on facilities management, be adopted as soon as possible.</p>	MSD	<p>Agreed The final version of the administrative services manual is under review and will be published once all internal clearances have been received.</p>	Q4 2020
<p>Recommendation 8 The External Auditor recommends: a) including an environmental component from the start of each real estate project;</p> <p>b) speeding up the implementation of environmental management systems in the country offices; and</p> <p>c) implementing the analysis and classification of environmental risks recommended in the environmental policy, particularly for renovation and construction.</p>	Country offices, regional bureaux, field offices, MSD	<p>Agreed</p> <p>a) Screening and the environmental management system (EMS) are both referenced in the draft version of the facilities management chapter of the administrative services manual. In addition, WFP's construction manual, includes screening provisions that are presently being updated to align them with the environmental policy.</p> <p>b) Funding was received in early 2020 to support further and faster roll out of EMS, through the appointment of six regional EMS advisers.</p> <p>c) The actions planned include fully implementing the screening and categorization of environmental risks (screening process), including through publication of the facilities management chapter of the administrative services manual, and updating the screening provisions in the WFP Construction Manual.</p>	<p>a) End of 2020</p> <p>b) Ongoing</p> <p>c) Q1 2021</p>

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External audit recommendation	Action by	WFP management response	Timeframe
<p>Recommendation 9</p> <p>The External Auditor recommends that evaluations of in-kind contributions be updated without delay to reflect their market value (International Public Sector Accounting Standard 23 on contributions in kind).</p>	MSD	<p>Agreed</p> <p>The process of evaluation of in-kind contributions is ongoing.</p>	End of 2020
<p>Recommendation 10</p> <p>The External Auditor recommends, given the shortage of space available at headquarters, that available space at the Food and Agriculture Organization of the United Nations be monitored.</p>	MSD	<p>Agreed</p> <p>In 2018 WFP signed a memorandum of understanding with FAO for the use of 209 square metres of office space to accommodate growth at WFP. This memorandum of understanding has been extended annually. Management will continue to liaise with FAO to explore co-location opportunities.</p>	Ongoing
<p>Recommendation 11</p> <p>The External Auditor recommends compliance with fire safety standards through efforts to further reduce the number of workstations in the main building.</p>	MSD	<p>Agreed</p> <p>Management has been progressively reducing the number of workstations in the main building by acquiring additional office spaces in Parco de Medici and reviewing the proposal for a flexible workplace strategy to be approved and implemented at headquarters level. As a result of COVID-19 the number of people in the building has been drastically reduced.</p>	Q2 2021

MANAGEMENT RESPONSE TO THE RECOMMENDATIONS IN THE REPORT OF THE EXTERNAL AUDITOR ON WFP'S REAL ESTATE PORTFOLIO			
External audit recommendation	Action by	WFP management response	Timeframe
		<p>The experience of coronavirus disease 2019 (COVID-19) is necessitating a new approach to headquarters space management including increased use and understanding of remote working and a more structured flexible workplace and will be implemented progressively.</p> <p>New floors in the nearby Nokia building have just been rented and will be used to reduce headquarters over occupancy. The last phase in the reduction of the number of employees in the main headquarters building will take place with the opening of the adjoining Samsung building.</p> <p>The organization's workspace planning was affected by the COVID-19 pandemic, which made it necessary for a large number of employees to work remotely; the experience with this remote working will be taken into account in the planning of future WFP working arrangements.</p>	
<p>Recommendation 12</p> <p>The External Auditor recommends that another satisfaction survey of users of the floor 3G flexible workspace be conducted in 2020, as well as an evaluation of their productivity.</p>	<p>Headquarters (MSD, HRM, Technology Division (TEC), Private Partnerships and Fundraising Division, Communications, Advocacy and Marketing Division)</p>	<p>Agreed</p> <p>In February 2020, MSDI prepared a draft satisfaction survey for HRM review. Due to the COVID-19 emergency, however, the survey needs to be revised to reflect the latest changes in remote working arrangements.</p> <p>MSDI will prepare a revised satisfaction survey of users of the 3G flexible-use space (third floor, Green Tower) at headquarters.</p>	<p>Q3 2020</p>

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External audit recommendation	Action by	WFP management response	Timeframe
<p>Recommendation 13</p> <p>The External Auditor recommends the establishment of a remote working target that takes into account the organizational constraints on each service to contribute to reducing the over-occupancy of the main headquarters building.</p>	<p>Headquarters (MSD, HRM, TEC, Staff Wellness Division)</p>	<p>Agreed</p> <p>Teleworking arrangements are only one component of a wider flexible workplace strategy which WFP is implementing. The flexible workplace is an approach to workplace efficiency, collaboration and effectiveness that promotes organizational agility and employee work-life balance. It involves planned sharing of physical workstations (flexible workspace), a complementary policy on teleworking (flexible working arrangements) and common access to enabling support spaces, infrastructure and information technology tools. Teleworking alone will not necessarily resolve WFP's over-occupancy situation.</p> <p>As described in the management response to recommendation 3, a holistic strategy will be developed for adapting the capacity of headquarters premises in accordance with several quantified scenarios for staff growth, taking into consideration the new headquarters premises, the COVID-19 experience which reinforces a teleworking policy and reduces employees numbers in the building. Opportunities for teleworking and remote working will be incorporated into the strategy.</p> <p>As result of COVID-19 there is no longer over occupancy in the building and this experience will be used to inform new ways of working.</p>	<p>Q2 2021</p>

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External audit recommendation	Action by	WFP management response	Timeframe
<p>Recommendation 14</p> <p>The External Auditor recommends that the Executive Board be kept informed of the progress of the draft agreement between the Italian Government, the International Fund for Agricultural Development and WFP with a view to the commencement of studies of the feasibility of a new headquarters location.</p>	MSD	<p>Agreed</p> <p>WFP has proactively engaged with the Government of Italy in launching a feasibility study for the Forlanini project. A draft memorandum of understanding has been developed and is presently undergoing final review by the Government of Italy.</p> <p>Updates will be provided to the Executive Board when available.</p>	
<p>Recommendation 15</p> <p>The External Auditor recommends that headquarters remind the country offices that priority is to be given to sharing office space with other organizations (co-location) and assert the principle that any exceptions must be duly justified by the office concerned and approved by headquarters, in accordance with the three agreed criteria: security, operational context and financial viability.</p>	MSD	<p>Agreed</p> <p>WFP has proactively supported the goal of the United Nations Secretary-General to expand the use of common premises. WFP is updating its guidance and co-location should be the default in making premises decisions. Any exceptions must be duly justified by the office concerned and approved by headquarters, in accordance with the three agreed criteria: security, operational requirements and financial viability. A full business case is required in all circumstances. The facilities management chapter of the administrative services manual refers to the prioritization of co-location opportunities. The chapter is presently under review and will be published shortly. A message will be sent to all offices that co-location opportunities should be prioritized.</p>	Q4 2020

Acronyms

COVID-19	coronavirus disease 2019
EMS	environmental management system
FAO	Food and Agriculture Organization of the United Nations
HRM	Human Resources Division
IPSAS	International Public Sector Accounting Standards
MSD	Management Services Division
MSDI	Facilities Management Branch
TEC	Technology Division