



**World Food
Programme**

**Programme
Alimentaire
Mondial**

**Programa
Mundial de
Alimentos**

**برنامج الأغذية
العالمي**

February 2017

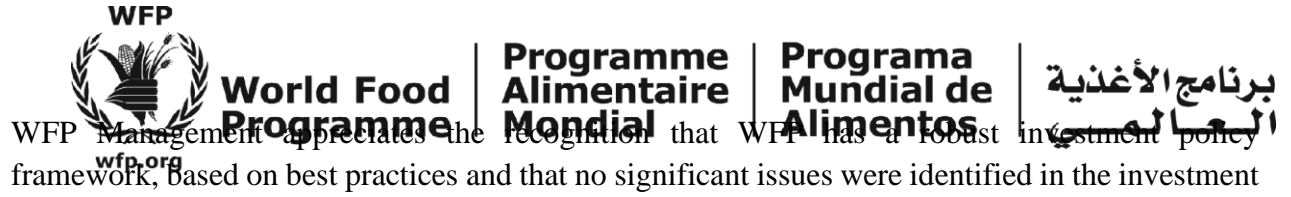
Internal Audit of WFP's Management of its Investment Portfolio (AR/17/04)

Management Comments

WFP Management welcomes the audit observations and takes note of the conclusion of partially satisfactory by the Office of the Inspector General for the audit of WFP's Management of its Investment Portfolio. The audit report encompasses the period of 1 January 2015 to 30 September 2016, and focuses largely on the review of internally and externally managed portfolios, monitoring and reporting mechanisms, selection and monitoring of external investment managers, as well as the management of counterparty, market and operational risks.

WFP Management notes the audit report's acknowledgement of the significant attention and effort that has been placed on establishing clear definitions of objectives and risk tolerances, effective strategic asset allocation through the introduction of Investment Policies and related investment guidelines, awareness of the risk related to the in-house portfolio resulting from prior advisory work from the Office of Internal Audit in 2014, more accurate reporting to the Investment Committee that performs a strategic advisory and monitoring role for the Executive Director and the increase of expertise via the technical advisory services provided by the World Bank and the establishment of the Investment Advisory Panel composed of external investment management experts.

WFP Management recognizes the significance of audit recommendations and acknowledges the actions to further improve operational and monitoring aspects and to continue performing a periodic review of the investment policy given the increase in financial assets under external management. Some of the agreed actions are already being initiated such as enhanced external investment manager due diligence reporting and better segregation of duties for in-house investments. The Finance and Treasury Division will address other observations in the report by providing updated guidance on procedures in the Financial Resource Management Manual, ensuring improved segregation of duties when paying management fees and evaluating the opportunity to introduce an independent Risk and Compliance function. The Finance and Treasury Division will coordinate with relevant divisions to complete the agreed actions within the respective timeframes.



process when taking into consideration the primary objective of the investment policy which is the preservation of the value of resources.

WFP Management would like to thank the Office of the Inspector General for the meaningful collaboration and support.