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## Report of the External Auditor on the real estate portfolio

### Draft decision\*

The Board takes note of the report of the External Auditor on the real estate portfolio (WFP/EB.A/2020/6-F/1) and management's response (WFP/EB.A/2020/6-F/1/Add.1) and encourages further action on the External Auditor's recommendations, taking into account the considerations raised by the Board during its discussion.

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\* This is a draft decision. For the final decision adopted by the Board, please refer to the decisions and recommendations document issued at the end of the session.

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Cour des comptes  
FRANCE



# EXTERNAL AUDIT OF THE WORLD FOOD PROGRAMME

## AUDIT REPORT ON THE REAL ESTATE PORTFOLIO

2019 financial year

REFERENCE COUR DES COMPTES WFP-2019-4



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## **SUMMARY**

The World Food Programme uses almost 1,400 premises: offices, warehouses, guesthouses, etc. This figure has increased by 43 percent since 2016, at a rate comparable to the rise in the organization's expenditure. This report includes five main observations.

**1-The reliability of the data available.** The Archibus database contains inaccuracies regarding the nature of the premises (rented or owned), their status (current or inactive) and the amount of host country contributions to the running of the country offices. Buildings treated as in-kind donations are not all recognized at their fair value. Providing data regarding floor area or staff is optional. Restatements and other operations in the database can only be carried out manually. The staff responsible for updating the database in the field are not always sufficiently trained.

**2-The real estate strategy.** WFP envisages that its staff numbers will continue to grow but lacks precise figures. The development of various expansion scenarios would make it possible to anticipate with greater visibility the decisions that will need to be taken. The organization's decentralized management gives the country offices great freedom of initiative and decision making, which sometimes results in risky choices being made. This report proposes that the involvement of more senior management be strengthened to ensure that decisions giving rise to long-term commitments are not taken from a short-term perspective. In addition, the strategy for guesthouses requires clarification, as do the rules for choosing between purchasing and renting.

**3-Tools for day-to-day management.** The monitoring of operating expenditure is not automated and requires restatements due to the fragmentation of the expenditure items. Some directives are outdated and the administrative services manual should be adopted promptly. Although greenhouse gas emissions from the real estate portfolio are decreasing, implementation in the field of environmental management systems (EMSs) is not meeting targets. The screening review of environmental risks, which should take place prior to any construction or renovation project, is not always carried out. The agreements in place with the host countries are often old and are rarely updated. The Management Services Division does not monitor the history of revisions or compliance with the principle that host countries should make substantial contributions.

**4- Headquarters premises.** Were the growth in staff at headquarters to continue at the current rate, despite the decision of May 2019 that the headcount should be capped, an additional 800 jobs would be created over five years. In the short term, WFP must absolutely reduce occupancy of the main building in order to comply with safety standards. The new building currently under construction will not be sufficient for the expected growth if it happens, unless there is also a fresh drive to increase flexible working and the relocation of staff, for example to the premises of the Food and Agriculture Organization of the United Nations (FAO). In the long term, the plan to move into the former Forlanini hospital clearly warrants study.

**5- United Nations system target of having 50 percent common premises by 2021.** WFP shares less than 25 percent of its office space with other United Nations organizations and this proportion has remained stable. The United Nations target will not be met by the target date. Even though sharing common premises is not suited to all situations, the risk of resistance to change calls for affirmative action based on an ongoing study of the opportunities and reiterating the principle that co-location is the rule and separation the exception, particularly in the event of relocations.

## **I. OBJECTIVE, SCOPE AND APPROACH OF THE AUDIT**

1. As announced in the notification letters dated 29 May and 18 October 2019, a team of four external auditors conducted an audit at the World Food Programme (WFP) headquarters in Rome in two stages, from 15 to 19 July 2019 and from 20 to 31 January 2020. In addition, all field audits planned for field offices<sup>1</sup> during the 2019–2020 financial period contributed to the drafting of this report, the purpose of which is to examine the real estate portfolio of WFP.
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 defined in Article 14 of the WFP Financial Regulations and the corresponding annex, and in the call for applications for the appointment of the External Auditor. The terms of reference of this mandate comprise the call for applications, together with the offer of services of the Cour des Comptes, particularly its detailed technical offer, which was approved by the Board.
4. The External Auditor's responsibilities are to audit WFP's financial statements (Article 14.1 of the Financial Regulations) and to make, where it wishes, observations with respect to the efficiency of the financial procedures, the accounting system, the internal financial controls and, in general, the administration and management of WFP (Article 14.4 of the Financial Regulations).
5. Pursuant to Article 3.1 of the Financial Regulations, the Executive Director is responsible and accountable to the Board for the financial management of the activities of WFP.
6. A letter of engagement was drawn up with the Executive Director to ensure that, in accordance with the International Standards on Auditing, the respective obligations of the management and the External Auditor are clearly understood. In addition, before 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 2019, which details the verifications to be carried out between July 2019 and June 2020. Pursuant to the terms of reference, each year the External Auditor must produce an audit report on WFP's financial statements (subject to the approval of the Board), accompanied by an opinion on the accounts, two reports on the performance and regularity of the management of WFP, also called "performance audit reports" (submitted to the Board for consideration) and management letters drafted following visits to field offices (regional bureaux and country offices). The External Auditor also validates the draft annual report on the implementation status of its previous recommendations, submitted by the Secretariat to the Board for consideration.

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<sup>1</sup> The Bangkok and Dakar regional bureaux and the WFP offices in the Philippines, the Democratic People's Republic of Korea, Senegal, Kenya, Côte d'Ivoire and Mali.

8. The audit of the real estate portfolio was carried out in accordance with the International Standards of Supreme Audit Institutions (ISSAI) on performance and compliance audits, the WFP Financial Regulations and the additional terms of reference annexed thereto. These standards require the External Auditor to comply with the applicable rules of professional conduct, exercise professional judgement and demonstrate critical thinking throughout the audit.

9. The primary aim of the audit was to determine whether:

- the inventory of real estate used by WFP is accurate and sufficiently detailed;
- WFP's real estate strategy in terms of occupancy and space management is suited to its interests;
- the day-to-day and financial management of premises is as cost effective as possible;
- the headquarters extension project will meet the needs of WFP, the timings are on track and it complies with the applicable standards;
- 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.

10. Each observation and recommendation has been discussed with the relevant staff, including the staff of the Management Services Division (MSD, former RMM). The end-of-audit meeting was held in the presence of the director of said division, on 31 January 2020. The Secretariat confirmed the validity of the information presented, and this report fully takes into account its comments and responses, provided in writing on 24 March 2020.

11. During an audit conducted according to the international standards, performance and compliance are examined based on appropriate criteria and the causes of any discrepancies in relation to those criteria are analysed. The aim is to answer the main audit questions and recommend improvements. The first step in the audit is to define the scope of the subject matter in question, that is, the information or activity to be assessed. This subject matter can take many forms and have different characteristics depending on the audit objective. An appropriate subject matter is identifiable and capable of consistent evaluation or measurement against the criteria, such that it can be subjected to procedures for gathering sufficient and appropriate audit evidence to support the audit opinion or conclusion.<sup>2</sup>

12. To carry out its examination, the External Auditor prepared a logical classification of aims pursued by WFP concerning its real estate portfolio, comprising immediate, operational and strategic aims: immediate aims translate into factual actions; operational aims assume that results are obtained that call for a more qualitative assessment; strategic aims manifest through long-term expected impacts, the analysis of which is more of an evaluation. The expected actions, results and impacts reported in the logical framework constitute the basic criteria for assessing performance of the operation. The approach to auditing the real estate portfolio based on the logical framework of aims is summarized below.

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<sup>2</sup> International Standards of Supreme Audit Institutions (ISSAI), standard 100, paragraphs 22 and 26.

Immediate aims	Operational aims	Strategic aims
<ul style="list-style-type: none"> <li>• Draw up an accurate inventory of WFP real estate.</li> <li>• Develop a real estate strategy.</li> <li>• Ensure the safety of the buildings and the staff working in them.</li> <li>• Conclude agreements with the host countries and ensure their implementation, particularly concerning the provision of premises for United Nations system reform.</li> <li>• Take advantage of pilot projects conducted in the country offices to test operating models and arrangements for common premises.</li> <li>• Define the services that WFP can offer other United Nations organizations within the framework of reform and those from which it could benefit.</li> <li>• Ensure that WFP, particularly the country offices, have sufficient resources to implement the reform.</li> </ul>	<ul style="list-style-type: none"> <li>• Adapt the WFP real estate portfolio to the objectives pursued in each country.</li> <li>• Increase efficiency and innovation in relation to facilities management.</li> <li>• Limit the environmental impact of the WFP real estate portfolio.</li> <li>• Address the increase in emergency situations and ways of supporting the field operations.</li> <li>• Rationalize and organize as well as possible the support provided in the field.</li> <li>• Make savings in management of the real estate portfolio and related services that can then be reinvested in programmes on the ground.</li> <li>• Share at least 50 percent of premises by 2021.</li> <li>• Have a strategy for common operating arrangements by 2021.</li> </ul>	<ul style="list-style-type: none"> <li>• Perform the function of leader of the logistics module. Play a leading role in United Nations system reform with regard to common premises.</li> <li>• Improve the coordination, transparency and effectiveness of development activities carried out in the field.</li> <li>• Enable countries to achieve their Sustainable Development Goals.</li> <li>• Strengthen collaboration at the regional and subregional levels.</li> <li>• Strengthen inter-organizational collaboration and global initiatives.</li> </ul>
<b>Actions</b>	<b>Results</b>	<b>Intended impacts</b>

## **II. LIST OF RECOMMENDATIONS**

13. The recommendations are classified according to their level of priority:

- **Priority 1**, fundamental issue, requiring the immediate attention of management;
- **Priority 2**, less urgent control issue requiring management attention;
- **Priority 3**, an issue brought to the attention of management, pertaining to which controls could be improved.

14. In annex 1 to this report there is also a **list of actions** that, without requiring monitoring by the Executive Board, are suggested to the Secretariat.

<b>Area</b>	<b>Priority</b>	<b>Final recommendations</b>
Inventory	2	1. 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.
Inventory	1	2. 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.
Strategy	1	3. 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.
Strategy	3	4. 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.
Strategy	1	5. 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.
Day-to-day management	2	6. 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.
Day-to-day management	2	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.
Day-to-day management	2	8. The External Auditor recommends: a) including an environmental component from the start of each real estate project; b) speeding up the implementation of environmental management systems in the country offices; and c) implementing the analysis and classification of environmental risks recommended in the

Area	Priority	Final recommendations
		environmental policy, particularly for renovation and construction.
Day-to-day management	2	9. 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).
Adaptation of headquarters	1	10. 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.
Adaptation of headquarters	1	11. The External Auditor recommends compliance with fire safety standards through efforts to further reduce the number of workstations in the main building.
Adaptation of headquarters	3	12. 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.
Adaptation of headquarters	2	13. 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.
Adaptation of headquarters	1	14. 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.
Common premises	1	15. 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.

### **III. OBSERVATIONS AND RECOMMENDATIONS**

#### **1. The inventory of premises**

##### **1.1. The real estate portfolio**

15. The notion of real estate portfolio refers to all the buildings and land used by WFP, irrespective of the use. In 2019, WFP's real estate portfolio, as detailed in its Archibus database, consisted of 1,393 owned, rented or occupied properties. It has grown by almost half over the last 4 years (increasing by 43 percent between 2016 and 2019).

**Table 1: Change in the number of current WFP buildings<sup>3</sup> and plots of land between 2016 and 2019 (as at 31 December 2019)**

Type of office	2016	2017	2018	2019	Change 2016–2019
Country offices	105	112	124	126	20%
Guesthouses/residences	51	60	70	93	82%
Plots of land	183	193	198	201	10%
WFP offices (formerly "liaison offices")	13	14	14	14	8%
Other (specified in the Archibus notes)	28	33	41	62	121%
Other offices (field offices)	32	59	116	123	284%
Regional bureaux	8	9	13	13	63%
Suboffices (including area offices)	245	274	323	353	44%
Warehouses	296	320	383	398	34%
Workshops – garages	11	10	9	10	-9%
<b>Total</b>	<b>972</b>	<b>1 084</b>	<b>1 291</b>	<b>1 393</b>	<b>43%</b>

Source: External Auditor based on an Archibus extraction.

16. In 2019, 49 percent of the portfolio was made up of properties rented by WFP (688), 28 percent properties provided by the host governments (386) and 23 percent properties owned by WFP (319). Warehouses and suboffices account for the majority of buildings, with 398 (29 percent of the total) and 353 (25 percent of the total), respectively, in 2019.

<sup>3</sup> Only buildings actively in use at the end of the year were taken into account. This table does not include inactive buildings that correspond to premises that were only open for a fraction of the year in question.

17. According to Archibus, the average floor area per employee<sup>4</sup> is 19.9 square metres, but varies from 13.6 square metres for regional bureaux (excluding headquarters) to 20.4 square metres for country offices, 20.7 square metres for suboffices, 20.9 square metres at headquarters<sup>5</sup> and 23.2 square metres for WFP offices (liaison offices). The guideline for the average area per member of staff in the United Nations system is approximately 15 square metres.<sup>6</sup>

### 1.2. The database

18. Archibus is the management software, based on an internet platform, where information linked to the WFP building stock is gathered. This information includes:

- the geographical location of the buildings;
- the type of management (in-kind donation, rental, property of WFP);
- the status of the buildings (current or inactive);
- the floor area of the buildings. However, this information is not compulsory and is therefore not systematically entered in Archibus;
- any sharing of premises with other United Nations organizations;
- the details of the contracts, particularly costs and income.

19. Archibus serves to both record the data regarding the real estate portfolio and to gather the necessary information to prepare the annual financial statements and ensure compliance with the applicable accounting standards:<sup>7</sup>

- International Public Sector Accounting Standard (IPSAS) 13, which requires short-, medium- and long-term commitments relating to real estate leases to be included in the financial statements;<sup>8</sup>
- IPSAS 23, on revenue from non-exchange transactions, including in-kind donations of immovable property.<sup>9</sup>

### 1.3. The focal points

20. In each office (country office, WFP office, regional bureau), one member of staff assumes the role of facilities management focal point, for a total of more than 300 persons.

21. The tasks entrusted to the focal points include monitoring and updating in Archibus information about the land and premises used by the offices. These updates are compulsory for the information mentioned in paragraph 18, above, with the exception of floor area

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<sup>4</sup> 2018 figures.

<sup>5</sup> In 2019, the ratio was 20.3 square metres per workstation at headquarters (across all four buildings: 37,437 square metres for 1,845 workstations). If the numerator is restricted to gross office area, the ratio goes down to 13.9 square metres (25,635 square metres for 1,845 workstations).

<sup>6</sup> WFP headquarters is in the process of examining its own office space standards. In 2016, the United Nations Task Team on Common Premises (TTCP), an inter-agency group of four United Nations organizations (United Nations Development Programme, the United Nations Population Fund, WFP and the United Nations Children's Fund) responsible for supporting the creation of United Nations houses and common premises around the world, approved the use of the space use standards derived from the renovation of the United Nations Secretariat building in New York. Those standards are currently recommended worldwide for the United Nations system.

<sup>7</sup> The information needed for note 2.7 of the 2019 financial statements regarding *property, plant and equipment* is gathered in the Global Equipment Management System (GEMS).

<sup>8</sup> Note 8.1.1 to the 2019 financial statements.

<sup>9</sup> Note 3.2 to the 2019 financial statements.

22. There is room for improvement in the focal point training and information processes. The Archibus user manual,<sup>10</sup> written in 2012, is not systematically provided to new focal points. In addition, an online workspace, where certain documents – including the user guide and procedure documents – and frequently asked questions could be found, ceased to be available more than a year ago.

23. The field audits have shown that, in several cases,<sup>11</sup> the focal points did not have a full grasp of certain rules regarding recording information in Archibus due to a poor understanding of the meaning of the terms used in the tool. For example, in the WFP Kenya country office, the distinction between current premises<sup>12</sup> and inactive premises, or whether certain buildings should be recorded as grouped or separate,<sup>13</sup> was not entirely understood.

24. Added to these difficulties of understanding regarding database entries is the complexity of the raw data obtained from Archibus. Restatements must be made in order to have an accurate picture of the real estate portfolio. A few duplications were observed in some of the files presented to the auditors.<sup>14</sup>

25. Given the relative complexity of Archibus and the numerous data entry possibilities, it is necessary to **strengthen the tools** provided to the focal points. It seems necessary to update the user guide, which was initially written when WFP first began using Archibus, as well as to provide a detailed glossary of the terms used in Archibus and to create a shared workspace. The Archibus manual is due to be updated by MSD.

**Recommendation 1. 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.**

#### 1.4. Updates

26. Each quarter the Facilities Management Branch (MSDI, former RMMI) sends an email to remind the focal points to update the Archibus database. The checks carried out by the focal points are not detailed in quarterly reports. At the end of each year, headquarters contacts the regional bureaux and country offices, via the country focal point, to obtain the end-of-year data in accordance with IPSAS, which are essential for preparing the financial statements. The end-of-year data are verified by MSDI and the Corporate Finance Division (FIN, former RMF). In particular, the verifications check for consistency with the previous years.

<sup>10</sup> Archibus. Lease Management Manual – v1.08 – 2012-08-22.

<sup>11</sup> WFP Kenya office and Dakar Regional Bureau (building recorded as not being shared, when it was in a shared building).

<sup>12</sup> When a property is no longer used but remains available or is in the process of being transferred, the field teams considered it “inactive”, while the headquarters definition of inactive buildings is limited to those whose use has ceased (kept for traceability purposes).

<sup>13</sup> One building record is used for one permanent building or multiple identical prefabs/rubb halls (temporary buildings). Yet in the database for Kenya, for example, several complexes were recorded under a single building (the Dadaab suboffice KEN-DAD-B007 was recorded under KECO 33, the Dadaab guesthouse KEN-DAD-B008 was recorded under KECO 34, and the Kakuma suboffice and guesthouse KEN-KAK-B001 were recorded under KECO 18 and the Kenya country office KEN-NAIB005, which comprises several blocks, was recorded under the building KECO 15, etc.).

<sup>14</sup> In a small proportion of cases, buildings were recorded in different categories in the course of a given year (for example, as both in-kind donations and rentals), leading to duplications in the data extractions for the year.

27. The field audits revealed that the data concerning the real estate portfolio had not been updated or were inaccurate, which reveals failings in the internal control procedures:

- For 99 sites, contributions in kind were still valued at the flat rate of one United States dollar (USD) or not assigned a value, whereas the applicable accounting standards recommend recording them at their fair value.<sup>15</sup> WFP plans to commission an appraiser selected jointly with the United Nations Population Fund in 2020 and to undertake a valuation every five years thereafter.
- Archibus enables users (the focal points) to receive alerts reminding them of the lease renewal dates. However, these alerts often arrive too late (90, 60 and 30 days before the end of the lease) to properly anticipate the change or renewal of the lease. MSD is in the process of developing a new functionality to allow reminders to be sent ten months before expiry of the lease.
- In two of the eight country offices and regional bureaux visited in 2019, the information about the financial contributions agreed by the host countries was inaccurate. The Regional Bureau in Bangkok has received USD 118,800 a year since 2015, rather than the other amounts indicated in Archibus,<sup>16</sup> and the WFP office in Côte d'Ivoire receives a financial contribution from the Government for rent reimbursements (USD 115,224 a year, with the last sum being paid in March 2019), yet no subsidy income is reported for this country in Archibus.
- In half of the eight offices, even though they are optional fields to complete as they do not appear in the financial statements, inaccurate data were recorded in Archibus in respect of declared floor area (Mali, Democratic People's Republic of Korea and Kenya country offices<sup>17</sup>) and staff numbers (Dakar Regional Bureau).
- In several cases, incorrect building statuses were reported in the database: building recorded as not being shared when it was (Dakar Regional Bureau); buildings recorded as current when they were no longer in use (Kenya); buildings reported as owned by WFP, then reclassified as leased.

28. **Internal control** must be strengthened in order to ensure as far as possible the correctness of entered data, with senior management becoming more involved in data verification as the first line of defense and the facilities management focal point of the regional bureau as the second line of defense.

**Recommendation 2. 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.**

### 1.5. Optional entries

<sup>15</sup> IPSAS 23, paragraph 97.

<sup>16</sup> See table 5: USD 99,778 (2016), USD 108,271 (2017), USD 108,271 (2018), USD 117,581 (2019).

<sup>17</sup> The total difference between the list provided by the Kenya country office and the Archibus list, excluding warehouses, was 11,840 square metres.

29. In order to avoid the blocking of entries when the focal point does not have certain information, and thus ensuring that the information needed to prepare the financial statements is properly entered, certain data are not compulsory in Archibus. Optional fields include the floor area of the buildings and the number of employees on the premises. Consequently, the data entered concerning floor area and staff numbers are incomplete.

30. Across all WFP premises, 85 percent of floor area data were provided in 2018, which was lower than the previous years (88 percent and 90 percent respectively for 2017 and 2016).

31. The data for the floor areas of 322 out of 384 current warehouses were provided in 2018, equating to 84 percent of cases. Those 322 warehouses represent a total floor area of 1.2 million square metres, or an average of 3,727 square metres per warehouse. Two comments can be made concerning these data:

- the figures are in square metres and not cubic metres, which does not give an indication of the exact size of the warehouses or their storage capacity;
- it is not easy to match the data concerning quantities stored, from the Logistics Execution Support System (LESS) application, with the Archibus data, as the warehouse identifiers are different.

32. Moreover, in 2018 the number of employees was only indicated in the database for 41 percent of WFP (non-field) buildings, which was slightly higher than in 2016.

33. While these data are optional, this is an area where WFP has untapped **potential to gather information** that it could be worthwhile developing in order to enable more precise management of its real estate portfolio.

Possible action by the Secretariat – Information available In order to make Archibus a more precise and ambitious space management tool, set a quantitative target to be reached in terms of the information to be recorded on floor areas, volumes and number of staff in each building.

## **2. The real estate strategy**

34. In order to examine the quality of the real estate strategy and its adaptation to the needs of WFP, the audit focused on three main areas: planning infrastructure and anticipating needs; the choice between purchase and renting; the balance between the local level and the higher levels when making strategic choices.

### **2.1. Infrastructure planning and the anticipation of needs**

35. Changes in the area of real estate are slow as they require a lot of work to implement, especially in cases where WFP owns premises rather than renting them. The slowness of such adaptations requires an effort to anticipate needs, particularly due to the significant increase in the number of employees and the volume of activity, as well as the geographical diversification of operations.

36. Indeed, the number of WFP employees has increased by more than a quarter (28.4 percent) in the space of five years. This growth in recruitment is even more marked at headquarters.

**Table 2: Change in the number of WFP employees**

	2014	2015	2016	2017	2018	2019	Variation (%)
Headquarters	1 503	1 608	1 686	1 758	1 865	2 024	34.7
Total	14 634	15 233	15 625	16 226	17 043	18 784	28.4

Source: External Auditor, based on data as at 31 December 2019 provided by the Human Resources Division.

### 2.1.1. Headquarters

37. Over a five-year period (2014–2019), the number of staff at headquarters rose by nearly 35 percent, from 1,503 to 2,024,<sup>18</sup> at a growth rate of almost 7 percent a year. This rise has accelerated over the last two years, with a 15 percent increase. If a rate of 7 percent a year continues, which is likely but not certain given that the financing of WFP relies on voluntary contributions, there will be approximately 2,840 staff at headquarters by the end of 2024,<sup>19</sup> which would require the creation of more than 800 new jobs over five years.

38. Despite the Executive Director's decision of May 2019<sup>20</sup> to cap the number of staff in Rome at the level reached at that time, the headcount has continued to grow since then. At the time of the audit, it was too soon to form an opinion on the effectiveness of that decision.

39. The inevitable uncertainties faced by an organization working principally in humanitarian emergencies and financed exclusively by voluntary contributions represent a difficulty for WFP when making medium- or long-term staffing projections. WFP anticipates, although without certainty, that its overall growth and the growth of its field operations will continue but lacks precise figures, which complicates the task of estimating support staff needs.

40. In order to deal with the growth in staff, in February 2018 WFP began a process that involves developing unassigned workstations, encouraging remote working and refurbishing a new building (the so-called “Samsung” building), which is due to be delivered in 2021 (see part 4).

41. Two years later, at the time of the audit, this process is already insufficient. Indeed, unless additional changes are made to how workstations are assigned, the current headquarters buildings will not have sufficient capacity to cope with the increase in the number of employees.

42. At the end of 2019, 2,024 employees were registered at headquarters compared with 1,845<sup>21</sup> workstations (including additional premises), meaning that 179 employees work at shared workstations, 30 of which are on floor 3G of the main building, following a reorganization of working arrangements (see part 4).

<sup>18</sup> Source: Human Resources Division as at 31 December 2019.

<sup>19</sup>  $2024 \times 1.07^5$ .

<sup>20</sup> According to an email of the Assistant Executive Director, Resource Management Department and Chief Financial Officer dated 31 May 2019. Human Resources Division figure as at 31 May 2019: 1,953 employees; figure as at 31 December 2019: 2,024 employees.

<sup>21</sup> The main building currently has 1,490 workstations and the additional premises provide a supplementary capacity of 355 workstations (157 workstations in the Nokia building, 176 in the Le Torri building, 22 in the FAO building).

43. Considering that the maximum theoretical capacity of the main building is 1,375 workstations, given that it currently has 1,490 workstations, it is over-occupied by 115 workstations.

44. With the addition of the Samsung building, whose configuration is adapted to flexible working and will offer 370 workstations for 420 staff, the theoretical capacity of the headquarters buildings will be 2,100 workstations, including additional buildings and flexible arrangements,<sup>22</sup> giving a capacity of 2,180<sup>23</sup> employees. If the number of staff continues to grow at 7 percent, the new capacity will already have been almost fully absorbed by the end of 2020, when the estimated headcount will be 2,166.

45. The lessons learned from the experience with flexible workspaces and remote working,<sup>24</sup> as well as the rise in headquarters staff, should be taken into account in order to determine the most suitable approach. WFP must adopt a **long-term strategy** providing a range of combined measures (increased flexibility of work, relocations, new construction, moving to new premises) **according to various scenarios of growth in the number of staff**. However, it should be noted that WFP is also dependent on decisions of the Italian Government, which is responsible for providing it with suitable premises in Italy.

**Recommendation 3. 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.**

#### 2.1.2. The country offices

46. The difficulty of correctly anticipating needs, given the high sensitivity of WFP activities to circumstances and funding, is also notable in the field. The sample of offices audited in 2019 showed that duration and location were more variable for suboffices. However, that does not warrant the field offices, starting with the country offices located in the capitals, being exempt from planning their real estate strategies and assessing their needs, considering that WFP has been present in 78 countries for more than 20 years.

47. The observations made in the field, such as at the Senegal country office, suggest that the offices need more guidance or even supervision when it comes to assessing their needs. This observation informed a recommendation in a later section of the report (see recommendation 5).

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<sup>22</sup> It has also been assumed that by the end of 2020 the main building will have been brought in line with the standard (1,375 workstations).

<sup>23</sup> 2,100 + 30 (3G) + 50 (Samsung). This figure rises to 2,329 staff if the 149 employees who currently share an office in a space that has not been specifically set up for workstation sharing are integrated.

<sup>24</sup> See part 4.2.

### **The WFP Senegal office – Lack of foresight in the real estate strategy**

The Senegal country office moved to a new main building in 2009 due to the increase in its staff and the configuration of the old building that did not allow for open-plan offices. Shortly after setting up in the district of Almadies in Dakar, but already short of space, between November 2010 and April 2011, the office built an annex, at its own expense, without considering requesting a financial contribution from the Senegalese Government, as provided for in Article 4.7 of the WFP Financial Regulations, or even moving to new premises. The decision to build a permanent structure rather than a prefabricated building, on land not owned by the country office, without informing headquarters, and then building an additional floor to house a canteen, did not sufficiently take into account the conjunctural nature of the drought crisis in the Sahel and the armed conflicts in Casamance. Since 2014, the country office has seen its staff decrease to the point that it no longer uses the bottom part of the annex and now hosts a team from the regional bureau in its main building. Moreover, the canteen has not been functioning since November 2018 and its space is only rarely used for meetings.

In 2017, WFP reorganized its network of suboffices, closing its suboffices in Kaolack (opened in 2013), Ziguinchor (opened in 2008) and Tambacounda (opened in 2013) and opening the Kolda suboffice to cover the southern part of the country. Even though the government should have provided WFP with a building and the United Nations Children's Fund was moving from Ziguinchor to Kolda at the same time, WFP chose to rent another unshared building at its own expense. Concerning the Kaolack suboffice, the considerable work carried out by WFP to make the building functional (at a cost of USD 126,998) and its strategic location caused the country office to carefully consider what should become of it. Consequently, WFP continued to pay the running costs for this suboffice between its relocation in September 2017 and occupation of the premises by the Emergency Nutrition Coordination Unit in April 2019. WFP is keeping these premises with a view to opening an antenna office in Kaolack in the future if it has the necessary financial resources.

This situation highlights how difficult it is for WFP to adopt a long-term real estate approach, since its suboffices are dependent on the evolution of the situations on the ground.

#### 2.1.3. The use of guesthouses

48. The strategy regarding living accommodation provided by WFP to its employees and, consequently, the housing stock for residents and staff on mission, also illustrates the need for planning.

49. For example, in South Sudan (where there are 1,200 WFP staff and more than 300 humanitarian organizations) the country office is classified as “non-family” and the capital Juba is subject to a curfew. WFP has a vast compound on the edge of the city, of which it is the sole occupant. Accommodation (406 beds in June 2019) within the compound is only provided for international professional staff, but not for consultants (even international), who must arrange their own accommodation outside of the compound while complying with the restrictions imposed by the United Nations Department for Safety and Security (UNDSS) (districts, standards, approved hotels).

50. The objectives of the guesthouse strategy need to be clarified, particularly with regard to whether it aims to provide a last resort solution or rather the possibility of lodging for deployed staff, encouraging them to live within the WFP compound as a security measure.

51. Since 2019, the Humanitarian Booking Hub has enabled the humanitarian community to access 240 guesthouses of eight United Nations organizations. The platform has made it possible to increase the revenue generated by WFP guesthouses from staff of other organizations (40 percent of clients and 26 percent of revenue in the first half of 2019). However, that poses the question of the client strategy, sizing and the intended role of the WFP guesthouses.

**Possible action by the Secretariat – Guesthouses – Clarify the guesthouse strategy in terms of intended clientele and sizing.**

## 2.2. Choosing between purchase and rental

### 2.2.1. The purchase option

52. In principle, the guidelines concerning real estate should be integrated into the administrative services manual, which is currently being developed. The main recommendations in this draft document concerning the choice between purchasing and renting state that purchasing offices is “the least recommended option” (Article 4.1.3.5) and that decisions must be taken based on an assessment that considers the financial impact throughout the relevant time period.

53. However, there are no specific guidelines establishing the criteria for choosing between purchasing and renting.

54. Several arguments weigh against purchasing premises: uncertainty about the duration of crises makes it necessary to maintain a degree of mobility, especially as many sites (see part 3) are provided to WFP by host countries. Furthermore, donors respond most readily to emergency situations and could misinterpret the purchasing of premises as WFP wishing to establish a long-term presence.

55. However, it could be worth WFP reconsidering the principle that purchasing offices is the least recommended option in the specific case of long-term country offices (which account for the majority of current offices) when the host country does not provide the necessary support. It is also worth remembering that WFP withdraws from a country when there is an improvement in the situation, which is generally accompanied by an improvement in the property resale market.

**Recommendation 4. 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.**

### 2.2.2. The construction option

56. Although WFP purchases and invests less than it rents, it does nonetheless undertake some major construction and renovation projects.

57. Over the last three years, it has carried out or participated in 14 projects with a value of more than USD 500,000, many of which are still under way, such as phase 2 of the Kabul project, for a cost of USD 5 to 6 million, or the planned project in Uganda for USD 4.7 million.

58. The Capital Budgeting Facility (CBF) was created in 2015.<sup>25</sup> This financial instrument has a ceiling of USD 28 million and offers interest-free loans to offices that undertake major real estate works. It was explained in a circular dated 24 July 2019.<sup>26</sup>

59. Since the creation of the CBF, ten operations have benefited from loans granted for three calls for projects.<sup>27</sup> A quarterly report on the use of facility funds is produced.

60. Following the completion of projects some country offices have been late in repaying their loans to the CBF. The Djibouti office finished repaying its loan in 2019, two years late, and the Mali office must propose a new repayment schedule.

Possible action by the Secretariat – Capital Budgeting Facility – Examine the loan repayment schedules and then, where necessary, invite the country offices to more strictly respect the repayment commitments made pursuant to the directive on the Capital Budgeting Facility.

### 2.3. The balance between the local level and the higher levels making strategic choices

#### 2.3.1. The principles of decentralization and subsidiarity

61. The principles of decentralization and subsidiarity, which characterize the work of WFP and were reiterated in February 2019,<sup>28</sup> give country directors broad decision making authority, which also applies to real estate matters.

62. The Goods and Services Procurement Manual<sup>29</sup> (Articles 11.5 and 11.8) sets out certain guidelines concerning real estate choices:

- entities considering construction projects must call upon the expertise of the headquarters engineering unit (WFP Engineering); this consultation obligation was extended to all purchases, leases and other real estate projects by a directive of 2015,<sup>30</sup> although this extension is not reflected in the manual.
- entities considering entering into leases must first explore the possibility of sharing premises with other United Nations entities and then be able to justify the choice made following a market analysis. The reasons for the choice and the assessment of the acceptability of the amount of rent being charged must be analysed with WFP Procurement; WFP Security must validate the choice; the Facilities Management Branch must review the business case. The analysis report must be forwarded to the competent purchase contracts committee.

63. Furthermore, the country offices may only make payments up to the delegation of authority threshold, which is USD 500,000 for country directors for the procurement of goods and services, unless there is a waiver<sup>31</sup> or specific framework in place.

<sup>25</sup> Circular OED2015/007 of 5 March 2015.

<sup>26</sup> Circular OED2019/002 of 24 July 2019, Responsible Asset Management at WFP.

<sup>27</sup> Source: Capital Budgeting Facility 2019 third quarter report.

<sup>28</sup> Terms of reference for WFP Headquarters and Regional Bureaux, February 2019.

<sup>29</sup> Goods and Services Procurement Manual, online version, updated on 14 February 2020, <https://gsprocurement.manuals.wfp.org/en/11-contractual-instruments/#overview>.

<sup>30</sup> Directive RM2015/004, section 23, "Directors and Heads of Offices shall consult with, and seek technical direction in relation to the suitability of lands, facility or building to be occupied as a place of work, or as living accommodation, before acquisition by lease, purchase or otherwise".

<sup>31</sup> Thresholds defined in circular OED2018/006.

64. However, the general principle with regard to strategic real estate choices remains that, subject to the delegation of authority ceilings for procurement, the country offices concerned have the power of initiative and decision making power with regard to real estate. The obligation to consult headquarters, whether for a lease agreement, relocation, construction or purchase, is not always respected. In this respect, the Procurement Manual does not take into account all the responsibilities of WFP Engineering, according to the Directive of 2015. Furthermore, although MSD is called upon to “review” the business cases referred to it by the offices, it should be noted that the term “review” is less imperative than a term like “validate”.

### 2.3.2. Intervention of higher levels

65. As a systematic monitoring system was not put in place until September 2019, MSDI was not required to keep a record of consultations requested by the offices until that date.

66. According to the data gathered through a non-exhaustive search (mainly of emails) and thorough monitoring since September for 2019, MSDI was consulted at least 89 times by teams in 53 countries.

67. The regional bureaux are also frequently consulted by the country offices for support with their real estate strategies.<sup>32</sup> This optional consultation is left to the discretion of the country offices.

68. Given the broad discretion left to country directors, the division of roles between the country offices, regional bureaux and headquarters may give rise to questions, particularly concerning the regional bureaux.

69. According to the Terms of Reference for Headquarters and Regional Bureaux,<sup>33</sup> the regional bureaux have three main responsibilities in relation to the country offices: strategic direction and guidance, technical support; and supervision of management.

70. The scope of the first pillar, on strategic direction and guidance, needs to be specified in the area of real estate. The Terms of Reference for Headquarters and Regional Bureaux state that the principles of subsidiarity and decentralization are the rule and that the regional bureaux may provide support to the country offices if needed.

71. Thus, the absence of prior authorization by the regional bureaux is in line with the principles of decentralization and subsidiarity, which are the cornerstones of WFP governance. However, it seems that the strategic direction and guidance function should involve, as a minimum, consultation of and feeding back to the regional bureaux on strategic decisions taken by the country offices.

72. Major decisions concerning real estate, such as the purchase or leasing of premises in the capitals, a relocation or a large renovation, often have an impact on the functioning of teams for years after those who make those decisions have left. Seeking an opinion from a higher level, including the regional bureau, even for projects whose value does not exceed the delegation of authority threshold, could limit the risk of decisions that have a long-term impact being taken from a short-term perspective.

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<sup>32</sup> Collaboration with the Regional Bureau in Dakar for the work carried out in Mali or for the refurbishment of the premises in the Gambia (December 2018) and for the fitting out of containers in the Central African Republic; collaboration of the WFP Philippines office with the Regional Bureau in Bangkok for its relocation and the corresponding works, etc.

<sup>33</sup> Terms of reference for Headquarters and Regional Bureaux, February 2019. Directive of 18 January 2018 (OED2018/006) “Delegation of Authority (DoA) for Procurement and Contracting in Supply Chain Functions”. Goods and Services Procurement, page 6, <https://docs.wfp.org/api/documents/WFP-0000104514/download/>.

**Recommendation 5. 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.**

### **3. Day-to-day and financial management of premises**

73. Oversight of day-to-day facilities management could be strengthened on several fronts: operating expenditure is not monitored at a global level; the applicable instructions and texts are sometimes outdated; there is no formal monitoring of agreements with the host countries; and implementation of environmental systems is still limited.

#### **3.1. Identification of facilities management costs**

74. The net value of the buildings<sup>34</sup> in the assets of WFP's balance sheet was USD 80.4 million as at 31 December 2019. Leased properties, which make up the majority of the buildings, are all treated as operating leases and therefore do not appear on the balance sheet.

75. The facilities management costs taken into account in this report are the purchase or rental costs, renovation, maintenance and upkeep expenses, and operating costs directly linked to premises such as utilities (water, electricity, etc.), insurance and security. An analysis undertaken jointly with FIN identified 17 accounts that fall strictly within this definition.

76. The evaluation of the overall facilities management cost must take into account in-kind contributions from host countries. While these contributions are not expenses borne by WFP, they do constitute facilities management costs used by WFP. These costs/contributions are normally recorded (as expenditure and income) at their market value.

77. To evaluate the facilities management costs for each country, it is necessary to aggregate the accounting data in WINGS and the data in Archibus, which contains information about in-kind contributions, although the quality of the data on in-kind contributions from host countries cannot always be assured. Some accounts that do not directly correspond to facilities management expenses must be excluded from the analysis. There is currently no global financial view of facilities management costs at either the country level or the organization level.

**Recommendation 6. 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.**

Possible action by the Secretariat – Traceability of in-kind contributions – Improve the traceability of in-kind contributions by keeping geographical origin (business area) information when transferring details from Archibus to WINGS.

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<sup>34</sup> Permanent buildings (USD 36.9 million), temporary buildings (USD 28.4 million) and fitting out of leased premises (USD 15.1 million). Source: Note 2.7 to the WFP 2019 financial statements.

### 3.2. Change in facilities management costs

**Table 3: Change in the main WFP facilities management costs (USD)**

Costs	2016	2017	2018	Change 2016–2018	2019	Change 2016–2019
Amortization	15 666 343	16 218 994	16 210 059	3.47%	17 149 998	9.47%
Renovations and maintenance <sup>35</sup>	5 850 056	4 311 206	7 230 654	23.60%	4 330 216	-25.98%
Rental	36 138 308	34 477 773	42 551 462	17.75%	52 690 032	45.80%
Utilities and services (excluding security)	14 721 682	14 298 813	14 716 194	-0.04%	18 694 715	26.99%
Security	24 016 404	22 109 633	28 233 459	17.56%	32 086 818	33.60%
In-kind contributions	10 131 710	9 720 177	10 436 351	3.01%	12 578 808	24.15%
<b>Overall total</b>	<b>106 524 503</b>	<b>101 136 596</b>	<b>119 378 179</b>	<b>12.07%</b>	<b>137 530 587</b>	<b>29.11 %</b>

Source: External Auditor and WFP (WINGS, Archibus for in-kind contributions), see annex 3.

78. The real estate operating costs are rising, with a minimum overall estimate of USD 137.5 million in 2019 compared with USD 106.5 million in 2016, which is an increase of 29 percent in three years.

79. At the same time, total WFP expenditure increased by 41.8 percent in three years.<sup>36</sup> The rise in real estate operating costs is therefore fairly contained considering the increase in WFP's overall activity. This expenditure accounts for less than 2 percent of all of WFP expenses.

80. The most notable changes in costs between 2016 and 2019 concern the rental of premises shared with other United Nations entities<sup>37</sup> (rising from USD 3.4 million to USD 7 million, a 107 percent increase) and security (up from USD 24 million to USD 32 million, or an increase of 34 percent). According to the figures recorded in WINGS, the cost of renovations (Office Renovation account) increased from USD 5.6 million in 2016 to USD 10.1 million in 2019.<sup>38</sup> Furthermore, headquarters accounted for USD 12.5 million of renovation expenditure between 2016 and 2019.

<sup>35</sup> Renovations and maintenance: includes renovations (GL 7053000), routine maintenance (GL 7051000) and exceptional maintenance (7052000) (see annex 3). In 2019, the cost of renovations (USD 10.1 million) and routine maintenance (USD 0.3 million) was offset by the negative balance of exceptional maintenance (-USD 6.1 million, linked to capitalizations in Bangladesh, the Sudan, South Sudan and Uganda). This amount should be considered with caution as the General Accounts Branch (FING) has reported an error in the use of the exceptional maintenance account and indicates that corrections will be made to the 2019 figure.

<sup>36</sup> From USD 5.36 billion in 2016 to USD 7.61 billion in 2019.

<sup>37</sup> WINGS GL 7002000 UN Common Premises Rental. See annex 3.

<sup>38</sup> Major renovation operations were undertaken in Uganda, Somalia, the Sudan and South Sudan in 2018, costing a total of USD 2.6 million, and in Yemen, the Sudan and South Sudan in 2019 for USD 4 million.

81. Ordinary maintenance costs (excluding headquarters) are particularly low, at less than USD 300,000 a year.<sup>39</sup> The modesty of this sum raises questions about the scope of the account. It could reflect a strategy of the organization that favours investing in renovations when taking on new premises overpaying regular maintenance expenses.<sup>40</sup>

Possible action by the Secretariat – Maintenance costs – Examine the level of ordinary, preventive and ongoing maintenance with a view to strengthening it if it is found to be insufficient.

### 3.3. The supporting framework for facilities management

#### 3.3.1. Instructions on facilities management

82. In the absence of directives or circulars specific to the area of real estate, it is the administrative services manual that provides the guidelines on facilities management. The existing document consists of just two up-to-date chapters that are accessible on the intranet, concerning asset management and emergency preparedness, respectively. A complete overhaul of the manual is currently under way. The WFP Facilities module of this revised manual now sets out good practices and interactions between the country offices, regional bureaux and headquarters support.

83. As there is no specific documentation, the services and country offices refer to the general provisions of WFP circulars and directives published since 1995 that address the overall management of assets, without distinguishing between real estate and other assets. Where necessary, particularly when they are more than ten years old, the directives and circulars should be updated.<sup>41</sup>

**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.**

#### 3.3.2. Engineering support

84. The headquarters engineering unit (WFP Engineering) is a team of eight people. The intervention of this technical team in support of the country offices is defined in a circular of 2014<sup>42</sup> and a directive from 2015.<sup>43</sup> WFP Engineering unit is responsible for normative and technical direction for any engineering team and any construction activity in the broad sense,

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<sup>39</sup> WINGS GL 7051000 Ordinary Premises Maintenance (USD 289,660 in 2019). Ordinary premises maintenance is understood as all activities intended to keep the physical plant in a state of repair that ensures the continuity of the activity. WFP indicated that the figure for ordinary maintenance in WINGS only covered the field offices and that the figure for headquarters was higher and recorded under other accounts such as 7054000 (cleaning) and 705300 (renovation). MSD has also indicated that the country offices needed to be more closely guided on how to enter their expenses, so that they can correctly distinguish between cleaning, ordinary maintenance, extraordinary maintenance and renovation.

<sup>40</sup> This strategy is confirmed by country office observations that maintenance is relegated to a very secondary level of priority (as in the case of the Cotabato suboffice in the Philippines).

<sup>41</sup> In particular, the directives MS 1997/008/003 or OMM2008/001.

<sup>42</sup> Circular OED2014/015.

<sup>43</sup> Directive RM2015/004 (Engineering Services and Construction Activities in WFP, 17 September 2015), section 9 “normative and technical direction in all matters of engineering services and construction activities”.

including renovations and refurbishments. The country offices must consult this team prior to proceeding with any purchase, rental or other real estate project to seek its expert opinion regarding the suitability of the plot or building.

85. The practice of the headquarters team providing expert support to the country offices is being developed. It is not possible to obtain a comprehensive picture of this given **the absence of an annual report**, which MSD should prepare in accordance with paragraph 46<sup>44</sup> of directive RM2015/004. MSD has undertaken to remedy this situation by producing a report for 2019 in 2020.

Possible action by the Secretariat – Expert support report – Prepare the annual report on the expert engineering support provided, in accordance with directive RM2015/004.

### 3.4. Management of guesthouses

86. In the first half of 2019, the 75 WFP guesthouses (1,159 beds) in 18 countries generated more than USD 2 million with an average occupancy rate of 44 percent.<sup>45</sup> Ten countries accounted for 93 percent of the total capacity, and the greatest capacity was in South Sudan (406 beds). An online booking test at the guesthouse in Juba, South Sudan, via the Humanitarian Booking Hub, revealed the lack of a booking number or contact person details for obtaining further information and modifying or cancelling a booking. The customer experience could be improved by providing access to feedback left by previous guests, by showing availability in terms of dates and capacity, and by providing for the tracking of bookings.

Possible action by the Secretariat – Guesthouse bookings – Improve online follow-up of bookings made via the Humanitarian Booking Hub by providing a contact person to answer questions, particularly regarding the status of bookings and cancellation procedures.

### 3.5. Environmental management

#### 3.5.1. Completeness of the information collected

87. In 2014, the audit firm WSP Parsons Brinckerhoff, which specializes in carbon footprints, validated WFP's environmental data collection process and the compliance of those data with the international Greenhouse Gas (GHG) Protocol.

88. In addition to energy and fuel consumption, and the greenhouse gas emissions generated,<sup>46</sup> Archibus contains information about water and waste management. The database of environmental improvement actions, put in place with the aim of improving the environment, is in the process of being integrated into Archibus in order to identify measures adopted and enable better monitoring.

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<sup>44</sup> In the interests of transparency and accountability, the Director of the Management Services Division is consulting the Director of the Budget and Programming Division with a view to introducing procedures to record partial cost recovery transactions and submit each year a report on those transactions to the Assistant Executive Director of the Resource Management Department and Chief Financial Officer.

<sup>45</sup> The lowest occupancy rates are observed in Algeria (4 percent), Chad (26 percent), Afghanistan (26 percent) and Bangladesh (28 percent), while the highest occupancy rates (over 70 percent) are found in Nigeria, Yemen and Mozambique.

<sup>46</sup> The United Nations system (GHG Protocol) has a minimum agreed common boundary for its greenhouse gas emissions inventory.

89. MSD considers that through its key performance indicators, notably the global environmental sustainability indicator of the 2019–2020 performance plan, all country offices are submitting the information needed to assess greenhouse gas emissions. Consequently, it concludes that all the buildings that emit greenhouse gases are assessed.

90. Data regarding the energy consumption of the buildings have been recorded in Archibus since 2008 in the environmental and risk management module. The corresponding greenhouse gas emissions are obtained in Archibus by applying a conversion factor specific to the energy source and country in question. Three energy consumption categories are distinguished:<sup>47</sup> category 1 (fuel oil, petrol, air conditioning), category 2 (purchased electricity), category 3 (commercial flights, public transport, aviation).

91. MSD also incorporates into Archibus the data from the management software for the vehicle fleet (FleetWave), air travel (TakeFlight) and invoices for work-related travel (WINGS II). Standard operating procedures precisely detail the steps to follow.

92. The number of sites that provide data on their energy consumption and the corresponding greenhouse gas emissions has risen steadily. The extractions available from Archibus covered the following categories in 2018: category 1 (819 buildings with regard to air conditioning and 613 with regard to fuel) and category 2 (901 buildings<sup>48</sup> with regard to the purchase of electricity). In principle, these extractions (validation reports) only mention the buildings using these sources of energy, which explains the different number of buildings in each extraction. For administrative reasons (single invoice, for example), some of these buildings are registered as having zero energy consumption. As these entries have no impact on the emissions generated, MSD is working to eliminate them as superfluous.

93. Grouping the buildings together, building energy supply covered 1,323 buildings in 2018. Despite the clarifications regarding the data inputting procedures that were sent to the focal points, contradictory entries are still being observed<sup>49</sup> and could be resolved by introducing conditional entries in Archibus.

94. These data are satisfactory in terms of the scope of the buildings covered, but reveal a discrepancy between the number of buildings in the environmental module in Archibus and in the inventory of premises and leases (Real Estate Portfolio Management).<sup>50</sup> With regard to any publication of environmental data, a harmonization process must be undertaken.

**Possible action by the Secretariat – Completeness of the Archibus data – Ensure that the buildings listed in the Environmental and Risk Management module are consistent with the buildings listed in the Real Estate Portfolio Management module.**

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<sup>47</sup> “WFP reports GHG emissions from all its global operations, according to the ‘Operational Control’ approach, as defined in the GHG Protocol Corporate Accounting and Reporting Standard, Revised Edition, 2004 (page 18)” (greeningtheblue.org).

<sup>48</sup> After removing buildings mentioned several times but keeping buildings that state they do not use this source of energy but are present in the file.

<sup>49</sup> Some buildings indicate for example that they have no electricity consumption but enter a non-zero value and vice versa. These administrative errors do not have a significant impact on the emissions reported (+/- 0.67 percent).

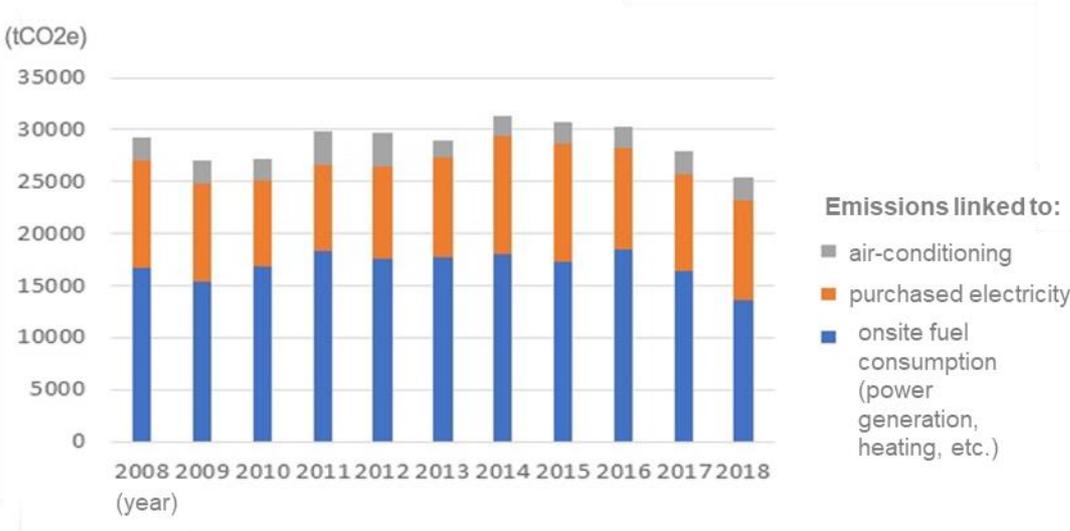
<sup>50</sup> Figures for 2018 (Real Estate Portfolio Management): 1,093 current buildings (excluding plots of land, see table 1); a total of 1,381 buildings including plots of land and inactive buildings.

95. Ratios of CO<sup>2</sup> emissions per kWh (Kilowatt-hour) of electricity purchased (category 2) below 0.05 kilogram of CO<sup>2</sup> per kWh were observed for nine countries.<sup>51</sup> Purchased electricity emission factors are determined nationally or sub-nationally, sometimes by supplier, depending on the range of energy production sources in the country. For instance, low emission factors are often due to the use of hydroelectric or nuclear energy. For now, Archibus specifies the origin of certain supplies of purchased electricity in the column “unit of electricity consumption” (certified renewable energy: kWh (RECS); photovoltaic solar energy: kWh (PV solar); purchased heating energy: kWh (purchased heat)). This effort could be completed with the development of more detailed notes on the source of electricity production when the ratio is low.

3.5.2. Change in greenhouse gas emissions from the real estate portfolio

96. Emissions due to energy consumption are presented below, as entered in Archibus.

**Figure 1: Change in greenhouse gas emissions from the WFP real estate portfolio (tCO<sub>2</sub>e)**



Source: External Auditor, based on data from Archibus.

97. The information entered in Archibus is fed into WFP's global report on GHG emissions, which is accessible in Analytics.<sup>52</sup> In 2018, WFP's real estate portfolio generated 25,469 tCO<sub>2</sub>e of emissions<sup>53</sup> (considering purchased electricity, on-site fuel combustion and air conditioning).

98. Overall consumption of purchased electricity (excluding electricity generated internally by generators running on fuel) was 30 TWh.<sup>54</sup>

99. In 2018, the real estate portfolio accounted for 10 percent of the organization's greenhouse gas emissions, compared with 37 percent in 2013, a result of the very large increase in emissions linked to aviation from 2014. The emissions of the real estate portfolio have also decreased in absolute terms (down 13 percent since 2008) despite the growth in the number of staff and buildings.

<sup>51</sup> Tajikistan, Namibia, Kyrgyzstan, Switzerland, Zambia, Nepal, Mozambique, Ethiopia, Democratic Republic of the Congo.

<sup>52</sup> <https://analytics.wfp.org/#/views/WFPGHGInventory/GlobalSummary?iid=2>

<sup>53</sup> Purchased electricity: 9,632 tCO<sub>2</sub>e; on-site fuel consumption: 13,631 tCO<sub>2</sub>e; AC equipment: 2,206 tCO<sub>2</sub>e.

<sup>54</sup> Terawatt-hour.

100. In 2018, a third of sites reported zero electricity consumption since they did not purchase electricity externally (category 2). Indeed, those sites operate either with an electric generator powered by fuel oil (included in category 1) or do not consume any electricity due to their nature (such as certain warehouses).

101. The renewable energy supply rate is also entered, distinguishing between solar panels and the contracted supply of green electricity. In 2018, this figure was 17 percent for the buildings that purchased electricity externally (category 2).<sup>55</sup> The main headquarters building uses externally purchased electricity from a certified renewable source.

### 3.5.3. Use of environmental systems

102. Since 2012, WFP has been implementing a greenhouse gas emissions reduction strategy based on an Energy Efficiency Programme (EEP).<sup>56</sup> In addition, in 2017 WFP strengthened its environmental policy (WFP/EB.1/2017/4-B), which integrates the use of existing financing mechanisms, such as the EEP, to effectively address environmental risks and opportunities.

103. WFP's environmental policy is based on three tools: basic environmental standards; a process for screening and categorizing environmental risks; and the deployment of an environmental management system (EMS). The state of implementation of the environmental policy is included in the WFP annual performance report presented to the Executive Board. A progress meeting to inform the Board on the state of implementation of the environmental policy was held in October 2018.

104. The tasks of providing guidance on and implementing WFP's environmental policy fall to two units (Environmental Unit/MSDI and Climate and Disaster Risk Reduction Unit (PRO-C)/Programme). The Environmental Unit (in MSDI) covers functional areas beyond the real estate portfolio alone (vehicles, waste, procurement, travel, IT, logistics, etc.). It also plays a support role for the country offices and other (non-programme) teams at headquarters on environmental management issues, which it performs through its consultation service (global helpdesk/advice line<sup>57</sup>).

105. Each country has an advisor for environmental issues, who ensures correct reporting in Archibus in order to give a true and fair view of the GHG footprint of WFP and its buildings.

106. The Environmental Unit has developed a performance indicator to monitor implementation of the environmental policy in relation to real estate. Its target for the implementation, in the field, of environmental management systems has risen from one country office in 2018 to 13 in 2019, then 20 by the end of 2020. In actual fact, only six EMSs had been developed by the end of 2019. The 12 environmental projects (EEP) submitted by five countries to request financing from the CBF for a loan of USD 2.26 million were ultimately cancelled due to their loss of "viability"<sup>58</sup> (closure of the offices concerned, poor budgeting estimates). New sites are currently being studied.

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<sup>55</sup> This category does not cover buildings whose electricity is generated on site (diesel generator).

<sup>56</sup> Directive COO2012/002 WFP Energy Efficiency Programme, 22 November 2012.

<sup>57</sup> One of the key performance indicators of the MSD annual performance plan is the number of responses provided via this line.

<sup>58</sup> ITAROM0031RP0104 – 2019 Q3 Report on CBF Projects and Account.

107. The deployment of the EMSs requires significant human resources. It requires an initial mission that may last for up to three weeks, followed by one or two follow-up missions. Remote support and advice are also provided. In addition to the Environmental Unit at headquarters, four members of staff are currently being recruited to bolster the action of headquarters and roll out this policy from four regional bureaux in 2020.

108. Support for small environmental efficiency projects thanks to funds from the Energy Efficiency Programme, is promising. Between 2015 and 2018, 48 micro-projects concerning 61 sites received total funding of USD 1.6 million (less than USD 26,000 per site) to carry out small environmental actions such as the installation of solar panels, the use of LED lamps and the introduction of more efficient air-conditioning equipment. Eighteen projects across more than 29 sites have been completed at a lower cost than estimated.

109. WFP has undertaken several actions at headquarters to improve control of the consumption of utilities and energy: replacing light bulbs, fitting timers, removing individual photocopiers, eliminating paper at Executive Board meetings and organizing shuttle services to limit the use of individual cars.

Possible action by the Secretariat – Environmental management – Increase the number of small, effective and inexpensive environmental actions, with ad hoc support from headquarters and the regional bureaux and financing from the WFP Energy Efficiency Programme (EEP).

110. With regard to constructions or renovations, the tool for screening and categorizing environmental risks is not systematically used,<sup>59</sup> contrary to the instructions in book 1 of the Construction Manual, the administrative services manual and the environmental policy.

111. An EMS deployment strategy, combined with the current enlargement of the scope of the data entered in Archibus, would make it possible to better link the advice provided by the Environmental Unit with the changes actually made at the local level and their results.

**Recommendation 8. The External Auditor recommends: a) including an environmental component from the start of each real estate project; b) speeding up the implementation of environmental management systems in the country offices; and c) implementing the analysis and classification of environmental risks recommended in the environmental policy, particularly for renovation and construction.**

### 3.6. Host country contributions

#### 3.6.1. Agreements with host countries

112. WFP has concluded 135 basic agreements with countries relating to its activities. Fourteen concerned countries where it does not carry out operations (regional bureau, cooperation agreement). Thirty-nine others are obsolete, particularly when WFP no longer has any activities in a country (Albania and North Macedonia, for example).

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<sup>59</sup> According to the Environmental Unit, "this requirement is often cut, due to budget or time restrictions. The Environmental Unit and PRO-C are working with Engineering to strengthen the use of environmental screening and categorization, as mandated by the Environmental Policy."

113. WFP's activity is currently based on 82 agreements in force in the countries where it operates. The majority of them are old and rarely updated; 52 percent were signed more than 40 years ago and only 11 percent have been revised. Headquarters agreements are maintained by the Legal Office. MSD considers that its remit does not include the monitoring of revisions, amendments, annexes or negotiations concerning these agreements, even if they contain provisions pertaining to real estate.

### 3.6.2. Host country contributions to costs

114. Host countries can contribute<sup>60</sup> to the operating costs of the country offices and regional bureaux either in kind, by providing premises or land, or through financial contributions. In Archibus, these two types of contributions are indicated by the cost types "in-kind donation" and "subsidy income", respectively. Between 2016 and 2019, the valuation of these contributions in Archibus rose by 22.7 percent, from USD 17.4 million to USD 21.3 million. However, this growth primarily stems from the move to re-evaluate contributions at their market value, to gradually replace contributions valued at the flat rate of USD 1.

**Table 4: Contributions in kind and financial contributions from host countries (USD)**

Contributions	2016	2017	2018	2019
In-kind contributions	10 131 709.90	9 720 177.47	10 436 351.00	12 578 808.32
Subsidy income	7 263 534.52	6 956 591.62	7 926 516.28	8 768 629.31
<b>Total</b>	<b>17 395 244.42</b>	<b>16 676 769.09</b>	<b>18 362 867.28</b>	<b>21 347 437.63</b>

Source: External Auditor, based on data from Archibus.

115. The following table shows that host countries contributing to the rental costs of WFP sites is the exception. According to the Archibus data, over the last four years, only six host countries made a regular financial contribution to the rental payments of the organization's office in their country.<sup>61</sup>

**Table 5: Financial contributions of host countries to WFP for local operating costs (USD)**

Country	2016	2017	2018	2019
France	40 757.99	44 538.20	42 764.78	42 764.78
India	45 180.72	47 110.55	47 110.55	47 110.55
Islamic Republic of Iran	22 008.76	4 791.00		
Italy	6 659 387.73	6 394 184.49	7 370 673.57	8 160 027.90
Panama	321 421.00	177 696.66	177 696.66	221 145.46
United Republic of Tanzania	75 000.00	180 000.00	180 000.00	180 000.00
Thailand	99 778.32	108 270.72	108 270.72	117 580.62
<b>Total</b>	<b>7 263 534.52</b>	<b>6 956 591.62</b>	<b>7 926 516.28</b>	<b>8 768 629.31</b>

Source: External Auditor, based on data from Archibus.

<sup>60</sup> Article 4.7 of the WFP Financial Regulations: "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. On the recommendation of the Executive Director, the Board may exempt specific countries from this Regulation."

<sup>61</sup> Bearing in mind the reservations expressed above concerning Archibus, these data should be viewed with caution.

116. Unlike financial contributions, in-kind contributions in the form of providing land or premises are a widespread practice. Between 2016 and 2018, 72 countries made in-kind contributions by providing one or more sites. This support may involve the provision of empty premises or include services (water, electricity, security, etc.).

117. WFP is responsible for assessing the market value of these in-kind contributions and entering them in its accounts (see part 1). In practice, some contributions are valued at a symbolic flat rate. The number of properties made available to WFP that have been valued at a flat rate remains high: 107 in 2016, 85 in 2017 and 99 in 2018 (by which year only flat-rate valuations of USD 1 remained). These flat-rate valuations concern 29 country offices and one regional bureau (Panama Regional Bureau).

118. MSD has indicated that from now to the end of 2020 a company under contract would evaluate the market value of contributions currently valued at a flat rate. The awarding of the corresponding contract has been under consideration since the first half of 2018.

**Recommendation 9. 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).**

119. To evaluate the extent to which a host country contributes to facilities management costs, it is necessary to add the operating costs identified in the accounts to the value of the sites provided to WFP and listed in Archibus. Globally, host countries contributed USD 21.3 million in 2019, while facilities management costs were evaluated at USD 137.5 million, giving an average coverage rate of 15.6 percent. This rate varies greatly from one country to another. It is 46 percent for headquarters, where the contribution of the Italian Government is USD 8.2 million, or 38 percent of the contributions of all host countries to WFP's facilities management costs (see annex 4).

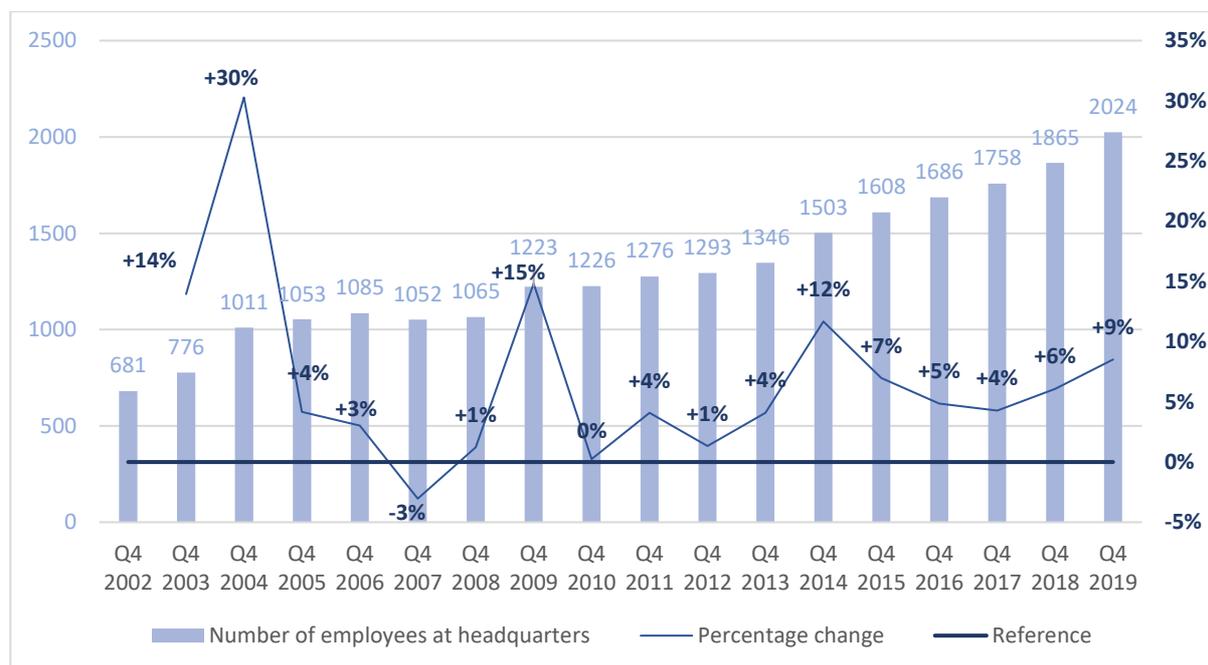
- the proportion of host country contributions is highest (30 percent on average in 2019) for small sites whose annual facilities management costs are below USD 0.5 million (54 of 105 countries in 2019);
- some countries making major contributions to WFP's budget do not contribute to the operating costs of WFP buildings in their territories.

Possible action by the Secretariat – Host country contributions – Regularly monitor the contribution level of host countries and, local context permitting, take actions to increase it if it is not in line with the country's income level.

#### **4. The headquarters extension and renovation project**

120. With headquarters staff having grown by 35 percent in five years, WFP has carried out several projects focused on expansion (with premises provided by the host government), innovative ways of using its premises and flexible working arrangements.

**Figure 2: Change in the number of staff in the four headquarters buildings and the staff growth rate (2002–2019)**



Source: External Auditor, based on data provided by WFP (MSDI).

#### 4.1. The characteristics of the expansion

##### 4.1.1. Extensions driven by staff numbers

121. To cope with the steady increase in staff numbers, WFP has expanded the main building and rented additional office space. At the end of 2019, the headquarters teams were distributed across four buildings, of which three are located in the same district (the exception being the FAO building):

- the current main building, on Via Cesare Giulio Viola, made up of four blocks and annexes (auditorium, Aula Delegatis meeting rooms, childcare centre, the building that formerly housed the supplies store, pharmacy, car park), has been leased from a private company since 1997 and the current lease runs until 2022. Occupation of the building by WFP has been progressive. The construction of new spaces has made additional square metres available to the organization:
- three partial floors of the Nokia building on Via Carlo Veneziani I, occupied since 2013;
- block A of the Le Torri building on Via Cesare Giulio Viola, leased since late 2018 for six years;
- two small areas in the FAO building, occupied since 2018.

122. The expansion into the various spaces has followed the exponential growth in WFP staff. Thus, temporary solutions like the Nokia building have had to be extended.

123. The management of headquarters premises is determined by several constraints, including:

- the need for physical proximity to facilitate interaction between teams;
- personal and political desires to remain close to the epicentre of decision making;
- the need for buildings with spaces that are sufficiently large to serve as common areas (meeting rooms, living/food service areas, etc.);
- safety requirements that call for large investments.

124. As an illustration of the influence of staff management constraints, despite the signing of a memorandum of understanding with FAO on 26 July 2018 only 210 square metres of space on the first floor of the FAO building, accommodating 22 posts, was finally retained by WFP in June 2019. That space is currently occupied by the inter-agency team of the Business Innovation Group.<sup>62</sup>

125. Even though pressure on the staff in the headquarters building caused by the shortage of space is increasing, fire safety standards make it necessary to reduce the over-occupancy of the main building and the rent is particularly attractive, **this choice raises questions.** Moreover, FAO and WFP have overlapping fields of activity as both organizations are involved in issues linked to agriculture, as well as possible interactions and partnerships. However, MSD indicated that it had already approached FAO but the proposed spaces were not suitable for WFP's needs and would require substantial investment.<sup>63</sup>

**Recommendation 10. 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.**

#### 4.1.2. Disparate arrangements

126. At the end of 2019, four spaces accommodated 1,845 posts over an area of 37,437 square metres.

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<sup>62</sup> It was initially envisaged that the supply chain teams and support staff would also be based there.

<sup>63</sup> WFP in effect turned down the space on the ground floor (113 square metres) in June 2019, choosing to only accommodate 22 staff on the first floor. The teams have encountered difficulties in interacting and working remotely with the main building, which is compounded by the fact that the space is a little run-down and less ergonomic than the main building.

**Table 6: Buildings and ratios as at December 2019 (USD)**

Name of the building	Use	Rental cost (USD <sup>64</sup> )	Cost of other services included in the lease	Number of workstations	Total leased area (m <sup>2</sup> ) <sup>65</sup>	Office space area (m <sup>2</sup> )	Office space area/workstations (m <sup>2</sup> )	Rental cost/m <sup>2</sup>	Rental cost/workstation
Main headquarters building	Exclusively WFP building	6 404 444	-	1 490	32 602	20 880	14	196	4 298
St Martin's car park – 280 spaces	Car park	277 778	-						
Nokia building (3 floors + 30 parking spaces)	Building shared with non-United Nations entities	435 573	190 749 (utilities and maintenance)	157	1 325	n/a	8.4	329	2 774
FAO space	Building shared with another United Nations agency	63 391	-	22	210	n/a	9	302	2 881
Le Torri – A	Exclusively WFP building	755 556	77 778	176	3 300	3 220	18.6	229	4 367
Samsung (planned for 2021)	Under construction – Exclusively WFP building	1 377 778	-	370	7 314	4 944	13.3	188	3 724

Source: External Auditor, based on data provided by WFP (MSDI on 24 March 2020).

127. The total rental cost for the 1,845 workstations<sup>66</sup> is USD 7.9 million. Eventually, once the Samsung building is rented, the total rental budget will be more than USD 9.3 million for 2,215 workstations.

128. The headquarters agreement (article II, sections 3 (a) and (b)) stipulates that the Italian Government will reimburse WFP the rental costs for its premises, and finance expenses for the supply of furniture and equipment, including internal communication materials, simultaneous interpretation and telecommunications as well as the alteration and restructuring of premises, as was the case in 1997.<sup>67</sup> Day-to-day management and ordinary maintenance costs are borne by WFP.

<sup>64</sup> Conversion rate from 25 April 2019 applied: €1 = USD 1.1111.

<sup>65</sup> The total leased floor area for the main headquarters building and the Samsung building includes primary spaces, secondary spaces (underground storage, records storage, vehicle parking, etc.) and plant rooms (heating, electricity). For the Nokia, Le Torri and FAO buildings, it only includes the primary spaces, sometimes excluding circulation spaces and toilets. The buildings vary in their layout, architectural structure and space for shared facilities. The ratios are therefore provided for information only.

<sup>66</sup> Excluding maintenance, utilities, cleaning and portering.

<sup>67</sup> In 1997, following the intervention of the Italian Government, the owner covered the cost of all the works on the main building, which were valued at 4.5 billion lire.

129. As a result of successive extensions in line with the growing needs, the headquarters buildings are rather heterogeneous, whether in terms of average floor area per workstation (from 9 square metres to 21 square metres), rental cost (excluding service charges) per square metre (from USD 196 per square metre for the main building to USD 329 per square metre for the Nokia building) or rental cost per workstation (from USD 2,593 in the FAO building to USD 4,367 in the Le Torri building).

#### 4.1.3. Medium-term priorities

130. The medium-term challenge consists of ensuring the availability of enough workstations, taking into account security and fire safety standards.

##### a. A new space with an ambitious target of 2021: the Samsung building

131. For reasons of proximity to the central headquarters building and safety requirements as well as the capacity offered, the Samsung building, which had stood empty for several years, seemed to be the most appropriate choice. It has six floors and a rooftop terrace. The building is due to be refurbished with flexible workstations providing space for 420 staff. This building will be connected to the main building, integrating it into the security perimeter. That will enable the security post to monitor the whole site.

132. Studies are under way to identify the teams that could move. MSDI awaits a clear decision from senior management on that subject.

133. From the signing of the agreement on 12 September 2019 the owner<sup>68</sup> has 15 months and 10 days in which to complete the rehabilitation work; therefore, the agreed delivery date is 22 December 2020. Although precise costings have not been provided, the work to be carried out by the owner is estimated at USD 10 million to USD 11 million.<sup>69</sup> Even though the contract between the owner and the renovation contractors was signed on 18 November 2019, the work did not commence until January 2020.

134. In accordance with the agreement, WFP must pay a security deposit equivalent to six months' rent at the start of the work and then a further six months' rent upon the effective commencement of the lease, when WFP moves into the premises. In the event of a delay in delivery late delivery interest,<sup>70</sup> the amount of which increases exponentially as the delay increases, is capped at USD 1.3 million,<sup>71</sup> which corresponds to a delivery delay of six and a half months (200 days), it being understood that late delivery interest becomes due upon just a single day's delay. If it has not been possible for WFP to move into the premises within six months after the planned lease start date (22 June 2021), it may withdraw from the project.

135. The project deadlines are particularly ambitious and the obligations imposed on the owner limited. Given that half of the security deposit – USD 682,806 – has already been paid,<sup>72</sup> the owner could use those funds to pay the late delivery interest up to that amount. That corresponds to half of the maximum amount of late delivery interest and will be reached on the 110<sup>th</sup> day of delay in delivery of the project (approximately four months), according to the daily calculation formula for said interest.

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<sup>68</sup> A management company that manages pension funds for Italian engineers and architects (Fabrica).

<sup>69</sup> €9 million–€10 million at the exchange rate of 12 September 2019 (€1 = USD 1.1013).

<sup>70</sup> The amount is specified in the Work Regulations, Annex 2.1 of the agreement.

<sup>71</sup> €1.2 million at the exchange rate of 12 September 2019 (€1 = USD 1.1013).

<sup>72</sup> €20,000 at the exchange rate of 12 September 2019 (€1 = USD 1.1013).

Possible action by the Secretariat – Adaptation of headquarters – Continually monitor the Samsung building adaptation work and prepare a progress report so that the particularly ambitious deadlines can be met and, in parallel, continue to look for other rental premises to deal with staff growth.

b. Compliance with security and safety obligations

136. With regard to the security perimeter, access control and electronic surveillance, headquarters is subject to significant constraints. The rehabilitation of the security control post cost USD 2.0 million.<sup>73</sup> Headquarters security staff spending has increased significantly in recent years (rising from USD 0.35 million to USD 1.88 million between 2016 and 2019, a 440 percent increase).

137. In a report of March 2018 on security at WFP,<sup>74</sup> the Inspector General issued an observation on the need for compliance with fire safety regulations and security standards.

138. This report indicates that over-occupancy of the main headquarters building had direct impacts on fire safety. While the extinguishers are correctly positioned and training is carried out, first aid is twenty minutes away. Consequently, WFP must continue to reduce the number of workstations and provide training to ensure the effective evacuation of personnel in case of emergency.

139. According to the fire safety standards, a maximum capacity of 1,375 workstations is permitted since on some floors (such as 1Y (the wellbeing unit), 1G (the library) and 6G (the executive offices)), organizational constraints prevent the full capacity from being used.

140. Regarding assessments, it should be underlined that only the seismic survey has been carried out. It highlights that the four headquarters buildings are exposed to “very high seismic vulnerability”.<sup>75</sup>

**Recommendation 11. The External Auditor recommends compliance with fire safety standards through efforts to further reduce the number of workstations in the main building.**

#### 4.2. Alternative ways of working

141. In parallel to the expansions, WFP is making innovative adaptations to promote flexible working: flexitime, remote working and co-working spaces.

##### 4.2.1. Experiments with co-working spaces

142. WFP has made one wing of one of the floors of the main building (space 3G) a flexible workspace pilot project. This was largely inspired by the work carried out in 2018 at United Nations headquarters in New York.

<sup>73</sup> €1.8 million at the exchange rate of 25 April 2019 (€1 = USD 1.1137).

<sup>74</sup> Internal Audit of WFP Headquarters Security, Office of the Inspector General (AR/18/04, March 2018).

<sup>75</sup> Seismic Assessment of the buildings of WFP-Rome HQ – Executive Summary – December 2017.

143. Staff members do not have fixed desks but can reserve workstations online several days in advance, depending on the organizational requirements of their work. The new set-up includes innovative shared working spaces (soundproofed rooms, reading rooms, lockers) and state-of-the-art information technology tools.

144. Thus, 30 percent of the desks have been removed and now there are 75 open, non-assigned workstations for the 105 staff based in that wing.

145. A satisfaction survey was carried out in May 2019, six months into the experiment. Eighty percent of respondents evaluated this experience positively (30 percent) or very positively (50 percent). Moreover, 70 percent of staff of the divisions work from home one day a week. That said, only 60 percent of users completed the survey.

146. It would be useful to conduct another survey to measure the satisfaction rate after more than a year, especially given that staff numbers are continuing to rise. In addition, the difference in productivity between the two ways of working (fixed offices and flexible workspaces) needs to be assessed.

**Recommendation 12. 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.**

147. This experiment inspired the future flexible configuration of the Samsung building. Instead of 422 conventional fixed workstations, the plans provide for 370 flexible workstations for 420 staff.

#### 4.2.2. Increasing remote working

148. Remote working has been increased at WFP headquarters but is left to the discretion of each division.

149. Besides optimizing space, the main advantage of remote working and flexible workspaces is the reduction in the cost-per-employee (floor area of premises, electricity, heating, equipment, travel). For staff, remote working allows them to organize their work in different ways owing to the elimination of commuting time. However, there are risks of isolation or lack of productivity. In order to maintain teamwork, the management of floor 3G specifies one day when all staff meet.

150. Although WFP has not strictly planned the reduction of the number of workstations, it has established a formal remote and flexible working policy in accordance with chapter III of the Human Resources Manual, framed by a directive of 2 September 2009 and two information memoranda.<sup>76</sup>

**Recommendation 13. 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.**

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<sup>76</sup> Information Memorandum of 15 November 2019: "Rest and Recuperation and Flexible Working Arrangements"; Memorandum of 20 June 2019: "Extension of Temporary Changes to the Telecommuting Policy for HQ".

#### 4.3. Development of a long-term vision

151. The Italian Government has identified a building from the 1930s, the former Forlanini sanatorium, in Rome's Monteverde district, which would be able to accommodate WFP headquarters staff and those of several other United Nations bodies (including IFAD). The building, which is currently disused, offers a floor area of 100,000 square metres (three times the floor area currently occupied by WFP headquarters). It includes numerous storage and circulation spaces.

152. The full draft memorandum of understanding provides for the allocation of €3.8 million by the Italian Government for feasibility studies. The studies, to be arranged by WFP, would take a year and a half to complete and would include surveys (seismic, environmental) and an assessment of the impact of operating costs not covered by the Italian Government. Given that a project of this type could lead to a significant increase in such costs, WFP will need to negotiate a contribution to the operating expenses from the Italian Government if needed.

153. If this project is approved, the completion timeframe is estimated at approximately ten years, involving considerable work to adapt the premises, which were originally designed to serve as a hospital.

154. The site is more centrally located than WFP's current offices and, in addition to WFP, could accommodate one or more other organizations. Were it to prove viable, this option would therefore contribute to achieving the United Nations' objective of grouping the services of its various entities in the same place as much as possible. However, the refurbishment would require considerable long-term work.

**Recommendation 14. 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.**

#### 5. Implementation of United Nations system common premises reform

155. United Nations General Assembly resolution 72/279 of 31 May 2018 approves the establishment of common back-office services and common premises for the organizations of the United Nations. This reform includes the target of having at least 50 percent common premises by 2021. "Common premises" refers to any United Nations office that accommodates the staff of at least two entities of the system.

156. There is, however, a nuance in the text, which specifies that this should be done "where appropriate".

## 5.1. WFP reaction to the reform

### 5.1.1. The current situation

157. The strict definition of United Nations common premises requires the manual adjustment of data so that it can be reflected in the relevant accounts. It refers to offices (regional bureaux, country offices, WFP liaison offices, suboffices, other offices) that are shared by at least two United Nations agencies in the course of a given year. Buildings recorded as inactive in Archibus are therefore taken into account because they have been used at some point during the year. Buildings recorded together under a single contract or site must be entered separately in order to enable the analysis. Some rented workstations do not fall within this definition.

158. Taking these criteria into account, from 2016 to 2019 the number of shared offices rose from 139 to 177 (a 27 percent increase).

159. However, the 177 shared offices in 2019 accounted for less than 25 percent of WFP premises, well below the target of 50 percent. While the total number of current and inactive WFP offices increased by 33 percent between 2016 and 2019, shared offices as a proportion of the total offices fell from 25.5 percent to 24.3 percent.

**Table 7: Proportion of offices shared with at least one other United Nations entity**

	2016	2017	2018	2019
Number of offices (current and inactive offices, after manual adjustments)	546	604	682	727
Number of offices shared with at least one other United Nations entity	139	126	170	177
<b>Proportion of offices shared</b>	<b>25%</b>	<b>21%</b>	<b>25%</b>	<b>24%<sup>77</sup></b>

Source: External Auditor, based on data from Archibus.

160. In 2019, of the 177 offices shared with other United Nations agencies, 104 were suboffices (59 percent) and 44 were country offices (25 percent), the two categories accounting for 84 percent of shared offices but only 76 percent of all offices.

161. While the United Nations definition of common premises is limited to offices, WFP's effort also concerns other types of assets such as guesthouses. Warehouses and workshops, however, do not easily lend themselves to inter-agency sharing due to their location, which is strictly determined by operational requirements.

162. The figure regarding the number of shared premises should be interpreted with caution:

- a hosting arrangement indicated as temporary on the FAO premises in Angola is counted as one unit. The WFP office in the Democratic People's Republic of Korea, which is not considered to be shared, is actually in a complex reserved for the six United Nations entities, even though the buildings are separate;

<sup>77</sup> For 2019, the proportion of current offices reported as being shared with another United Nations entity was 24.1 percent, before manual adjustments. This proportion is 23.6 percent of all current and inactive shared offices, before manual adjustments. Consequently, we accept the validity of the magnitude of the figures provided by MSD.

- as the definition of common premises does not require a minimum number of workstations or staff, any degree of sharing allows a site to be recorded as shared; at headquarters in Rome, for example, only the 22 positions in the FAO building are in shared space. That is correctly registered in Archibus;
- the databases used by the various entities (particularly UNDSS and WFP) are varied.

163. In any case, the current rate of co-location would suggest that the **target set by the Secretary-General of the United Nations will not be achieved by the planned date.**

#### 5.1.2. Barriers to co-location

164. MSD considers that office sharing should be the norm provided that it fulfils the intended objectives.<sup>78</sup> Thus, WFP authorizes exceptions according to three criteria:

- security: a major hub could become a more attractive target<sup>79</sup> for attacks;
- operational context: WFP works within logistical constraints that are specific to it (the need for proximity to ports, warehouses, partners, etc.) and must maintain flexibility with regard to its premises, given fluctuations in the funding and scope of its missions;
- financial viability: co-location could, depending on the case, generate savings or additional costs (security, planning, relocation, specific renovations, shared services, operating costs payable by WFP even when the local government continues to pay the rent).

165. The objective of having agencies share common premises is not suitable for all situations. It must be assessed according to each specific case, depending on the possible synergies, cost-benefit analyses and the availability of real estate on the market.

166. However, it may also be the case that certain opportunities are missed. The visits to a sample of field offices in 2019 show that the question of opportunity is essential. WFP must be able to cancel an existing lease quickly when opportunities for available space arise. That calls for better forward planning:

- the Philippines country office did not know how to seize the opportunity to join the United Nations House from July 2018, firstly due to the refusal of the country director even though WFP was part of the special working group tasked with studying the common premises project, and then due to a lack of available space. Although the office did move premises nonetheless in 2019, in order to save money, the new rent is still significantly higher than the rent at the United Nations House (USD 160,000/year, excluding the amortization of the relocation costs);

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<sup>78</sup> “The primary objectives for establishing a Common Premises is to achieve greater utility of available resources: Cost efficiency through reduction of operational costs, Effective utilization of shared resources, Enhanced security, Unified presence at the national and sub-national level”. [https://unsdg.un.org/2030-agenda/business-operations\\_](https://unsdg.un.org/2030-agenda/business-operations_)

<sup>79</sup> This argument was made by the WFP Senegal office to justify moving the Kolda suboffice to unshared premises in 2017 even though the United Nations Children's Fund was also moving its suboffice at the same time.

- the Bangkok Regional Bureau must take care not to let pass the opportunity to join the complex of the United Nations Economic and Social Commission for Asia and the Pacific (ESCAP), whose current expansion work will only make it possible to accommodate one additional entity in 2022, even though numerous institutions are interested. Were it possible to move to the ESCAP site, the bureau's annual rent, including charges, would fall from USD 475,542 to USD 396,000. The regional bureau must prepare by conducting an analysis of the advantages and disadvantages of that relocation without delay.

#### **The project for a shared United Nations house in Diamniadio, Senegal**

The Senegalese Government has commenced a major urban development project providing for the construction of a new administrative district, some 40 kilometres from the centre of Dakar, with a view to easing congestion in the capital. As part of this project, it has begun the construction, on its own initiative and at its own expense, of a complex of buildings intended for all the United Nations entities present in the country. It has promised to accommodate them free of charge, leaving them to pay only their operating costs, but will not reimburse their rent if they refuse to participate. The regional bureau and the country office are participating in the working groups preparing the operation, and the director of the country office is chairing the technical group. The regional bureau expressed concern about the accessibility of the future premises given the limited facilities (shops, restaurants, schools) and their distance from the districts recommended for staff recruited under the international plan to live in, in terms of security and comfort. The operating costs of the new complex might also be higher than current costs, particularly for security, although precise costings have yet to be produced.

167. While WFP has well accepted the idea of co-location in principle and has established the three criteria authorizing exceptions (security, operational context and financial viability), it nonetheless seems necessary to undertake a review, at least once every six months, of co-location opportunities in order to better anticipate them and improve communication with country offices, inviting them to systematically study this option, particularly when planning a relocation.

**Recommendation 15. 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.**

## 5.2. WFP and the inter-agency approach for common premises

### 5.2.1. Establishment of working groups, pilot projects and innovative tools

168. The objectives regarding common premises are reflected in the local business operations strategies of the institutions of the United Nations. This decision making framework, which is common to the various organizations, is intended to guide country offices in their strategic planning, helping them to determine how to achieve economies of scale, pool their purchasing and simplify their processes.

169. The Task Team on Common Premises and Facility Services (TTCPFS) is an inter-organization working group under the umbrella of the United Nations Sustainable Development Group Business Innovations Group (BIG).

170. BIG provides guidance and tools for determining which premises could be shared across the United Nations system and enabling informed decision making. The BIG project team selected six pilot countries from among those with the greatest potential for co-location, taking into account size and risk.

171. The TTCPFS is consulted by country offices that want guidance and advice – particularly on legal matters – about their particular situations. Its actions complement the substantive work carried out by the BIG.

#### 5.2.2. Conducting cost-benefit analyses

172. Based on cost-benefit analyses, WFP encourages its offices in the six pilot countries to identify premises that could accommodate other organizations in order to minimize the set up costs for new premises or optimize investments already made in already occupied premises.

##### a. A tool adopted at the United Nations system level

173. A cost-benefit analysis tool for setting up “United Nations Houses” or shared offices has been developed by the TTCPFS and put into practice during workshops. In 2019, a series of country workshops (particularly in Sri Lanka, Burundi and Kosovo,<sup>80</sup>), teleconferences and remote support actions for the pilot countries were carried out to identify opportunities for co-location of common premises and joint operations. As the workshops are held at the United Nations level and involve the majority of the United Nations entities present in each country, WFP is not always part of the study (as was the case in Kosovo).

174. The cost-benefit analyses are carried out according to the following method:

- review of the current situation of all premises in the country;
- review of possible options (co-location of certain entities in existing or new premises, depending on the contributions of the host government) taking into account various indicators: space available per person, initial investment including relocation and renovation costs depending on the space, number of staff assigned, timeframe for recouping costs incurred, operational savings over seven years, new proportion of common premises, impact on shared service costs, etc.;
- choice of an implementation plan, which often involves the study of additional information (state of the real estate market or the willingness of the government to provide premises).

175. These analyses highlight the benefits of co-location in financial and non-financial terms: optimization of space, development of synergies and potential for collaboration. However, some options lead to higher costs.

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<sup>80</sup> The references to Kosovo must be understood in the light of the provisions of Security Council resolution 1244 (1999).

b. How to broaden the scope of the studies

176. Several elements could complement the current perspective of the cost-benefit analyses:

- the principle of co-locating offices at the infra-national level must be reinforced and planned for in order to consider potential opportunities in advance. Suboffices are smaller than the offices in the capital cities and are more suited to co-location, particularly with regard to security and reciprocal support;
- the number of countries studied could be increased and a regular schedule for studying them could be established. So far, the consolidation planning by the BIG project team has been limited to six pilot countries in 2019 and the development of global guidelines in the first quarter of 2020;
- although the country office is best placed to conduct its studies owing to its familiarity with the context, the operations strategy allows for such analyses to be carried out at the local level, although not all countries are covered;
- the cost-benefit analyses largely focus on real estate and do not take into account gains that are likely to result from sharing support services (information systems, medical care, transport, or even finances or human resources) thanks to the sharing of premises, which would add to the savings from sharing other services (cleaning, maintenance, utilities, security, waste collection).

Possible action by the Secretariat – Common premises – Encourage the Task Team on Common Premises and Facility Services (TTCFSS) to expand its studies to a larger number of countries, making sure to systematically include the possibility of grouping together suboffices and to measure the gains likely to be derived from the sharing of administrative services facilitated by the sharing of premises.

#### **IV. ACKNOWLEDGEMENTS**

177. The audit team thanks the Management Services Division, which greatly contributed to this report, as well as to the field offices audited by the auditors, whose directors agreed to share their views and experiences.

*End of audit observations.*

## ANNEXES

### Annex 1: Possible actions by the Secretariat<sup>1</sup>

1. Information available – In order to make Archibus a more precise and ambitious space management tool, set a quantitative target for the information to be recorded on floor areas, volumes and number of staff in each building.
2. Guesthouses – Clarify the guesthouse strategy in terms of intended clientele and sizing.
3. Capital Budgeting Facility – Examine the loan repayment schedules and then, where necessary, invite the country offices to more strictly respect the repayment commitments made pursuant to the directive on the Capital Budgeting Facility.
4. Traceability of in-kind contributions – Improve the traceability of in-kind contributions by keeping the geographical origin (business area) information when transferring details from Archibus to WINGS.
5. Maintenance costs – Examine the level of ordinary, preventive and ongoing maintenance with a view to strengthening it if it is found to be insufficient.
6. Expert support report – Prepare the annual report on the expert engineering support provided, in accordance with directive RM2015/004.
7. Guesthouse bookings – Improve online follow-up of guesthouse bookings via the Humanitarian Booking Hub by providing a contact person to answer questions, particularly regarding the status of bookings and the cancellation procedure.
8. Completeness of the Archibus data – Ensure that the buildings listed in the Environmental and Risk Management module are consistent with the buildings registered in the Real Estate Portfolio Management module.
9. Environmental management – Increase the number of small, effective and inexpensive environmental actions, with ad hoc support from headquarters and the regional bureaux and financing from the WFP Energy Efficiency Programme (EEP).
10. Host country contributions – Regularly monitor the contribution level of host countries and, local context permitting, take actions to increase it if it is not in line with the country's income level.
11. Adaptation of headquarters – Continually monitor the Samsung building adaptation work and prepare a progress report so that the particularly ambitious deadlines can be met and, in parallel, continue to seek other rental premises to deal with staff growth.
12. Common premises – Encourage the Task Team on Common Premises and Facility Services (TTCFPS) to expand its studies to a larger number of countries, making sure to systematically include the possibility of grouping together suboffices and to measure the gains likely to be derived from the sharing of administrative services facilitated by the sharing of premises.

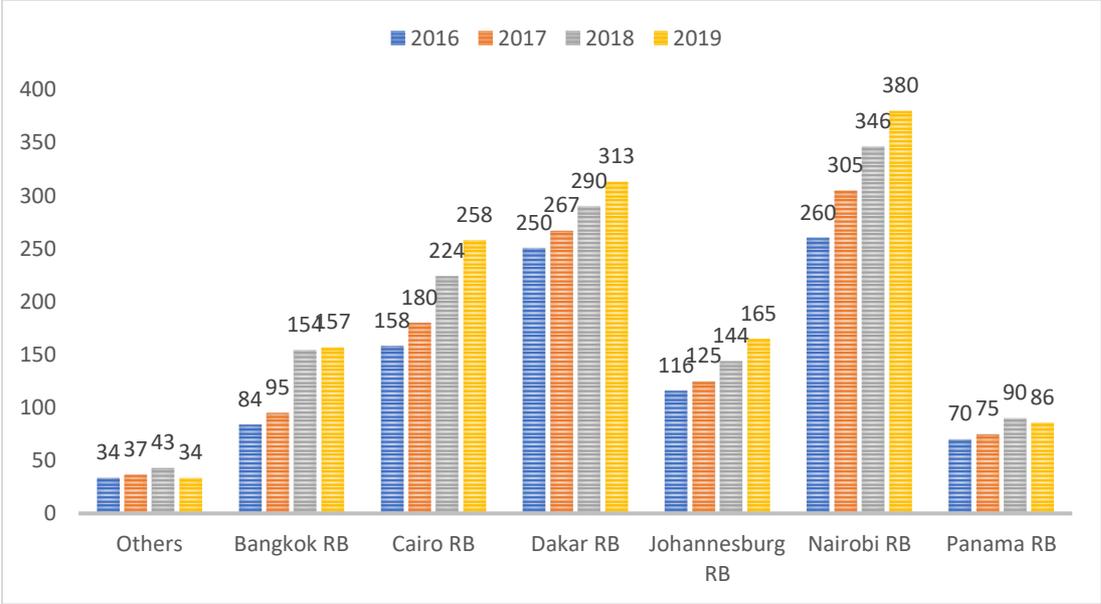
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<sup>1</sup> These actions suggested to the Secretariat complement the recommendations presented at the start of the report but do not require a follow-up report to the Executive Board.

**Annex 2: Geographical distribution of premises**

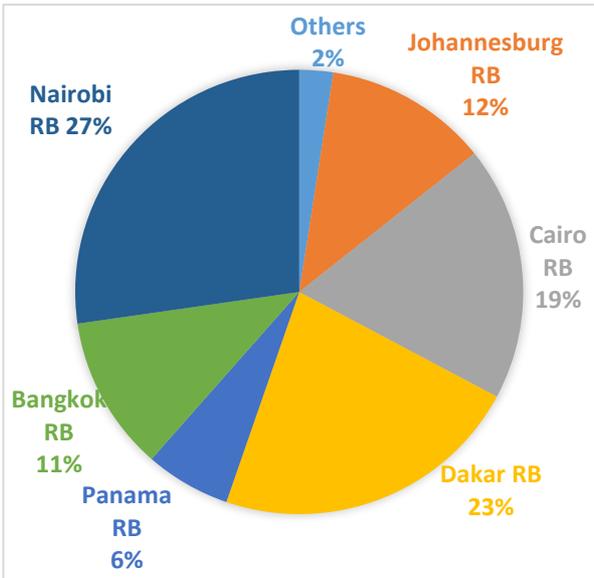
The Archibus extractions make it possible to establish the distribution of premises by region. The “Others” category corresponds to WFP offices (liaison offices) and other WFP warehouses and facilities around the world. The two regional bureaux with the most buildings are those of Nairobi and Dakar.

**Figure 1: Change in the number of current buildings and plots of land per regional bureau between 2016 and 2019**



Source: External Auditor, based on data from Archibus.

**Figure 2: Distribution of current buildings by regional bureau in 2019**



Source: External Auditor, based on data from Archibus.

### Annex 3: Method of estimating facilities management costs

For WFP, facilities management costs can be allocated between 12 of the 28 cost categories (commitment items) of the country portfolio budget. Consequently, there is no consolidated budget overview of facilities management costs.<sup>1</sup>

**Table 1: List of accounts taken into consideration to establish facilities management costs**

Category of table 3 of the report	GL Account	GL account long text	GL class
Utilities and services (excluding security)	6600000	Utilities-General	Supplies, consumables and other running costs
	6601000	Utilities-Gas	Supplies, consumables and other running costs
	6602000	Utilities-Water	Supplies, consumables and other running costs
	6603000	Utilities-Electricity	Supplies, consumables and other running costs
	6605100	Fuel: Facilities	Supplies, consumables and other running costs
	7022000	Insurance public liability and premises	Other expenses
	7054000	Office cleaning	Contracted services
Rental	7119500	Fumigation services	Contracted services
	7001000	Rental of facility	Contracted services
Renovations and maintenance	7002000	United Nations Common Premises rental	Contracted services
	7051000	Ordinary premises maintenance	Other expenses
Security	7052000	Extraordinary premises maintenance	Other expenses
	7053000	Office renovation	Other expenses
Amortization	7118000	Security guard services	Contracted services
Amortization	8000100	Depreciation expense_buildings – permanent	Depreciation and amortization
	8000200	Depreciation expense_buildings – mobile	Depreciation and amortization
	8060000	Depreciation expense_leashold improvement	Depreciation and amortization
<b><i>In-kind contributions</i></b>	<b>7510120</b>	<b><i>Exp. accur. and other adjustments</i></b>	<b><i>Contractual services (in-kind contributions)</i></b>

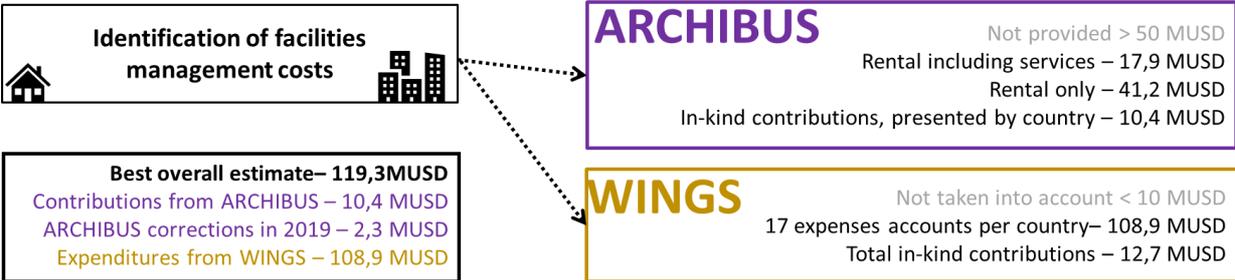
Source: External Auditor and FIN.

The last line of the table refers to in-kind contributions, which correspond to facilities management costs borne by the host countries that do not appear in the annual reports. They are normally recorded in WFP's (as expenditure and income – account 7510120) at their market value, and entered in WINGS as total amounts based on the Archibus data.

Five other accounts are used to record facilities management expenses (3001000, 3002000, 3004000 and 3005000 for certain warehouse rental costs or costs linked to transport and 7102000 for operating expenditure) as well as unrelated expenses. These accounts were excluded from the analysis.

<sup>1</sup> For the United Nations Development Group, all facilities management expenses fall within the “general operating expenses and other direct costs” item, with the exception of security costs, which are recorded under the “contracted services” item.

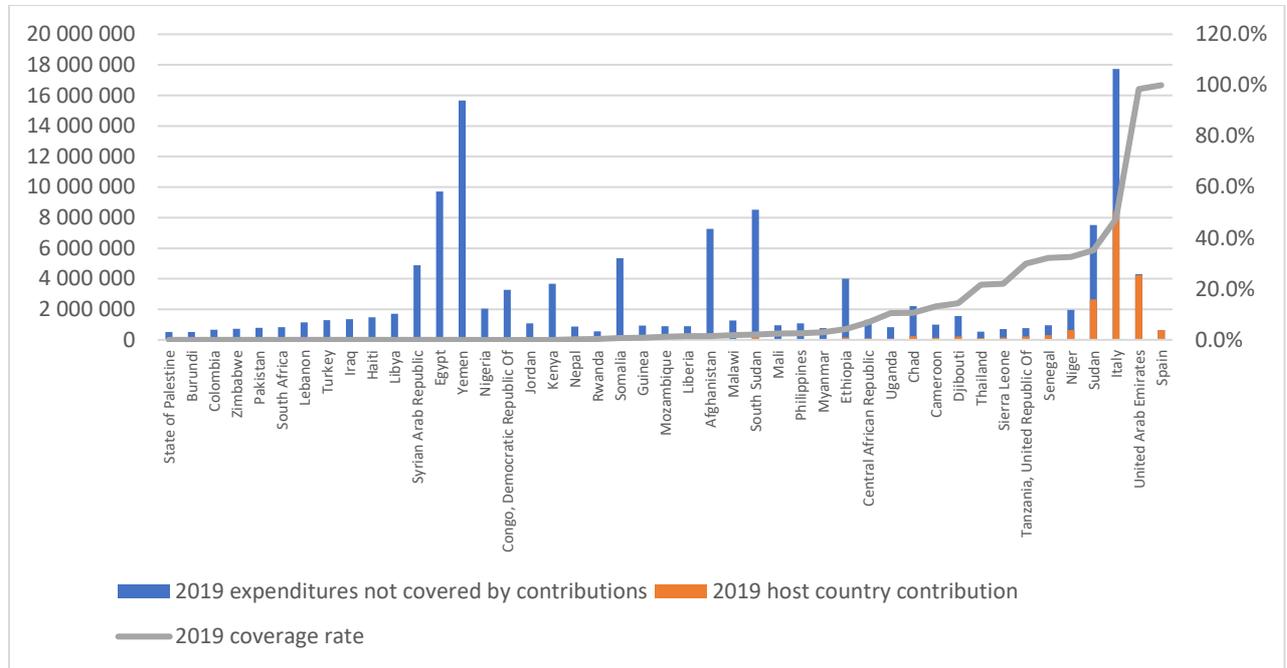
Figure 1: Estimate of WFP facilities management costs in 2018



Source: External Auditor.

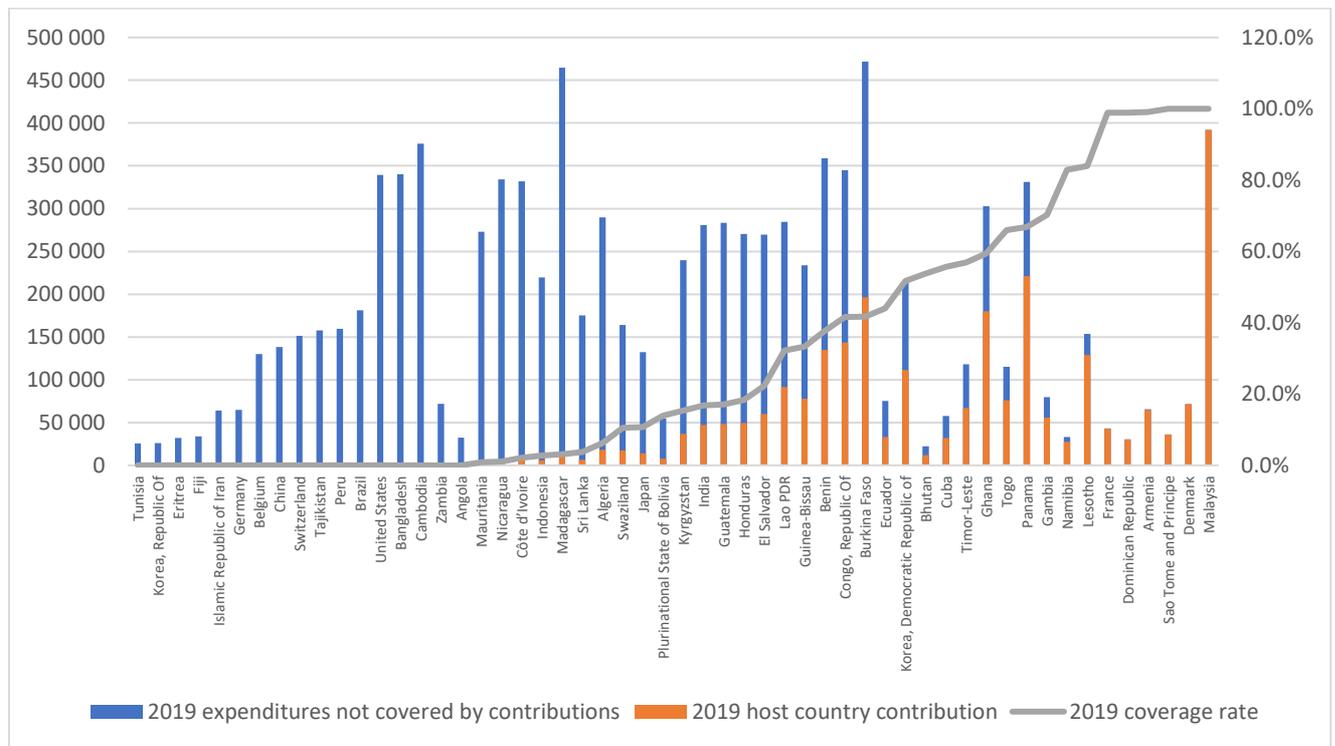
**Annex 4: Rate of coverage of operating expenses by host countries**

**Graph 1: Rate of coverage of real estate operating expenses by (in-kind and financial) host country contributions over USD 500,000 (2019)**



Source: External Auditor

**Graph 2: Rate of coverage of real estate operating expenses by (in-kind and financial) host country contributions below USD 500,000 (2019)**



Source: External Auditor

## Acronyms

BIG	United Nations Sustainable Development Group Business Innovations Group
CBF	Capital Budgeting Facility
EEP	Energy Efficiency Programme
EMS	environmental management system
FIN	Corporate Finance Division
GHG	Greenhouse Gas
IPSAS	International Public Sector Accounting Standard
LESS	Logistics Execution Support System
MSD	Management Services Division
MSDI	Facilities Management Branch
TTCPFS	Task Team on Common Premises and Facility Services
UNDSS	United Nations Department for Safety and Security