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de Alimentos

**Executive Board  
Second Regular Session**

**Rome, 12–14 November 2012**

# **RESOURCE, FINANCIAL AND BUDGETARY MATTERS**

**Agenda item 5**

*For information\**



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## **WORK PLAN OF THE EXTERNAL AUDITOR FOR THE PERIOD JULY 2012 TO JUNE 2013**

\* In accordance with the Executive Board's decisions on governance, approved at the Annual and Third Regular Sessions, 2000, items for information should not be discussed unless a Board member specifically requests it, well in advance of the meeting, and the Chair accepts the request on the grounds that it is a proper use of the Board's time.

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## NOTE TO THE EXECUTIVE BOARD

**This document is submitted to the Executive Board for information**

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

Director of External Audit: Ms Alka R. Bhardwaj tel.: 066513-3071

Should you have any questions regarding matters of dispatch of documentation for the Executive Board, please contact Ms I. Carpitella, Administrative Assistant, Conference Servicing Unit (tel.: 066513-2645).

*The Comptroller and Auditor General of India (CAG) was appointed as the external auditor for the period from July 2010 to June 2016 of the World Food Programme (WFP).*

*CAG's audit aims to provide independent assurance to the Executive Board of the World Food Programme and to add value to WFP's management by making constructive recommendations.*

*For further information please contact:*

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# Work Plan of the External Auditor

# World Food Programme

For the period  
July 2012 to June 2013



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**COMPTROLLER AND AUDITOR GENERAL OF INDIA**

## **Introduction**

1. This document elucidates our work plan detailing the audit activities for the period July 2012 to June 2013. Adherence to International Standards of Auditing and proven audit methods will form the basis of our assurance of providing high quality services to WFP.

## **Management Responsibilities**

2. The responsibility for the preparation of the financial statements, in accordance with the International Public Sector Accounting Standards (IPSAS) and in accordance with the Financial Regulations and stated accounting policies, and the regularity of financial transactions, lies with WFP.

3. The WFP is also responsible for ensuring the completeness and the quality of the financial statements and for providing supporting schedules and evidence on a timely basis.

4. Management should provide all books, records and explanations deemed necessary for the conduct of the audit, in accordance with the terms of the supplement to the Financial Regulations – Additional Terms of Reference Governing External Audit.

## **Audit Approach**

5. We will plan and perform our audit to obtain reasonable assurance that the financial statements present fairly the financial position as at the end of the period and the results of the operation for the period. We will perform procedures to obtain audit evidence about the amounts and disclosures in financial statements. We will re-evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management as well as evaluating the overall presentation of the financial statements.

6. We will review accounting systems and internal controls only to the extent we consider necessary for the effective performance of the audit. Thus our review may not detect all weaknesses that exist or may not suggest all improvements that could be made.

7. We will focus our audit work on the key risk areas. Our risk assessment is based mainly on our work in our previous audits as also on our review of WFP documents and interaction with key personnel of WFP.

8. We will submit two performance audits and a long-form report that together will summarise our findings on the work conducted during the year.

## **Key Areas of Audit Emphasis**

### **Performance Audit**

9. For WFP, its collaboration and partnership with NGOs is beneficial and in countries with poor infrastructure and weak governmental administrative capacity, such linkages become critical. Working with co-operating partners (CPs) enables synergy to develop strong grass roots linkages and enhance the sustainability of WFP's interventions.

10. We recognize that in a decentralised framework, the management will benefit from a review of implementation of the guidelines on procurement in the country

offices and the regional bureaux. The risk of deviations from the guidelines in selection and retention of CPs raise the risk of compromising the programme objectives, besides impinging on cost effectiveness. Reduced transparency also renders the Programme vulnerable to the risk of reputational damage. The objectives of the performance audit on “Working with Cooperating Partners” will seek an assurance that:

- *Criteria exist for selection of CPs. These criteria have been set against comprehensive and clearly identifiable parameters and the participating CPs meet the criteria.*
- *These criteria cover the evaluation of the CP comprehensively covering its repute, its standing in financial terms, reach, expertise and commitment in the country.*
- *The budgets submitted by the CP are realistic and comply with the guidelines and standard formats for budget and cost-sharing.*
- *The country offices (COs) maintain the documentation providing the trail for selection of CPs, including performance evaluations. The documentation at each stage of procurement is complete and lends to a post-procurement review by Regional Bureaux (RBs) and Headquarters (HQ), to derive an assurance that due procedures are followed.*
- *COs maintain a roster of potential CPs and relevant data, facilitating a broad-based availability of CPs.*
- *Field-level agreements (FLA), or where applicable the MOUs, outline clearly the strategic areas where both organizations will work together; the areas of responsibility of each organization reflecting their comparative advantages; and the resources to be contributed by each organization.*
- *The CPs maintain the requisite records and submit periodic reports, especially those on distribution of food aid in real time. The performance of CPs is evaluated periodically in a transparent manner.*
- *The COs provide the CPs with the promised support towards achievement of project objectives.*

11. The share of cash and voucher transfers in the food aid provided by WFP has steadily grown since 2008. From US\$5 million in 2008, these transfers are projected to rise to US\$255 million in 2012 and by 2014, are expected to account for 17 per cent of the value of WFP’s food and nutrition assistance. Over this period, WFP has put in place the policy and accounting framework for cash and voucher transfers. WFP is also expected to pilot standard IT solutions for cash and voucher transfers in 2012.

12. These tools are expected to provide greater flexibility in meeting identified needs, strengthen local markets, enable beneficiaries to decide and choose what they need the most and result in a decreased response time. Evaluation studies show that the impact of the tools depend on the timing of their deployment and the geographic and seasonal factors as well as market conditions in the countries.

13. We plan a performance audit on the “Use of Cash and Vouchers” to assess the adequacy and implementation of the internal controls in these transfers, that help WFP maximise the benefits. The objectives of the audit will be:

- *The corporate guidance provides a comprehensive framework for implementation of cash and voucher (C&V) in WFP.*

- *Selection of C&V as the appropriate modality and the timing of its use are informed by a needs assessment and market analysis as well as feasibility review in the country.*
- *The skills and expertise required for designing the projects, implementing and monitoring them, are being built across the COs, RBs and Headquarters.*
- *Criteria for selection of partners and service providers are clear and the COs have been able to build sustained relationship to build their capacity in implementation of the projects.*
- *The potential for integration of projects in the national programmes have been assessed and harnessed to ensure sustainability of the impact.*
- *Periodic review of the impact of the deployment of these tools, particularly on the value chain, is conducted to re-adjust the project design and the deliverables.*
- *There exists a mechanism to collate good practices in the field for dissemination across the Programme and for review of the feasibility of integration of such practices in the guidance framework.*
- *The financial controls in the distribution of cash and vouchers are adequate.*
- *Monitoring and evaluation of projects provide inputs to the scaling of the use of cash and vouchers in future.*

### **Compliance Audit**

14. We will conduct field audits at three regional bureaux (RBs) and eight country offices (COs) under these selected RBs. The list of selected units is in Annex I.

15. Our audit in the field units will be conducted against the principles identified in WFP's draft internal control framework Strengthening Managerial Control and Accountability (SMCA), which is closely in line with the Committee of Sponsoring Organizations of the Treadway Commission (COSO) control framework.

16. The field audits will feed the two performance audits that will be conducted during the year. Hence, the selection of the country offices within the three regional bureaux has been aimed to study the two issues in the varied contexts prevailing in these countries. We would also take the opportunity to assess the results of the pilot studies on IT initiatives conducted in these country offices. We had recommended a 6-monthly review of implementation of recommendations in the external audit reports that are pending implementation, so that the verification of the management actions can be conducted during our field audit. In particular, we will also verify action taken to implement the recommendations contained in our report on Somalia operations.

17. With regard to certification of accounts, the key areas of focus in the audit during the year will be:

- *Inventory: We had recommended that a consistent policy for expensing of aid, across different categories of food aid, must be developed and that quality of reconciliation of data for undelivered aid lying with the distribution partners must be enhanced. We will review the implementation of the recommendation in the current year. We will focus particularly on the recording and reporting of post-delivery losses of food.*

- *Asset management:* There are two corporate systems for recording assets – WINGS II and Asset Management Database (AMD). We will examine the accuracy, timeliness of recording capital expenditure and the adequacy of reconciliation of data between the two IT systems.
- *Special accounts:* We will draw assurance that transactions in the special accounts comply with regulations that govern them and with the accounting procedures. While doing so, we will draw from our study on the audit of the FITTEST and the reports of the internal audit on the special accounts.
- *Income recognition:* Our review will focus on the timeliness of recording of revenue and treatment of the conditions stipulated in the donor agreements. We will also draw an assurance on the adequacy of the provisions.

### **Working with Internal Oversight**

18. International Standards on Auditing require us to:

- consider the activities of internal audit and their effect, if any, on external audit procedures;
- obtain a sufficient understanding of internal audit activities to assist in planning the audit and developing an effective audit approach;
- perform a preliminary assessment of the internal audit function when it appears that internal audit is relevant to our audit of the financial statements in specific audit areas; and
- evaluate and test the work of internal audit, where use is made of that work, in order to confirm its adequacy for our purposes.

19. In our planning meeting with the representatives of the Internal Oversight Office, we discussed the scope of their work to ensure that duplication of effort is avoided. We will review their reports to determine the extent of assurance that can be taken from the work performed.

### **Quality Review**

20. We have an Audit Quality Management Framework (AQMF) for the Organization, the compliance of which is mandatory. To ensure high standards of audit we implement rigorously several quality assurance procedures. The procedures relevant to the present assignment are listed below:

- compliance with documented auditing standards and audit methods and procedures;
- rigorous scrutiny of audit findings both at field offices and Headquarters by persons not involved in audit fieldwork so as to ensure that audit findings meet standards of materiality and evidence;
- review of working papers; and
- structured mid-term review of audit plans.

**Annex I**

<b>Planned Field Audits</b>	
<b>S. No</b>	<b>Field Audit</b>
1	Regional Bureau for <b>Asia: Bangkok (ODB)</b>
2	Country Office, Philippines
3	Country Office, Pakistan
4	Country Office, Sri Lanka
5	Country Office, Bangladesh
6	Regional Bureau for <b>East and Central Africa: Nairobi (ODN)</b>
7	Country Office, Somalia
8	Country Office, Kenya
9	Country Office, Uganda
10	Regional Bureau for <b>Southern Africa: Johannesburg (ODJ)</b>
11	Country Office, Zambia



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## LIST OF ACRONYMS USED IN THE DOCUMENT

C&V cash and vouchers

CO country office

CP co-operating partner

FLA field-level agreement

RB regional bureau