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**Executive Board
Annual Session**

Rome, 7–11 June 2010

RESOURCE, FINANCIAL AND BUDGETARY MATTERS

Agenda item 6

*For information**

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PROPOSED AMENDMENTS TO THE TERMS OF REFERENCE OF THE WFP AUDIT COMMITTEE

The proposed amendments have been drafted by the Audit Committee. The Secretariat is confident that they will provide impetus for collaboration with the Audit Committee and the Board to make any necessary adjustments to the terms of reference.

* 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

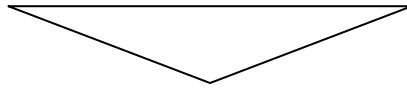
This document is submitted to the Executive Board for information

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

Audit Committee Chairperson: Mr Mirza Qamar Beg e-mail: qbmirza@hotmail.com

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).

DRAFT DECISION*



The Board takes note of “Proposed Amendments to the Terms of Reference of the WFP Audit Committee” (WFP/EB.A/2010/6-F/1/Rev.1).

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

BACKGROUND

1. At its 2009 First Regular Session, the Board acknowledged the paper submitted by the External Auditor entitled “WFP Audit Committee Terms of Reference” (WFP/EB.1/2009/6-B/1) and endorsed the creation of the WFP Audit Committee as an independent advisory body reporting to the Board and the Executive Director.
2. The Board approved the principles set out in the terms of reference and requested that the Secretariat amend them to incorporate guidance provided by the Board during its discussion. The updated terms of reference were confirmed by the Executive Board Bureau on 22 April 2009.
3. This document proposes some amendments to the terms of reference. A copy of the current terms of reference with the proposed amendments highlighted is appended for information.

Proposed Amendments

4. The proposed amendments involve the following:
 - a) The Mandate section should state that the Audit Committee will:
 - advise WFP management on business-related issues; this could be based on:
 - i) evaluations of the effectiveness of programmes, which could be linked to the evaluation of operational risks; ii) assessments of audit programmes to ensure that they include appropriate reviews of programmes; and iii) high-level reviews of key performance indicators and related information;
 - consult with senior management and/or the Executive Board Bureau on extensions of audit work or additional work required of the External Auditor and be involved in discussions concerning the related fees;
 - be informed, at the earliest possible opportunity, of matters of an extraordinary or exceptional nature related to WFP management, operations of business practices that might pose significant risk or require a change in WFP strategies;
 - consult with senior managers on the appointment of the Inspector General, the Director of Internal Audit and the Director of Inspections and Investigations; and
 - consult with the Executive Board Bureau, the Executive Director and the External Auditor as it deems appropriate.
 - b) The Membership and Quorum section should state that:
 - the Chairperson will consult with senior managers with regard to the appointment of new committee members and will be on any appointment panel; and
 - the Audit Committee, in consultation with the Executive Board Bureau, will operate a rotation system to ensure that at least two members will at any time have served for a period long enough to ensure continuity and stability.

APPENDIX

Terms of Reference for the WFP Audit Committee as confirmed by the Executive Board Bureau on 22 April 2009

[Amendments proposed in this paper are in bold and underlined]

Purpose

1. The Audit Committee serves in an expert advisory capacity to assist the World Food Programme Executive Board and the Executive Director in exercising their governance responsibilities for the financial reporting, internal control arrangements, risk management processes and other audit-related matters with respect to WFP's operations. The Audit Committee primarily advises on these matters taking into consideration the Financial Rules and Regulations as well as policies and procedures applicable to WFP and its operating environment. It does not substitute for the advisory functions provided to the Executive Board by the United Nations Advisory Committee for Administrative and Budgetary Questions, (ACABQ), or the Food and Agriculture Organization of the United Nations (FAO) Finance Committee.

Mandate

2. The Audit Committee shall:
 - a) advise on all issues arising from its activities under these Terms of Reference and make appropriate recommendations to the Executive Director and/or the Executive Board;
 - b) **review and advise on business-related matters; this function will include evaluations of the effectiveness of programmes and their links with operational risks, and high-level reviews of key performance indicators and related information;**
 - c) review and advise on policies significantly affecting accounting and financial reporting issues and the effectiveness of WFP's internal controls, internal audit function and operational procedures;
 - d) review and advise on WFP's risk management strategy, processes and issues;
 - e) review and advise on WFP's financial statements and reports;
 - f) promote understanding of the audit function in WFP to enhance its effectiveness, and provide a forum to discuss internal control and risk management issues, operational procedures and matters raised by internal and external audits;
 - g) provide comments on the work plans of the internal and external audit functions for consideration in their ongoing review;
 - h) consider all relevant reports by the internal and external auditors, **particularly with a view to ensuring that they include appropriate reviews of programmes, and reports on WFP's financial statements and management letters.** WFP is responsible for the fair presentation of financial statements including adequate disclosure;
 - i) consider the risk and control implications of reports from OSDI in terms of its mandate and refer audit issues to the investigations unit as appropriate, with regard to due process and privacy considerations;

- j) monitor the implementation by management of internal and external audit recommendations;
 - k) review and advise on WFP's arrangements for its employees and external parties to raise concerns, in confidence, about allegations of wrongdoing in the management and conduct of operations;
 - l) advise on WFP's fraud prevention policy, code of ethics and whistleblower policy;
 - m) prepare and submit an annual report on its activities for the Executive Director and for presentation to the Executive Board for consideration and discussion;
 - n) provide commentary on the performance of internal and external auditors, **and advise management with regard to extensions of audit work or additional work required of the External Auditor and the related fees; and**
 - o) advise and make recommendations to the Executive Board in relation to: **i) the arrangements for the appointment of the External Auditor under WFP's Financial Regulations; and ii) the appointment of the Inspector General, the Director of Internal Audit and the Director of Inspections and Investigations.**
3. **The Audit Committee should be immediately consulted on any matter of an unusual or exceptional nature relating to management, operations or business processes that may pose a significant risk or require a change in WFP strategies.**
4. **The Audit Committee will consult with the Executive Board Bureau, the Executive Director and the External Auditor as it deems appropriate.**

Access

5. The Audit Committee has the authority to:
- a) obtain all information and/or documents it considers necessary to perform its mandate including all audit reports and audit work papers produced by internal and external audit;
 - b) seek any information from any employee or request information generated from WFP's systems and require all employees to cooperate with any request made by the Audit Committee in performing its mandate; and
 - c) obtain legal or other independent professional advice if it is considered necessary.
6. The Audit Committee and the External Auditor will meet annually in private session.

Number of Meetings

7. The Audit Committee shall normally meet at least four times a year. The Chairperson, any Member or the External Auditor may request additional meetings.

Convocation of Meetings

8. The meetings of the Audit Committee shall be convened by the Chairperson or by the Secretariat on the instruction of the Chairperson. The members of the Audit Committee shall normally be given at least ten working days' notice of meetings.
9. The Chairperson will approve a provisional agenda for the meetings that should be circulated together with the invitations.

Membership and Quorum

10. The Executive Board shall approve appointment of members of the Audit Committee on the Executive Director's recommendation; the Audit Committee shall comprise five members with recent and relevant financial experience, one or more having some senior level audit experience, and all of whom will be independent of the WFP Secretariat and the Executive Board. Due regard shall be paid to equitable geographic representation in their selection. The appointed Committee members will select their own Chairperson from within their number. Members serve in their personal capacity and cannot be represented by alternate attendees. Three members, one of whom must be the Chairperson, shall constitute a quorum.
11. **The Chairperson will consult with management with regard to the selection of new Audit Committee members and will be a member of any appointment panel.**
12. **The Audit Committee will operate a rotation system to ensure that at least two members will at any time have served for a period long enough to ensure continuity and stability.**
13. Former members of Permanent Representations to WFP or the WFP Secretariat shall not be appointed to the Audit Committee within a period of two years following the end of those responsibilities.
14. The term of office shall be three years renewable once after the initial term, phased in so as to provide continuity. Renewal will be subject to a positive assessment of the member's contribution during his or her first term.

Conflicts of Interest

15. A register of interests will be kept to record members' interests in general or on specific matters. Where an actual or potential conflict of interest arises, the interest will be declared and will cause the member/s to either be excused from the discussion or abstain from voting on the matter. In such event, a quorum would be required from the remaining members.

Responsibility and Liability of Members

16. Members shall act in an independent, non-executive capacity while performing their advisory role on the Audit Committee. As such, members shall not be held personally liable for decisions taken by the Audit Committee acting as a whole.

Participation other than in Person

17. It is expected that members will be present for meetings. Members may also participate in a meeting by telephone or video conference link but shall not in such cases be taken into account for the purpose of establishing a quorum.

Attendance

18. The Chairperson may invite members of the Secretariat to attend meetings.
19. The Audit Committee may decide to meet in closed session from time to time as determined by the Committee.

Acting Chairperson

20. If the Chairperson is unable to attend a meeting, the members will elect an Acting Chairperson for that meeting from among the members present.

Voting

21. The Audit Committee's decisions are taken by the majority of the members present and voting. Should the votes be equally divided, the Chairperson shall have the casting vote.

Secretariat Function

22. The Secretariat function for the Audit Committee shall be carried out by a member or members of WFP staff designated by the Executive Director who shall not be from the Inspector General and Oversight Office and will report directly to the Chairperson on matters relating to the work of the Audit Committee.

Minutes

23. Minutes of meetings will be prepared and kept by the Secretariat. The Audit Committee shall approve the minutes by correspondence, within a month of the meeting.
24. Supporting documents will be prepared by the Chairperson or by the Secretariat on the instruction of the Chairperson or on their own initiative. Documents may also be submitted by the External Auditor or, with the approval of the Chairperson, by other management steering committees such as the Investment Committee.

Confidentiality of Meetings and Minutes

25. The deliberations of the Audit Committee and the minutes of its meetings are confidential unless otherwise decided. The documents and informational material circulated for the consideration of the Audit Committee shall be used solely for that purpose and treated as confidential.

Reporting

26. The Audit Committee shall prepare an annual report on its work for the Executive Director and for presentation to and consideration by the Annual Session of the Executive Board each year. The report will include an annual performance evaluation of its work. The committee will then periodically review the adequacy of its terms of reference and mandate, where appropriate recommending changes to the Board for approval. The Chairperson of the Audit Committee shall attend the Board to present the annual report.
27. The Chairperson will interact regularly with the Executive Director on the results of Audit Committee deliberations and on forthcoming issues relevant to its business.

Indemnity of Members

28. Audit Committee members are indemnified from actions taken against them as a result of activities performed in the course of business of the Audit Committee, so long as such activities were performed in good faith.

Remuneration

29. Members will not be remunerated by WFP for activities undertaken with respect to their membership of the Audit Committee. WFP will reimburse all committee members for any travel and subsistence costs that are necessarily incurred in relation to participation in Audit Committee meetings. Any payment of honoraria shall be a matter for decision by the Executive Board in the light of advice by the Executive Director.