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AUDITED BIENNIAL ACCOUNTS (2006–2007): SECTION III

**Audit of the Financial Statements of the
World Food Programme 2006–2007**

NOTE TO THE EXECUTIVE BOARD

This document is submitted to the Executive Board for approval.

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 points indicated below, preferably well in advance of the Board's meeting.

Director, Office of the External Auditor: Mr G. Miller tel.: 0044-207798-7136

External Auditor, UK National Audit Office: Mr R. Clark tel.: 066513-2577

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





National Audit Office

The National Audit Office (NAO), headed by the Comptroller and Auditor General of the United Kingdom, provides external audit services to the World Food Programme.

The External Auditor has been appointed by the Executive Board in accordance with the Financial Regulations. In addition to certifying the accounts of the WFP under Article XIV of the Financial Regulations, he has authority under the mandate, to report to the Executive Board on the efficiency of financial procedures, the accounting system, the internal financial controls and the general administration and management of WFP.

The NAO provides external audit services to international organisations, working entirely independently of its role as the United Kingdom's Supreme Audit Institution. The NAO has a dedicated team of professionally qualified staff with wide experience of the audit of international organisations.

The aim of the NAO's audit is to provide independent assurance to the Executive Board; to add value to the WFP's financial management and governance; and through the external oversight process to support the objectives of the UN World Food Programme.

For further information please contact:

Graham Miller
Director
National Audit Office
157-197 Buckingham Palace Road,
London, SW1W 9SP

+44 (0)20 77987136

Email: graham.miller@nao.gsi.gov.uk

Report by the External Auditor

Audit of the financial statements of the World Food Programme, 2006–2007

<u>Contents</u>	<u>Paragraphs</u>
Executive summary	1-10
Detailed findings	11-40
Follow up to the 2004-2005 External Auditor's Report	41-42
Acknowledgement	43
Audit Scope and Approach	Annex A

EXECUTIVE SUMMARY

- ***An unqualified audit opinion on WFP's financial statements for 2006-2007***
- ***A commentary on the external auditors' programme of work for the biennium***
- ***Observations and recommendations to improve financial management and governance***

Overall Results of the Audit

1. We have audited the financial statements of the World Food Programme (WFP) in accordance with the Financial Regulations and in conformity with International Standards on Auditing.
2. **The audit revealed no weaknesses or errors which we considered material to the accuracy, completeness and validity of the financial statements as a whole; and the External Auditor's opinion confirmed that the financial statements present fairly, in all material respects, the financial position as at 31 December 2007 and the results of operations and cash flows for the period then ended, in accordance with United Nations System Accounting Standards and the World Food Programme's stated accounting policies.**
3. The overall scope and approach of the audit, which were communicated to the Secretariat in a detailed audit strategy, are summarised at Annex A. The main observations and recommendations from our financial audit are summarised below, with a more detailed commentary on the final audit issues in the section on Detailed Findings.

External Audit Programme of Work

4. Our programme of work for 2006–2007 was presented to the October 2006 meeting of the WFP Executive Board¹ and took account of Board Members' views on potential report issues for the period. Subject areas covered by our audit reports to the Board under this programme are shown at Table 1.

¹ WFP/EB.2/2006/5-E/1

Table 1: Deliveries under the External Auditor's Programme of Work for 2006–2007

Audit report	EB date	Subject
Programme of audit work for 2006–2007	November 2006	Planned audit work for 2006–2007 biennium, taking account of EB suggestions on potential audit report subjects.
Review of Treasury management	February 2007	Independent assurance to the EB on whether retained funds are safeguarded, managed cost-effectively and available for appropriate use.
Costs and benefits of new initiatives in profile raising	June 2007	How WFP has managed its investment in profile raising activities.
Has decentralisation met WFP's operational needs?	October 2007	Audit review of whether the implementation of decentralisation led to cost-effective resource allocation.
Second report on results-based management: Managing for results	Expected November 2008	Issued to the Secretariat in draft on 23 March 2008 and awaiting comments from the Executive Director.
Audit report & opinion on the biennial financial statements	June 2008	This present report on our audit of the financial statements for 2006–2007.

5. The final product of our 2006–2007 programme of work is our report on “Managing for Results: A second review of progress in implementing results-based management”. This report was issued in draft to the Executive Director for comments in March 2008 and was expected to be available for the June meeting of the Executive Board. However the Secretariat informed us that they would not be in a position to provide comments on the draft report in time to reach the June meeting. We therefore expect this report to be available to the Board for its autumn meeting in 2008, which should enable the Board to consider not just the external audit findings but also the Secretariat's substantive response to the audit recommendations.
6. In addition to these management or performance audit reports, our programme included audit visits to WFP offices and operations in 14 countries, including six Regional Bureaux, three liaison offices and five Country Offices, where we reviewed the operation of controls during the biennium and undertook substantive testing of transactions at each location. After each audit visit we provided management letters to the secretariat with our findings and recommendations. We undertook a desk-based review and further analysed and obtained satisfactory explanations for unusual transactions recorded in the seventh Regional Bureau and two other Country Offices.

7. Further to this biennial programme of work, we produced a number of additional deliveries, set out at Table 2.

Table 2: Additional External Audit Outputs in 2006–2007		
Audit Report	EB date	Subject
Preparation of the 2006 financial statements.	June 2007	External audit review of progress towards compliance with International Public Sector Accounting Standards (IPSAS)
WFP's activities in the Democratic People's Republic of Korea (DPRK).	June 2007	Special audit requested by the Executive Board in relation to WFP operations in DPRK.
Two NAO guides for the implementation of IPSAS	n/a	Issue of special guidance to NAO's international client organisations and the wider UN community on IPSAS Compliance and Preparing for Audit, to assist organisations and their finance staff in the major change transition from UN System Accounting Standards to IPSAS.
Advice paper on Audit Committee Terms of Reference	Issued to the EB in April 2008	Independent and best practice advice in relation to the WFP Audit Committee, requested by the President of the EB.

8. This present overarching audit report for 2006–2007 confirms the coverage and approach of our audit and refers to the most significant issues arising from our financial audit work at WFP headquarters and visits to the regional bureaux and offices. The section on Detailed Findings addresses governance issues; thematic areas arising from our field coverage; and observations on financial reporting and internal control over the preparation of the financial statements.
9. We also report on presentational changes made in the financial statements under the Secretariat's efforts to improve the quality and reliability of the Programme's accounting and financial reporting, in preparation for the introduction of financial statements in compliance with International Public Sector Accounting Standards from 2008. Finally, as a matter of good practice, we reviewed and report on the overall progress made by the Secretariat in response to our recommendations in the External Auditor's previous report, for 2004–2005.

Recommendations

10. This report presents ten recommendations directed at:

- **Bringing to fruition the development of interrelated management of risk and performance assessment in accordance with the UN governance reform agenda;**
- **Ensuring adequate succession planning for key posts;**
- **More effective dialogue between the Executive Board and management at the time external audit reports are considered by the Board;**
- **Encouraging the further development of the Dashboard management tool through the use of performance-related indicators;**
- **Prompt recovery of costs from cooperating partners;**
- **Introduction of appropriate regional procurement planning;**
- **Consideration of a shorter cut-off period before accounts closure in preparation of the financial statements;**
- **Maintenance of progress towards compliance with International Public Sector Accounting Standards;**
- **Timely clearance of longstanding receivables; and**
- **Full recording of commodity losses in the annual post-delivery loss report to the Executive Board.**

DETAILED FINDINGS

- ***Governance issues in the context of the United Nations reform agenda***
- ***Thematic findings from field coverage, including monthly reporting and financial management***
- ***Financial reporting and internal control, in particular on the financial position and management control over the preparation of the financial statements***
- ***Progress towards the introduction of IPSAS***
- ***Fraud, ex-gratia payments, amounts written off and contingent liabilities***

GOVERNANCE ISSUES

11. The United Nations continues to critically examine its governance arrangements with a view to major change and improvement in areas such as financial reporting, accountability, risk and performance management, and audit committees, based on the independent report in 2006 of the comprehensive review of governance and oversight within the UN and its funds, programmes and specialised agencies².
12. In 2006–2007 we continued to encourage and advise on the strengthening of governance arrangements in WFP. We examined in particular the approach to risk management which the UN has identified as a key element in effective governance.

Risk Management

13. During the biennium the Secretariat took forward the development of arrangements for systematic risk assessment procedures and in March 2008 the Programme's corporate risk profile comprised six key categories of risk:
 - Changes in external environment affecting WFP's role;
 - Reputational risks from under achievement and weakened or inadequate management controls;

² A/60/883

- Inadequate funding to meet the needs of beneficiaries;
- Increased demand;
- Staff motivation and flexibility; and
- Security.

14. We believe that these risk categories clearly demonstrate the interrelated nature of WFP's corporate risk profile. The external environment in which WFP operates can affect demand and funding through rising food and fuel costs; and donors' ability to provide funding is linked to domestic economic trends. In turn, increased demand may increase the need for motivated and flexible staff, and requires effective prioritisation of the Secretariat's response to factors such as security concerns. Such concerns may be increased as a result of increased demand from beneficiaries. While the Secretariat did much to develop systematic risk management arrangements during 2006-2007, these have not yet been brought through and embedded as part of management's operational business processes, even though intuitive risk management based on judgement and experience remains a high priority for the Secretariat.

Recommendation 1: ***We encourage the Secretariat to continue to pursue the interrelated management of risk, performance assessment and operational requirements in accordance with the United Nations' governance reform agenda.***

15. In the course of our audit, we have noted two aspects where we believe WFP has immediate scope for improvement in existing governance and accountability arrangements:
- Succession planning for the loss of experienced staff, where there have been or will be losses of experienced senior staff who are key to operations, administration and major change management projects, including the unforeseen transfer of the Chief Operating Officer heading the Operations and Management Department, and the retirement of the most experienced Secretariat operational staff; and
 - The accountability achieved at governing body level in relation to external oversight, where there has frequently been a time lag between the Executive Board's consideration of external audit reports and management's subsequent reporting of the response to audit recommendations. The postponing of effective dialogue between the Executive Board and the Secretariat on audit recommendations at the time audit reports are presented to the Board may reduce the extent to which the Board is fully able to engage with the issues presented.

Recommendation 2: ***We recommend that the Secretariat take steps to ensure adequate succession planning to address the impact expected to arise from foreseen loss of experienced Secretariat staff; and that coverage for key posts is available wherever possible to mitigate unforeseen departures or transfers between United Nations organisations.***

Recommendation 3: ***We recommend that the Executive Board consider whether it would be appropriate to solicit the Secretariat's position and initial response to audit recommendations at the same time that external audit reports are examined by the Board, so as to achieve a more useful dialogue and improve accountability.***

THEMATIC FINDINGS FROM FIELD COVERAGE

Monthly Reporting

16. Throughout the biennium, the Secretariat required each regional bureau to provide monthly reports against key financial indicators, including advances not recovered for more than 90 days and procurement requisitions or purchase orders open for over 180 days. These reports include the number of outstanding items in each country office.
17. The Secretariat introduced a new tool in 2007, called the Dashboard, which enables management to readily see the number of outstanding items in excess of these indicators. This analytical tool provides additional scope for effective oversight of financial management and control; and facilitates the development of results-based performance targets aimed at reducing the number of outstanding items for each indicator to an acceptable level.

Recommendation 4: ***We encourage the Secretariat to further develop results-based performance targets based on key financial indicators recorded in monthly financial reporting and the Dashboard, against which Headquarters and regional management performance can be assessed.***

Financial Management

18. During our field visits to fourteen offices, we identified general management controls where we consider good practices could be shared and extended to other offices or bureaux. For example three regional bureaux had completed visits to country offices in their regions to advise on the adequacy of financial management controls and importantly had established a process to follow up on recommendations made.
19. Nevertheless, the findings from our visits indicated that there were also recurring issues of a similar nature that raise concern over the robustness of management control and oversight across the organisation as a whole. Some of the aspects identified in our findings could have an adverse impact on the accuracy of the accounting records and, if not addressed, could affect the 2008 financial statements which the Secretariat intend to prepare under the more rigorous requirements of International Public Sector Accounting Standards. We found in particular that scope existed for:
- More timely and efficient recovery of costs from host governments and vendors in eight offices; and
 - More structured and effective procurement planning in five offices visited, to strengthen budgetary control and reduce the risk of fraud; maintain efficient partnerships; and limit the likelihood of disputes with vendors.

Recommendation 5: ***We recommend that the Secretariat maintain efforts to promptly recover costs from cooperating partners.***

Recommendation 6: ***We recommend that the Secretariat introduce an appropriate level of structured regional procurement planning wherever it would be cost effective.***

FINANCIAL REPORTING AND INTERNAL CONTROL

20. The way in which an organisation collects, analyses and utilises financial management information for decision-making has a direct impact on the running of the organisation and the delivery of its objectives.

THE FINANCIAL POSITION

21. As part of our standard audit procedures, we confirm that the basis for the Secretariat's report in Part One of the financial statements is consistent with the financial disclosures in Part Two. The interpretation and conclusions provided in Part One are those of management. To assist the Executive Board's understanding and assurance on the current financial position in the context of changes in presentation and accounting policies, we looked at key features of the Programme's financial position.

Income and expenditure

22. During the biennium, income from cash and contributions-in-kind reduced by some eight per cent, from US\$6.1 billion in 2004–2005 to US\$5.6 billion in 2006–2007. Overall income remained relatively stable, reducing by five per cent from US\$6.31 billion in 2004–2005 to US\$5.96 billion in 2006–2007, after allowing for increased income from interest, miscellaneous income and improved management of foreign exchange, mainly through the hedging of exchange risk arising from Euro-based staff salary payments, as described in Note 2D4 to the financial statements.
23. For an organisation solely dependant on voluntary contributions, overall expenditure would be expected to follow the trend in income. Statement 1 confirms that expenditure fell by five per cent from US\$6.1 billion in 2004–2005 to US\$5.8 billion in 2006–2007.

Cash management

24. The management of WFP cash resources represents an ongoing challenge to ensure that reserves are appropriate to maintain operational capacity without restricting the response to demands for humanitarian aid. At the end of 2007, operational cash availability³ amounted to 5.0 months of average biennial expenditure in 2006–2007, compared to 4.4 months at the end of 2005. Although this indicates that the financial position had marginally improved, cash resources may be earmarked for particular activities and care must be taken in assuming that the funds would support these periods without further income from donations.

Assets and liabilities

25. As one measure of the Programme's financial position at the balance sheet date, we reviewed the relationship between current assets, excluding long-term investments, and current liabilities as reported in Statement II to the financial statements. We examined WFP's ability to pay its short-term obligations (debts and accounts payable) with short-term assets (cash and accounts receivable). Compared with the previous biennium, and while current assets remained at the same level, current liabilities increased significantly from US\$317 million to US\$540 million.

³ Cash and short-term investments/ (expenditure /24)

Conclusion on the financial position

26. Overall, our analysis suggests that the financial position of WFP has remained relatively stable in 2006–2007, taking into consideration the voluntary nature of the Programme's funding; although significant rises in oil costs and the consequential effect on food prices is beginning to have (and will likely continue to have) a significant impact on WFP's programmes. Recently the Executive Director highlighted the need for significant additional funding just to maintain the status quo in terms of the Programme's purchasing power. The full impact of these developments will need to be monitored throughout 2008.

MANAGEMENT CONTROL OVER PREPARATION OF THE FINANCIAL STATEMENTS

27. Following our review of the preparation of the 2006 annual accounts presented to the Executive Board in June 2007⁴, we drew attention to the risk that income and expenditure could be allocated to the incorrect accounting period, hindering robust assessment of the Secretariat's management of resources and increasing the risk to a smooth transition to financial statements conforming to international accounting standards. Our review of the preparation of the 2006–2007 financial statements confirmed that the Secretariat had sought to improve management control and oversight through the issue of guidelines and reminders to staff, the provision of financial training, and sample checks to confirm that accounting entries had been correctly allocated to the appropriate accounting period.
28. While the Secretariat continues to improve the quality and robustness of the information reported in the financial statements, we identified net adjustments amounting to US\$188 million in the statements initially presented to us for review, which were corrected prior to the presentation of the financial statements to the Executive Board. The adjustments mainly arose from inaccurate transfer of accounting records into the financial statements, inconsistent disclosures, or the omission of prior period comparative figures. The extent of adjustments reflects pressure on finance staff to prepare the accounts within a three-week timeframe after field offices and regional bureaux had completed the entry of accounting transactions and their own accounts' closure review.
29. We believe that decentralisation of financial expertise into field environments and more rigorous field oversight would offer scope to further reduce the extent of inaccuracy and adjustments required in the preparation of the financial statements. The aim should be the first-time correct entry of transactions to the appropriate accounting period.

⁴ WFP/EB.A/2007/6-F/1

Recommendation 7: ***We reiterate the recommendation made after our review of the 2006 financial statements, that the Secretariat could consider a shorter cut off period for the recording of income and expenditure after the end of each year, prior to closure of the accounting records and preparation of the financial statements.***

PROGRESS TOWARDS THE INTRODUCTION OF INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS

30. During 2006–2007, we continued to work closely with the Secretariat to encourage clarification and simplification of the financial statements and Notes to the accounts in preparation for WFP's move towards improved financial reporting and compliance with the more stringent requirements of International Public Sector Accounting Standards, IPSAS.

PRESENTATIONAL CHANGES FOR 2007

31. This year the Secretariat has introduced improvements to the transparency and clarity in the Notes to the accounts describing the financial results for the biennium. The move to compliance with IPSAS, intended for 2008, offers a further opportunity to improve the clarity of Notes and accounting policies; and to build on the improvements in presentation that have been made to the financial statements.

Expenditure on service delivery

32. Note 3 to the financial statements explains the changes in presentation and consequential adjustments which the Secretariat has introduced, principally to achieve:

- The recognition of expenditure after a service has been delivered, rather than when originally obligated;
- The accrual of expenditure (totalling US\$222 million in 2006–2007) for which the service had been provided but for which no invoice or supplier's confirmation had been received; and
- Disclosure in Note 2E2 to the accounts of financial commitments amounting to US\$415 million, for which service delivery had not been confirmed at the end of 2007.

33. Recognition of expenditure on the basis of delivery will reduce the risk of budget being reserved against unnecessary obligations without real need, particularly at the end of the financial year when budgets may become overstretched.

34. For 2008, to comply with the budgetary reporting requirements of International Public Sector Accounting Standard 24, the Secretariat should disclose original and final budgets compared with expenditure realised. This will facilitate an audited explanation of the variation between what was expected and authorised to be spent – the budget – and what was actually spent.

Staffing costs

35. As notified to the Board in June 2007⁵, Note 21 explains a new policy to recognise after service and other staff liabilities as expenditure, to the extent that they arise from prior service. In the absence of approval for funding by the Executive Board, the liability amounting to US\$108 million disclosed in Note 12 remained unfunded at the time of our report. This additional unfunded expenditure emphasises the requirement for effective management of staffing support costs, as shown in the explanatory section of Note 14. The staffing support costs show an increasing trend: from US\$558 million in 2002–2003 to US\$782 in 2004–2005 (a 40 per cent increase); and to US\$980 million in 2006–2007 (a further 25 per cent increase).

Deferred income

36. Statement II reports deferred income amounting to \$151 million, recording a significant new type of funding in relation to multi-year income pledged by donors, with stated amounts relating to future years. The deferred income will be recorded in the income and expenditure statements in the appropriate accounting period when the donors have agreed to provide the funds. Recording such funding as deferred income may assist the Board's assessment of the adequacy of funding, by matching resources available to the accounting period of use. In particular, the associated indirect support income will be more closely matched to the related administrative costs incurred in future accounting periods.

Recommendation 8: ***We encourage the Secretariat to maintain its progress towards achieving financial statements in compliance with IPSAS, which has already supported an improved consideration of unfunded staff liabilities and trends in increased staffing costs; and improved the matching of expenditure to service delivery and associated funding.***

FRAUD, EX-GRATIA PAYMENTS, AMOUNTS WRITTEN OFF AND CONTINGENT LIABILITIES

37. The Secretariat reported to us that during the biennium WFP had identified 36 cases of fraud and presumptive fraud amounting to an estimated value in excess of US\$926,000. US\$4.5 million was written off during the period as irrecoverable loss under Financial Regulation 12.4, of which \$865,000 arose from the write-off of receivables totalling over US\$ 723,000 with other UN organisations and the clearance of outstanding banking records dating from 2001. In both cases, inadequate documentation existed to reasonably account for the transactions or recover the funding. Seven cash thefts accounted for losses totalling US\$21,983.

⁵ WFP/EB.A/2007/6-A/1

38. Under the authority of Financial Regulation 12.3, the Executive Director authorised ex-gratia payments totalling US\$3.6 million, of which US\$3 million related to terminal payments to staff, approved exceptionally in 2005 and reported to the Executive Board in October 2007⁶.
39. Note 22 to the financial statements reports an ongoing dispute concerning the use of commodities valued at US\$31 million for a recipient country cash-for-work programme, rather than the food-for-work arrangement for which the commodities had originally been donated. Since the food has been consumed and there is uncertainty over any recovery, we consider the commodities should be recorded in the annual post-delivery loss report to the Executive Board. Any action taken subsequently which successfully recovers the loss would be reported to the Board in later post-delivery loss reports.
40. The Secretariat informed us of contingent liabilities estimated at a maximum potential loss to WFP of US\$6 million, reported in Note 23 to the financial statements.

Recommendation 9: *We encourage the Secretariat to ensure the timely clearance of longstanding receivables to reduce the risk of subsequent write-off being necessary where inadequate documentation remains to fully analyse and recover the funding.*

Recommendation 10: *We recommend that commodity losses be fully recorded in the annual post-delivery loss report to the Executive Board. Any action taken subsequently which results in the recovery of particular losses would be reported in later post-delivery loss reports.*

FOLLOW-UP TO THE EXTERNAL AUDITOR'S REPORT FOR 2004–2005

41. As a matter of good audit practice we reviewed the overall progress made by the Secretariat in responding to audit recommendations presented to the Executive Board for the previous biennium. Audit recommendations for 2004–2005 related to our report on the 2004–2005 financial statements⁷ and management reports on the upgrade to WINGS⁸, the Dubai support office⁹, International Public

⁶ WFP/EB.2/2007/5-B/1

⁷ WFP/EB.1/2005/5-D

⁸ WFP/EB.A/2005/6-B/Rev.1

⁹ WFP/EB.2/2005/5-G/1

Sector Accounting Standards¹⁰, reporting of post-delivery losses¹¹, and WFP's results-based management framework¹².

42. In each area we can confirm that the Secretariat has made significant progress in implementing audit recommendations:

- In relation to our **review of the financial statements in 2004–2005**, we subsequently considered the progress made in our report on the preparation of the 2006 financial statements¹³. We have raised any outstanding concerns in appropriate sections of this present report.
- The Secretariat has provided the Board with regular reports on the progress of the **upgrade of WINGS**, currently scheduled for completion by January 2009. In response to our recommendation for an independent review of the implementation, a specialist from the Dublin School of Business completed a review in November 2007. We will further examine the WINGS upgrade once the system is fully operational.
- The Secretariat revised the reporting framework and management of the **Dubai Support Office** in response to our report. The Office now reports through the Operations and Management Department.
- The Executive Board supported the Secretariat's planned introduction of **International Public Sector Accounting Standards** from January 2008.
- The annual reporting of **post delivery losses** has been improved in response to our recommendations, although we will continue to examine the adequacy of loss recording as part of our programme of field visits.
- The first part of our **review of results-based management** considered the framework and arrangements established by WFP and we have separately reviewed WFP's further progress in our second report on results-based management, which will be presented to the autumn meeting of the Executive Board.

¹⁰ WFP/EB.2/2005/5-C/1

¹¹ WFP/EB.1/2006/-B/1

¹² WFP/EB.A/2006/6-D/1

¹³ WFP/EB.A/2007/6-F/1

ACKNOWLEDGEMENT

43. We wish to record our appreciation for the co-operation and assistance provided by the Executive Director and the staff of the WFP during the audit.

T. J. Burr

Comptroller and Auditor General, United Kingdom

External Auditor

ANNEX A

Scope and Approach of the Audit

Audit Scope

- The audit covers the examination of the WFP's accounts and financial statements for the financial period 1 January 2006 to 31 December 2007 in accordance with Article XIV of the Financial Regulations and the Additional Terms of Reference governing External Audit appended thereto.

Audit Objectives

- The main purpose of the audit was to enable us to form an opinion as to whether the expenditure recorded in the financial period had been incurred for the purposes approved by the Executive Board; whether income and expenditure were properly classified and recorded in accordance with the Financial Regulations; and whether the financial statements present fairly the financial position at 31 December 2007.

Audit Standards

- Our audit of the World Food Programme's financial statements was conducted in accordance with International Standards on Auditing. These standards require us to plan and carry out the audit so as to obtain reasonable assurance that the financial statements are free from material misstatement. WFP's management are responsible for preparing the financial statements and we are responsible for expressing an opinion on them, based on evidence obtained in the audit.

Audit Approach

- In accordance with the International Standards on Auditing, this audit included a general review of the accounting systems and such tests of the accounting records and internal control procedures as we considered necessary in the circumstances. The audit procedures are designed primarily for the purpose of forming an opinion on WFP's financial statements. Consequently our work did not involve detailed review of all aspects of financial and budgetary systems and the results should not be regarded as a comprehensive statement on them.
- The examination was performed on a test basis, in which all areas of the financial statements were subject to substantive testing of the transactions recorded. A final examination was carried out to ensure that the financial statements accurately reflected WFP's accounting records and were fairly presented.