

برنامج  
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World  
Food  
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Programa  
Mundial  
de Alimentos

**Executive Board  
First Regular Session**

**Rome, 19–21 February 2007**

# RESOURCE, FINANCIAL AND BUDGETARY MATTERS

Agenda item 6



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## REPORT OF THE FAO FINANCE COMMITTEE

The Executive Director is pleased to submit herewith the report of the FAO Finance Committee pertaining to WFP. The report covers the following agenda items:

- Report of the WFP External Auditor on Treasury Management (WFP/EB.1/2007/6-B/1)
- Progress Report on Implementation of the External Auditor Recommendations on 2004–2005 Operations (WFP/EB.1/2007/6-C/1)
- Update on the WFP Management Plan (2006–2007) (WFP/EB.1/2007/6-A/1)

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January 2007



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Naciones  
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para la  
Agricultura  
y la  
Alimentación

## COUNCIL

### Hundred and Thirty-second Session

Rome, 18 – 22 June 2007

Report of the 117<sup>th</sup> Session of the Finance Committee  
Rome, 24 January 2007

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## **REPORT OF THE HUNDRED AND SEVENTEENTH SESSION OF THE FINANCE COMMITTEE**

**24 January 2007**

### **Introduction**

1. The Committee submitted to the Council the following report of its Hundred and Seventeenth Session, which had been convened at the request of the World Food Programme (WFP) to review financial issues that would be presented to the upcoming session of the WFP Executive Board.

2. The following representatives were present:

Chairperson: Mr Aamir Khawaja (Pakistan)  
 Vice-Chairperson: Mr Augusto Zodda (Italy)  
 Members: Mr Aboubakar Bakayoko (Côte d'Ivoire)  
 Mr Søren Skafte (Denmark)  
 Mr Eckhard W. Hein (Germany)  
 Mr Seiichi Yokoi (Japan)  
 Ms Ana M. Baiardi Quesnel (Paraguay)  
 Mr Roberto Seminario (Peru)  
 Mr Ahmed I. Al-Abdulla (Qatar)  
 Mr Lee Brudvig (United States of America)  
 Mr Tendai Nhekedza (Zimbabwe)

3. The Committee noted that Mr Tendai Nhekedza had been designated to replace Mrs Mutiro Takaendesa as the representative of Zimbabwe at this Hundred and Seventeenth Session of the Finance Committee.

4. Mr Augusto Zodda (Italy) was elected unanimously Vice-Chairperson for 2007.

### **World Food Programme Matters**

#### **REPORT OF THE WFP EXTERNAL AUDITOR ON TREASURY MANAGEMENT (WFP/EB.1/2007/6-B/1)**

5. The External Auditor presented the report reviewing the management of cash resources in WFP. Clarifications were provided by the External Auditor and the Secretariat to issues raised by the Committee. The External Auditor explained that many of the recommendations had already been taken up by WFP.

6. The Committee thanked the External Auditor for his enlightening report. The Committee recognized the constraints to the discussion of the report due to the timelines between the availability of the report and the dates of the Committee and Executive Board meetings, which did not give sufficient time for the Secretariat to provide a formal response. However, the Committee appreciated having the external audit reports as soon as issued, and requested the Executive Board



to reflect on the governance mechanism ensuring that the Secretariat response to the recommendations could be considered by the Committee, and subsequently by the Executive Board, on a timely basis.

7. The Committee discussed issues related to bank accounts, including upload of bank statements, exchange risk and reconciliations. The Committee discussed the proposed new structure of the WFP Investment Committee, to be decided upon by the new Executive Director, and welcomed the proposed external membership.

8. After discussing the monitoring of investment performance and turnover of investment managers, the Committee recommended to the Executive Board that the Secretariat prepare a document for information to the Annual Session of the Executive Board on the use of investment managers, investment performance versus benchmarks, and investment fees.

9. The Committee commended the cooperation in the area of investment management between FAO and WFP and encouraged further cooperation in this area.

#### **PROGRESS REPORT ON IMPLEMENTATION OF THE EXTERNAL AUDITOR RECOMMENDATIONS ON 2004–2005 OPERATIONS (WFP/EB.1/2007/6-C/1)**

10. The Secretariat presented the report, and clarifications were provided on issues raised by the Committee.

11. The Committee expressed its appreciation for the inclusion of the comments of the External Auditor in the report, and for the progress made. It also encouraged the Management to complete the implementation of the recommendations.

#### **UPDATE ON THE WFP MANAGEMENT PLAN (2006–2007) (WFP/EB.1/2007/6-A/1)**

12. The Finance Committee concurred with the decisions outlined on page 3 of the document, but highlighted the following points for the consideration of the Executive Board:

- Concern was expressed on the rising costs of the WINGS II project. As indicated in paragraph 38 of the document, the initial total cost estimate of US\$39 million had increased to US\$49 million, of which US\$32 million was needed in the current biennium. The Secretariat explained that this increase was due to an expansion of the project scope, in line with International Public Sector Accounting Standards (IPSAS) requirements for inventory accounting, and provided reasonable assurance that costs would not escalate further;
- Noting that the income generated in 2006 was not sufficient to cover its associated overhead costs, the Committee recommended that the “Walk the World” annual event be sponsored by corporate or other outside sponsors on a more permanent basis, rather than WFP funding the event through internal sources or advances;
- The Committee looked forward to a clear proposal from the Secretariat on the treatment of Child Hunger Initiative costs in the 2008-2009 Management Plan;
- In order to ensure that the Programme Support and Administrative (PSA) Equalization Account fully captured all indirect support costs (ISC), the Committee suggested that the United Nations Department of Safety and Security (DSS) charges be made to the PSA Equalization Account, and then be reimbursed from the General Fund, as these were more in the nature of ISC and needed to be taken into account in determining ISC rates in the future.



## Other Matters

### DATE AND PLACE OF THE HUNDRED AND EIGHTEENTH SESSION

13. The Committee was informed that the 118th Session was tentatively scheduled to be held in Rome from 21 to 25 May 2007. The final dates of the session would be decided in consultation with the Chairperson.

### ANY OTHER MATTERS

14. Referring to the draft agenda of the First Regular Session of the WFP Executive Board 2007, and the mandate of the Finance Committee in considering reports of the JIU as applicable to FAO, the Committee sought clarification as to why a JIU report (particularly one dealing with matters such as the Audit Committee) had not been presented to the Finance Committee for its consideration, so that the Executive Board could benefit from its views. The Committee further sought clarification as to why agenda item 6(d), *Comprehensive Review of Governance and Oversight within the United Nations and its Funds, Programmes and Specialized Agencies*, had been withdrawn from the agenda.

15. The Secretariat explained that the recommendations of JIU reports issued during the previous year, as applicable to WFP, were presented with WFP's comments to the Board at the First Regular Session of the Executive Board. As JIU reports were in general not deemed to be financial documents, these had not been presented for consideration to the Finance Committee. The *Comprehensive Review of Governance and Oversight within the United Nations and its Funds, Programmes and Specialized Agencies* had been withdrawn from the draft agenda of the First Regular Session of the Executive Board. It was envisaged that this item would be taken up for consideration by the Executive Board at a later session during the year.

16. The Committee underscored that the JIU report on *Oversight Lacunae in the United Nations System* and the *Comprehensive Review of Governance and Oversight within the United Nations and its Funds, Programmes and Specialized Agencies* had close linkages. It was recommended – and the Secretariat agreed – that the two reports be considered by the Finance Committee together prior to their consideration by the Executive Board..