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de Alimentos

**Executive Board
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WFP FINANCIAL RULES

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NOTE TO THE EXECUTIVE BOARD

This document is submitted for information to the Executive Board.

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.

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Should you have any questions regarding matters of dispatch of documentation for the Executive Board, please contact the Documentation and Meetings Clerk (tel.: 066513-2641).



EXPLANATORY NOTE ON FINANCIAL RULES

1. In accordance with Financial Regulation 2.2, the Executive Director establishes Financial Rules consistent with the General and Financial Regulations and circulates these rules for information to the Executive Board, the Advisory Committee on Administrative and Budgetary Questions (ACABQ) and the FAO Finance Committee.
2. The General Regulations, the General Rules and the Financial Regulations have been revised in recent years following the establishment of the Executive Board and the implementation of the Resource and Long-term Financing policies. The most recent amendments were approved by the Executive Board in January 1999. On the basis of these revisions, new Financial Rules have been established with effect from 1 January 2000.
3. The Secretariat has prepared the new Financial Rules in consultation with the concerned offices in WFP. These have been reviewed by the FAO Legal Counsel, whose comments and suggestions have been taken into account.
4. Changes were made to reflect appropriate gender references (as regards grammar) and the numbering format used in the Financial Regulations.
5. In addition to the above changes, extensive revisions to the Financial Rules were made to increase consistency in procurement guidance, and to place greater emphasis on the principles of competitive selection and documentation of the evaluation and award of offers. In addition, the new rules identify more specifically accountability and the roles and responsibilities between headquarters and regional and country offices, to reflect the related delegations of authority.



Financial Regulations	Financial Rules
<p>I: Definitions</p> <p>Financial Regulation 1.1: For the purposes of these Regulations, and the rules promulgated thereto, the following definitions shall apply:</p> <p>“ACABQ” shall mean the United Nations Advisory Committee on Administrative and Budgetary Questions.</p> <p>“Account” shall mean a formal record of an asset, liability, revenue or expense for which the effects of transactions are indicated in terms of money or other unit of measurement.</p> <p>“Allotment” shall mean a financial authorization issued by the Executive Director to an official to incur obligations for specific purposes within approved budgets, within specified limits and during a specified time.</p> <p>“Appropriation” shall mean the amount approved by the Board for specified purposes in the programme support and administrative budget for a financial period, against which obligations up to the amount approved may be incurred for those purposes.</p> <p>“Appropriation line” shall mean the largest subdivision of the programme support and administrative budget within which the Executive Director is authorized to make transfers without prior approval of the Board.</p> <p>“Bilateral contribution” shall mean a contribution directed by the donor to be used to support an activity not initiated by WFP.</p> <p>“Board” shall mean the Executive Board of WFP and its predecessors.</p> <p>“Broad-based appeal” shall mean an appeal made by WFP or by WFP jointly with other programmes, funds or agencies for a regional project or for a number of separate country programmes, projects, or activities. (Effective 1 January 2000).</p>	<p>I. Definitions</p> <p>(REGULATION 1.1)</p> <p>The definitions set out in Financial Regulation 1.1 apply for the purposes of these Rules.</p>



Financial Regulations	Financial Rules
<p>“Contribution” shall mean a donation of appropriate commodities, non-food items, acceptable services or cash made in accordance with procedures set out in these Regulations. A contribution may be multilateral, directed multilateral or bilateral.</p> <p>“Country Programme” shall mean a Country Programme approved by the Board in accordance with General Regulation VI.2 (c).</p> <p>“Directed Multilateral Contribution” shall mean a contribution, other than a response to an appeal made by WFP for a specific emergency operation, which a donor requests WFP to direct to a specific activity or activities initiated by WFP or to a specific Country Programme or Country Programmes.</p> <p>“Direct support cost” shall mean a cost which can be directly linked with the provision of support to an operation and which would not be incurred should that activity cease.</p> <p>“Executive Director” shall mean the Executive Director of the World Food Programme, or the official to whom the Executive Director has delegated authority and responsibility for the matter in question.</p> <p>“<i>Ex gratia</i> payment” shall mean a payment made when there is no legal liability, but the moral obligation is such as to make payment desirable.</p> <p>“Finance Committee” shall mean the Finance Committee of FAO.</p> <p>“Financial period” shall mean a two-year period starting on 1 January of each even-numbered year.</p> <p>“Financial Rules” shall mean the rules established under Financial Regulation 2.2.</p> <p>“Financial Statements” shall mean formal presentation of financial information showing the income and expenditure for a given period and assets and liabilities at the end of that period, including notes, which form an integral part thereof.</p> <p>“FAO” shall mean the Food and Agriculture Organization of the United Nations.</p>	
<p>“Full-cost recovery” shall mean the recovery of operational costs, direct support costs and indirect support costs in full.</p> <p>“Fund” shall mean an accounting entity with a self-balancing set of accounts recording cash and other</p>	



Financial Regulations	Financial Rules
<p>financial and non-financial resources, together with related liabilities and residual equities or balances, and changes therein. Funds are segregated for the purpose of conducting specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.</p> <p>“General Fund” shall mean the accounting entity established for recording, under separate accounts, indirect support cost recoveries, miscellaneous income, operational reserve and contributions received which are not designated to a specific programme category, project or a bilateral project.</p> <p>“General Regulations” shall mean the General Regulations of the World Food Programme, as approved by the General Assembly of the United Nations and the Conference of FAO.</p> <p>“General Rules” shall mean the General Rules of the World Food Programme, as approved by its Executive Board.</p> <p>“IEFR” shall mean the International Emergency Food Reserve.</p> <p>“Indirect support cost” shall mean a cost which supports the execution of projects and activities but cannot be directly linked with their implementation.</p> <p>“IRA” shall mean the Immediate Response Account of the IEFR.</p> <p>“Multilateral contribution” shall mean a contribution, for which WFP determines the Country Programme or WFP activities in which the contribution will be used and how it will be used, or a contribution made in response to an appeal made by WFP for a specific operation. In such cases, the donor will accept reports submitted to the Board as sufficient to meet the requirements of the donor. (Applicable until 31 December 1999).</p>	



Financial Regulations	Financial Rules
<p>“Multilateral contribution” shall mean a contribution, for which WFP determines the Country Programme or WFP activities in which the contribution will be used and how it will be used, or a contribution made in response to a broad-based appeal for which WFP determines, within the scope of the broad-based appeal, the Country Programme or WFP activities in which the contribution will be used and how it will be used, and for which the donor will accept reports submitted to the Board as sufficient to meet the requirements of the donor. (Effective 1 January 2000).</p> <p>“Obligation” shall mean a written commitment of monies resulting in a liability against an allotment.</p> <p>“Operational costs” shall mean the costs of commodities, ocean transportation and related costs, and landside transportation, storage and handling (LTSH). (Applicable until 31 December 1999).</p> <p>“Operational costs” shall mean the costs of commodities, ocean transportation and related costs, LTSH, and any other input provided by WFP to beneficiaries, the government of the recipient country or other implementing partners. (Effective 1 January 2000).</p> <p>“Operational reserve” shall mean monies maintained as an account within the General Fund to be used to ensure continuity of operations in the event of a temporary shortfall of resources.</p> <p>“Programme category” shall mean a classification of WFP activities as established in accordance with the General Rules.</p> <p>“Programme category fund” shall mean an accounting entity established by the Board for the purposes of accounting for contributions, income and expenditures for each programme category.</p> <p>“Programme support and administrative budget” shall mean the portion of the WFP Budget that pertains to providing indirect support to WFP’s activities.</p> <p>“Project” shall mean a separately identified undertaking within a programme category.</p>	
<p>“Project agreement” shall mean a document, howsoever designated, executed in accordance with the provisions of General Regulation XI.</p> <p>“Special account” shall mean an account established by the Executive Director for a special contribution, or for monies earmarked for specific activities, the balance of which may be brought</p>	



Financial Regulations	Financial Rules
<p>forward to the succeeding financial period.</p> <p>“Trust fund” shall mean an identifiable subdivision of the WFP Fund, established by the Executive Director in order to account for a special contribution, the purpose, scope and reporting procedures of which have been agreed with the donor.</p> <p>“WFP Budget” shall mean the biennial budget approved by the Board indicating estimated resources and expenditures for programmes, projects and activities and shall include a programme support and administrative budget.</p> <p>“WFP Fund” shall mean the World Food Programme fund established in accordance with General Regulation XIV.1, comprised of the General Fund, the programme category funds, trust funds and special accounts.</p> <p>II. Applicability</p> <p>Financial Regulation 2.1: These Financial Regulations, adopted pursuant to General Regulation XIV.5, shall govern the financial management of the WFP Fund. The Board may, in exceptional circumstances, grant exemptions from these Financial Regulations.</p> <p>Financial Regulation 2.2: The Executive Director shall establish Financial Rules, consistent with the General Regulations and these Financial Regulations, to ensure effective financial administration and the exercise of economy. The Executive Director shall circulate the Financial Rules for information to the Board, the ACABQ and the Finance Committee.</p>	<p>II. Applicability</p> <p>(REGULATIONS 2.1 AND 2.2)</p> <p><u>Rule 102.1</u> These Financial Rules are established by the Executive Director pursuant to the Financial Regulations and under the authority given to him/her in Financial Regulation 2.2. They shall govern the financial management of WFP.</p>
	<p><u>Rule 102.2</u> The Executive Director may make documented exceptions to these Financial Rules. A record of those exceptions shall be made available to the External Auditor as stipulated in Rule 113.7 d) hereafter.</p> <p><u>Rule 102.3</u> The Executive Director shall issue from time to time such administrative instructions or manuals as may in his or her judgement be appropriate for the detailed administration of these Rules.</p>



Financial Regulations	Financial Rules
<p>III. Accountability</p> <p>Financial Regulation 3.1: The Executive Director shall be fully responsible and accountable to the Board for the financial management of the activities of WFP.</p> <p>IV. Resources</p> <p>Financial Regulation 4.1: The resources of WFP shall consist of:</p> <ul style="list-style-type: none"> (a) contributions made pursuant to Article XIII of the General Regulations; (b) miscellaneous income, including interest on investments; and (c) contributions received in trust as set forth in Financial Regulation V. <p>Financial Regulation 4.2 Contributions to support the purposes of WFP shall be recorded under the following funds and accounts:</p> <ul style="list-style-type: none"> (a) programme category funds; (b) the General Fund; (c) trust funds; or (d) special accounts. 	<p>III. Accountability</p> <p>(REGULATION 3.1)</p> <p><u>Rule 103.1</u> All staff members of WFP are accountable to the Executive Director for the regularity of the actions taken by them in the course of their official duties. Any staff member who takes any action contrary to the Financial Regulations or these Rules, or to instructions issued pursuant to the Financial Regulations or these Rules, may be held personally responsible and financially liable for the consequences of such action.</p> <p>IV. Resources</p> <p>(REGULATION 4.1 TO 4.7)</p> <p><u>Rule 104.1</u> The Executive Director, after consultation with the Secretary-General of the United Nations and the Director-General of FAO, shall recommend to the Board a target for the subsequent pledging period.</p> <p><u>Rule 104.2</u> For the application of General Rule XIII.6, commodities pledged to - or received by - WFP will be valued at :</p> <ul style="list-style-type: none"> • the FAC price if applicable; or • the donor's price if the donor's invoice is provided within 12 months of the receipt of the food; or • the world market price at the time of receipt of the commodities.
<p>Financial Regulation 4.3 The Board shall establish a target level for the IRA for each financial period. The target level should be maintained by annual replenishment contributions from donors and, when possible, by repayment of advances made for specific emergencies. Contributions for food and food-related costs will be distinguished clearly from contributions for non-food related costs to enable reporting to the Food Aid Committee of the International Grain Council.</p> <p>Financial Regulation 4.4: Each donor shall be responsible for all costs of its commodity and non-food contributions up to and including delivery free</p>	<p><u>Rule 104.3</u> Pledges and contributions in cash in currencies other than United States dollars shall be recorded in the equivalent of United States dollars converted at the prevailing UN rate of exchange at the date of the pledge or contribution received. Any amount resulting from the possible difference between the rate used to record the pledge and the rate of exchange used at the date the contribution is received and accounted for shall be recorded against the contribution in order to align pledge and contribution to the amount effectively received and converted.</p>



Financial Regulations	Financial Rules
<p>on board at the export port or, where appropriate, free on rail at a recognized exit point of the country concerned.</p> <p>Financial Regulation 4.5: Each donor contributing commodities or non-food items shall be responsible for related transportation costs as well as all associated operational and support costs. The donor shall also be responsible for the costs of unloading and internal transport and any necessary technical and administrative supervision, and all associated operational and support costs, where the responsibility of the government of the recipient country for these costs is waived by the Executive Director in accordance with General Regulation XII.3.</p> <p>Financial Regulation 4.6: The Executive Director, under guidelines established by the Board and in consultation with the donor and the recipient country, may approve the sale of commodities for cash if in the Executive Director's opinion such cash will contribute more effectively to the objectives of the Country Programmes, projects or activities in question. The responsibility of managing the generated financial resources will rest with the holder of the title of commodities at the time of sale. The Executive Director shall retain in all circumstances responsibility for monitoring the management of resources so generated through audit requirements or other measures. When the Executive Director determines that it is in the best interest of the project or activity for WFP to manage the generated financial resources belonging to the recipient government, WFP will enter into a trust fund arrangement with the government. The delineation of the respective responsibilities of WFP, the donor, and the recipient government in the management of such trust fund shall be in accordance with the guidelines established by the Board.</p> <p>Financial Regulation 4.7: 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.</p>	
<p>V. Trust Funds and Special Accounts</p> <p>Financial Regulation 5.1: Trust funds and special accounts may be established by the Executive Director for specified purposes consistent with the</p>	<p>V. Trust Funds and Special Accounts</p> <p>(REGULATIONS 5.1 and 5.2)</p>



Financial Regulations	Financial Rules
<p>policies, aims and activities of WFP. The Executive Director shall report all such trust funds or special accounts to the Board.</p> <p>Financial Regulation 5.2: The purpose and limits of each trust fund and special account shall be clearly defined and contributions thereto shall be on a full-cost recovery basis.</p> <p>VI. Approvals of Country Programmes and Projects</p> <p>Financial Regulation 6.1: To provide for continuity in the programming and implementation of WFP assistance to country programmes and projects, approvals for the purposes of the proposed utilization of resources and of the entering into commitments in respect of activities shall remain valid for the duration of each Country Programme or project.</p> <p>VII. Strategic and Financial Plan</p> <p>Financial Regulation 7.1: The Executive Director shall forward the Strategic and Financial Plan to the ACABQ and the Finance Committee for their review and shall thereafter submit to the Board their comments and recommendations.</p>	<p>No rules issued.</p> <p>VI. Approvals of Country Programmes and Projects</p> <p>(REGULATION 6.1)</p> <p>No rules issued.</p> <p>VII. Strategic and Financial Plan</p> <p>(REGULATION 7.1)</p> <p>No rules issued.</p>
<p>VIII: Country Programmes and Projects</p> <p>Financial Regulation 8.1: Approval of a Country Programme or project shall constitute authority for the Executive Director to issue allotments, incur obligations and expend resources for the Country Programme or project, subject to the preparation and signature of the Country Programme or project agreement.</p> <p>Financial Regulation 8.2: Except as may be specifically agreed with donors, the financial administration of activities financed by special accounts or trust funds shall be governed by these Regulations.</p>	<p>VIII. Country Programmes and Projects</p> <p>(REGULATIONS 8.1 and 8.2)</p> <p>Rule 108.1 Every project proposal shall include a project budget, covering the entire duration of the project, which will set out: (a) the expected contributions to the project, in cash or in kind, by the Government, WFP and, as appropriate, other donors; and (b) a phased plan of expenditure, sub-divided where applicable by calendar years.</p> <p>Rule 108.2 In respect of approved project budgets, the Executive Director shall issue allotments which will specify the officer or officers of the Programme who will be responsible, on behalf of the Executive Director, for entering into obligations and authorizing expenditures. Such allotments may be issued on a project-by-project basis, or may combine all or part of the cash components of two or more projects.</p>



Financial Regulations	Financial Rules
<p>IX. The WFP Budget</p> <p>Financial Regulation 9.1: The Executive Director shall propose a WFP budget for each financial period and submit it to the ACABQ and the Finance Committee in accordance with the General Regulations of WFP.</p> <p>Financial Regulation 9.2: The Executive Director shall submit the proposed WFP Budget, as well as the reports thereon of the ACABQ and Finance Committee, to the Board at its last regular session in the second year of each financial period. The proposed WFP Budget shall be circulated to members of the Board not later than 60 days before the session.</p> <p>Financial Regulation 9.3: The proposed WFP Budget shall show the estimated resources and expenditures for each programme category and shall show proposed appropriations for programme support and administrative services in such separate main appropriation lines as may be decided by the Board.</p> <p>Financial Regulation 9.4: The proposed WFP Budget will contain:</p> <p>(a) comparative tables setting out the proposals for the following financial period, the approved WFP Budget for the current financial period and the approved WFP Budget for the current financial period as modified in the light of actual receipts and expenditures.</p> <p>(b) such statistical data, information and explanatory statements, including staffing tables, as may be requested by the Board or considered appropriate by the Executive Director.</p> <p>Financial Regulation 9.5: The Board shall consider the proposed WFP Budget, and the related reports of the ACABQ and the Finance Committee, and shall approve the WFP Budget prior to the financial period covered by the WFP Budget.</p> <p>Financial Regulation 9.6: Approval of the WFP Budget by the Board shall constitute:</p> <p>(a) acceptance of the WFP programme of work for the following financial period and an authorization to the Executive Director to proceed with the implementation of that programme of work; and</p> <p>(b) an authorization to the Executive Director to allocate funds, issue allotments, incur</p>	<p>IX. The WFP Budget</p> <p>(REGULATIONS 9.1 TO 9.9)</p> <p>--</p> <p>--</p> <p>--</p> <p>--</p> <p>--</p> <p>Rule 109.1 After the biennial budget has been approved by the Board, the Executive Director shall issue each year authorizations to incur obligations and make payments. These authorizations shall be issued to specifically named officials and may take the form of:</p> <p>(a) authorized staffing tables indicating the number and level of posts for the organizational unit or units concerned;</p>



Financial Regulations	Financial Rules
<p>obligations and make payments for the purposes for which the appropriation was approved, up to the amount so approved.</p> <p>Financial Regulation 9.7: The Executive Director may make transfers within each of the main appropriation lines of the approved programme support and administrative budget. The Executive Director may also make transfers between appropriation lines up to limits the Board may specifically set.</p>	<p>(b) allotments of funds for specified objects of expenditure controlled by the official so identified; or</p> <p>(c) any other authorization to commit funds for a specific purpose within a specified period.</p> <p><u>Rule 109.2</u> The official to whom an authorization has been issued pursuant to Rules 109.1 and 108.2 shall be responsible for ensuring that expenditures remain within the relevant authorization and are incurred for the purposes for which they were authorized. Any expenditure beyond the level of the authorization shall require the prior authorization of the Executive Director.</p> <p><u>Rule 109.3</u> The Executive Director may exceptionally make commitments against resources anticipated for future financial periods if he or she decides it is in the interest of WFP to enter into such commitments, which shall normally be restricted to support requirements of a continuing nature or be based on other guarantee mechanisms approved by the Board.</p> <p>--</p>
<p>Financial Regulation 9.8: The Executive Director may propose supplementary WFP Budgets for a financial period in a form and manner consistent with the WFP Budget.</p> <p>Financial Regulation 9.9: Appropriations for programme support and administrative services shall remain available for twelve months following the end of the financial period to which they relate, to the extent they are required to discharge any outstanding legal obligations. At the end of that twelve-month period, the remaining balance of any appropriation shall revert to the General Fund. Any unliquidated obligations shall at that time be cancelled or, where the obligations remain a valid charge, transferred to an obligation against current appropriations.</p> <p>X. The WFP Fund</p> <p>Financial Regulation 10.1: The WFP Fund shall be subdivided into a General Fund, programme category funds, trust funds, and such other funds as</p>	<p>--</p> <p>--</p> <p>X. The WFP Fund</p> <p>(REGULATIONS 10.1 TO 10.9)</p>



Financial Regulations	Financial Rules
<p>the Board may establish from time to time. The Executive Director shall establish such accounts within the WFP Fund as are necessary to implement these Regulations.</p> <p>Financial Regulation 10.2: All contributions to WFP shall be credited to the relevant programme category fund, trust fund, General Fund or special account and all expenditures shall be charged to the relevant fund.</p> <p>Financial Regulation 10.3: All contributions will be classified as multilateral, directed multilateral, or bilateral. The Executive Director may accept bilateral contributions only if they are for activities consistent with the objectives and policies of WFP's Mission Statement and compatible with assistance provided by WFP in the recipient country. The Executive Director shall report all contributions to the Board.</p> <p>Financial Regulation 10.4: In respect of each bilateral contribution accepted under Regulation 10.3 of these Regulations, the Executive Director shall establish a trust fund.</p>	<p>--</p>
<p>Financial Regulation 10.5: Within the General Fund, there shall be maintained an operational reserve at a level to be determined from time to time by the Board, on the recommendation of the Executive Director and after having considered the advice of the ACABQ and the Finance Committee. The purpose of the Operational Reserve shall be to ensure continuity of operations in the event of a temporary shortfall of resources. The Board shall establish guidelines for the use of the Operational Reserve.</p> <p>Financial Regulation 10.6: Drawdowns from the operational reserve shall be restored as soon as possible from the contributions made for the purpose for which the drawdown was made.</p> <p>Financial Regulation 10.7: The Board may establish other reserves as required.</p>	<p><u>Rule 110.1</u> The Operational Reserve will be used to:</p> <ul style="list-style-type: none"> (a) finance the implementation of approved projects in progress and other continuing multilateral operations (including directed multilateral operations) for which firm pledges have been announced, pending receipt of pledged contributions; (b) finance the approved Programme Support and Administrative budget for which firm pledges or other firm sources of income have been identified; and (c) make reimbursable advances to other funds as may be established by the Executive Board for which firm pledges or other firm sources of income had been identified, up to a limit of five million dollars or not exceeding 10 percent of the Operational Reserve, whichever is less. <p>The Operational Reserve will be replenished as soon as the relevant contributions are received.</p> <p>--</p> <p>--</p>



Financial Regulations	Financial Rules
<p>Financial Regulation 10.8: The resources of the WFP Fund shall be used exclusively for the operational and support expenses of WFP.</p> <p>Financial Regulation 10.9: All income other than contributions received shall be classified as miscellaneous income, subject to the provisions of Financial Regulation 11.3 below.</p> <p>XI. Management of Financial Resources</p> <p>Financial Regulation 11.1: The Executive Director shall designate the bank or banks in which the monies of the WFP Fund will be kept.</p>	<p>--</p> <p><u>Rule 110.2</u> Monies received as bonds from suppliers or contractors, including guarantee retentions for the execution of contracts, shall be treated as liabilities.</p> <p><u>Rule 110.3</u> Monies received from bonds for which a penalty/default clause has been enforced shall be credited to the project involved in the contract and any amounts in excess of that required to complete the work concerned to miscellaneous income.</p> <p>XI. Management of Financial Resources</p> <p>(REGULATIONS 11.1 TO 11.3)</p> <p><u>Rule 111.1</u> The Executive Director shall designate signatories for each bank account, as well as officials authorized to amend the signatory panels.</p>
<p>Financial Regulation 11.2: Monies not required immediately may be invested by the Executive Director, bearing in mind the need for safety, liquidity and profitability.</p> <p>Financial Regulation 11.3: Income from</p>	<p><u>Rule 111.2</u> If at an office away from WFP headquarters it is necessary to open a bank account at such short notice that there is not time to make the necessary arrangements, the head of the office may open the account subject to the following:</p> <ul style="list-style-type: none"> (a) wherever possible, the bank shall be a branch of one of the banks designated under Financial Regulation 11.1; (b) the bank shall be informed that the account is an official account of WFP, and that the bank is authorized to provide to the Executive Director any information he or she may request concerning the account; and (c) an immediate report by electronic mail, fax, telex or cable shall be made to the Executive Director. <p><u>Rule 111.3</u> All bank accounts shall be reconciled on a regular basis with the statements submitted by the banks.</p> <p>For the purpose of investment of funds under Regulation 11.2, the Executive Director shall issue from time to time investment policy circulars and may avail of appropriate outside expertise.</p>



Financial Regulations	Financial Rules
<p>investments shall be credited, where applicable, to the related special account, and in all other cases to the General Fund as miscellaneous income. Unless otherwise specified by the contributor, interest accrued on donor funds administered by WFP for bilateral services shall be credited to the IRA.</p> <p>XII. Internal Control</p> <p>Financial Regulation 12.1: The Executive Director shall establish internal controls, including internal audit and investigation, to ensure the effective and efficient use of the resources of WFP and the safeguarding of its assets. Such internal controls shall take into account the best prevailing practices of governmental and commercial management and shall, <i>inter alia</i>, ensure:</p> <ul style="list-style-type: none"> (a) that all payments are made on the basis of supporting vouchers or other documents which ensure that the services or goods have been received and that payments have not previously been made; (b) the regularity of the receipt, custody and disposal of all resources of WFP; (c) the conformity of expenditures and obligations with the appropriations, allotments or other authorizations approved, as the case may be, by the Board, or by the Executive Director. <p>Financial Regulation 12.2: An obligation, regardless of the source or purpose of the monies, shall be incurred only after the relevant allotment has been made in writing by or under the authority of the Executive Director.</p>	<p>XII. Internal Control (REGULATIONS 12.1 TO 12.4)</p> <p><u>Rule 112.1</u> All obligations must be properly certified, and all expenditures properly approved:</p> <ul style="list-style-type: none"> (a) Certification of an obligation means that the officer so certifying attests that the charge or claim being made can properly be recorded against the relevant project allotment or other authorization, and that funds are available in that allotment or other authorization to satisfy that charge or claim. (b) Approval of a payment means that the officer so approving is satisfied, on the basis of supporting documentation, that the goods or services for which payment is claimed have been received or rendered in accordance with the terms of the contract or obligation; that payment has not previously been made; and that no other information is available which would bar the payment. (c) The Executive Director shall designate certifying officers and approving officers. (d) Except where physically impossible in the case of small field duty stations, no certifying officer shall at the same time be an approving officer. (e) The responsibilities of certifying and approving officers are personal, and cannot be delegated. <p><u>Rule 112.2</u> All proposed expenditures shall first be obligated at the time the obligation legally arises, except:</p> <ul style="list-style-type: none"> (a) if the proposed expenditure is less than US\$5,000 or its equivalent; or (b) in case of urgency when there is not time for entering an obligation. Such expenditures, however, shall always be certified by the appropriate certifying officer. <p><u>Rule 112.3</u> The Executive Director shall have certification authority for all accounts of the Programme.</p> <p><u>Rule 112.4</u> In the case of charges in currencies other than the United States dollar, obligations and expenditures shall be recorded at the prevailing United</p>



Financial Regulations	Financial Rules
	<p>Nations operational rate of exchange. Differences between that rate and the rate actually applied to a payment shall be charged to gains or losses on exchange. (See also Rule 113.5).</p> <p><u>Rule 112.5</u> All payments shall be made by cheque or bank transfer, except to the extent that cash payments are authorized by the Executive Director or, in the field, by a duly authorized official on his/her behalf. All cheques or payment instructions shall be signed by two authorized signatories. Receipts shall be obtained for all payments.</p> <p>All payments shall be made to the beneficiaries stipulated in the contracts, purchase orders or committing documents from which the claim for payment arises. In case the stipulated beneficiary does not exist at the time of payment, the individual or organization submitting a claim on behalf of the original beneficiary shall be required to produce legal authority of the assumption of the claim, sufficient to satisfy the requirements of the country in which the transaction has taken place.</p> <p>All cash payments so authorized shall be acknowledged by the beneficiaries of such payments, either on forms provided by the beneficiaries themselves or on forms provided by WFP. These receipts should clearly make reference to the contract(s) for which the payments were made.</p> <p><u>Rule 112.6</u> Payments shall be recorded in the accounts on the date the cheque was issued, the bank transfer requested or the cash disbursed.</p> <p><u>Rule 112.7</u> For monies received by WFP, an official pre-numbered receipt shall be issued by a duly authorized official as of the date monies are received and shall be sent to the donor concerned. All monies received shall be deposited in an official bank account not later than the business day following the day of receipt, and shall be entered into the accounts as of that date.</p> <p><u>Rule 112.8</u> Petty cash advances may be made to officials designated by the Executive Director, the amount thereof being held to a minimum compatible with working requirements.</p> <p><u>Rule 112.9</u> Officials to whom petty cash advances are issued shall use them only for the purposes for which the advance was authorized, and shall be held personally responsible and financially accountable for the proper management and safekeeping of the cash advanced. They shall keep all cash and negotiable instruments in safe custody.</p>



Financial Regulations	Financial Rules
	<p><u>Rule 112.10</u> Field offices may obtain funds through remittances from headquarters at a level established by the Executive Director for each office.</p> <p><u>Rule 112.11</u> Staff and consultants may be engaged only under the written authority of the Executive Director and within the limits approved for that purpose in project allocations and budgetary allotments, or as may be provided in trust funds and special accounts established under Financial Regulation 5.1.</p>
<p>Financial Regulation 12.3: The Executive Director may make such <i>ex gratia</i> payments as the Executive Director deems necessary in the interest of WFP. The Executive Director shall report all such payments to the Board with the financial statements.</p> <p>Financial Regulation 12.4: The Executive Director may, after full investigation, authorize the writing-off of losses of cash, commodities and other assets, provided that a statement of all amounts written off shall be submitted to the External Auditor with the financial statements.</p> <p>Financial Regulation 12.5: Competitive tenders for commodities, transport, equipment, supplies and other requirements shall be invited by means of formal invitations to bid, advertisements or requests for proposals, except where the Executive Director takes a documented decision that a departure from this Financial Regulation is necessary.</p>	<p><u>Rule 112.12</u> The Executive Director may, after full investigation, authorize the writing off of losses of cash, accounts receivable and notes receivable deemed to be irrecoverable. The investigation shall, in each case, fix the responsibility, if any, attaching to any official of WFP for the loss. Such official may be required to reimburse the loss either partially or in full.</p> <p><u>Rule 112.13</u> The Executive Director may, after full investigation in each case, authorize the writing off of losses of property belonging to WFP or such other adjustment of the records as will bring the balance shown by the records into conformity with the actual quantities verified. The Executive Director shall make a determination as to recoveries, if any, to be made from staff members or other as a result of losses. (See also Rule 112.32).</p> <p>PROCUREMENT OF FOODSTUFFS AND RELATED PACKAGING</p> <p>(REGULATION 12.5)</p> <p><u>112.14</u> For the purchase of foodstuffs and related packaging, the following guidelines shall apply:</p> <p>(a) Purchase of foodstuffs and related packaging will be made on the basis of international competition or local competition in a country or countries where the required commodity is known to be available for economical purchase. The Executive Director shall in each case decide on either of these two sources, or a combination thereof, in the light of availability, ease and speed of transport, and other relevant factors.</p> <p>(b) Except where prices and/or other terms of commodity sales are controlled by national legislation, normally at least three bids or quotes shall be requested; and</p>



Financial Regulations	Financial Rules
	<p>(i) invitations to bid or quote will be addressed to recognized reputable suppliers of the commodity in question, and WFP shall maintain a list of such suppliers;</p> <p>(ii) where prices and/or other terms of commodity sales are controlled by national legislation, the government agency concerned will be asked to submit its lowest quotation.</p> <p>(c) In every case, the invitations to bid or quote will specify official or international grades or standards, where applicable and accepted in trade, or specifications of variety of type, quality and condition.</p> <p>(d) Where competition has been initiated, the most economical responsive offer shall be selected, taking into account all factors including specifications, transportation costs, timelines of delivery, packing and other requirements.</p> <p>(e) Where the purchase is effected from a government agency, the Executive Director shall ensure that the price offered is competitive, taking into account price indications, including transport costs, from alternative sources of supply for a comparable type and grade of commodity.</p> <p>(f) When conditions are equal, preference will be given to purchasing from developing countries.</p> <p>(g) The Executive Director shall establish a Food Purchases Committee that will evaluate and analyse all offers received in relation to the purchase of foodstuffs and related packaging with an estimated value of US\$100,000 or over at headquarters and US\$30,000 or over in regional/ country offices and render advice to the relevant Procurement Authority (the official authorized to enter into contractual arrangements with third parties, financially obligating the funds of WFP, and subsequently, to approve the relevant payment).</p> <p>PROCUREMENT OF TRANSPORTATION AND INSURANCE</p> <p><u>Rule 112.15</u> For the transportation of commodities arranged by WFP, and related insurance and superintendent services, the following guidelines shall apply:</p> <p>(a) In the case of liner vessels, the rate of freight shall be as determined through negotiation with the shipping conference or line concerned, or as may be determined by applicable trade tariffs. In all cases the decision on the choice of carrier</p>



Financial Regulations	Financial Rules
	<p>shall take into account, <i>inter alia</i>, the rate of freight, the reputation of the line and the quality of the service offered.</p> <p>(b) In the case of charter vessels, competitive proposals shall be sought through a panel of international shipbrokers appointed by the Executive Director. Selection of an offer shall be based on the rate offered, the suitability of the vessel and the reputation of the owner, and on the result of any subsequent rate negotiations.</p> <p>(c) In the case of landside transport:</p> <p>(i) Overland Transport</p> <ul style="list-style-type: none"> • for smaller consignments of up to 2,000 tons, clearing and forwarding agents may be appointed on a competitive basis and the selection shall be made on the basis of the rate offered, corporate credentials submitted, and prior WFP experience if any; and • for larger consignments of over 2,000 tons, at least three locally registered companies in the transit or recipient countries shall be invited to quote for transportation including, where applicable, bagging and stevedoring services in accordance with established delivery terms and other relevant conditions. The selection shall be made on the basis of the rate offered, capacity, adherence to delivery terms and other conditions of the contract and, where applicable, prior experience. <p>(ii) Internal Transport</p> <ul style="list-style-type: none"> • arrangements for internal transport shall be done on a competitive basis through the issuance of requests for offers to at least three reputable transporters. Selection of an offer should be based on the rates offered, capacity, adherence to delivery terms of the contract, and where applicable, prior experience. • The Country Director shall establish a Local Transport Committee (LTC) that will evaluate and analyse all the valid offers received and render advice to the Procurement Authority. <p>(d) Air transport shall require the specific authorization of the Executive Director. Competitive offers shall, where possible, be sought from suitable aircraft owners or operators</p>



Financial Regulations	Financial Rules
	<p>and from one or more reliable airbrokers. Selection shall be made after negotiation, in the light of:</p> <ul style="list-style-type: none"> (i) the rates quoted for freight, costs of positioning and depositioning, daily standing charges, war risk insurance premium, if any, and other related expenses; (ii) the suitability of the aircraft and reputation of its owner or operator; and (iii) the immediate availability of the aircraft. <p>(e) Insurance arrangements in respect of transportation and related activities shall be periodically reviewed, by obtaining indications of rates from various markets for diverse types of cover, to ensure that WFP's coverage is the most suitable available in the light of cost and other relevant factors. In the case of chartered vessels, a charterer's legal liability shall be placed at regular intervals on the basis of an evaluation of quotations received from reputable insurance companies or brokers. The Executive Director may authorize write-offs or waivers of insurance claims if, in his or her opinion, these are irrecoverable.</p> <p>(f) Arrangements for stevedoring, warehousing, reconditioning of damaged cargo, special ad hoc insurance arrangements and other ancillary services and supplies shall be concluded as required by WFP in the light of operational needs of the rates and quality of service offered.</p> <p>(g) Forwarding agents, overland forwarders, superintendents and chartering brokers shall be appointed wherever possible after review of questionnaires or requests for offers sent to selected companies and of subsequent interviews. Selection shall be made on the basis of perceived competence and quality of services offered. Where these procedures are not practicable because of the limited number of available candidates, the limited scope of the operation, or because of urgency, the appointment shall be made on the basis of the best information available to the Executive Director. The Executive Director shall arrange for regular evaluation of the performance of agents, forwarders, superintendents and brokers referred to in this subparagraph.</p> <p>(h) Demurrage resulting from failure by the recipient government to ensure quick berthing and unloading of a vessel shall be a charge to the government, and dispatch earned by prompt turnarounds shall be credited to the government.</p>



Financial Regulations	Financial Rules
	<p>However, in cases where WFP has made special arrangements, for operational reasons, resulting in WFP assuming responsibility for demurrage or dispatch, neither demurrage will be charged nor dispatch credited to the recipient government.</p> <p>(i) The Executive Director shall designate the Procurement Authority (see Rule 112.14(g) for definition) for all arrangements for transportation, insurance and related services. The Procurement Authority will decide, based on the advice of relevant officers of the Programme who will analyze and evaluate all quotes or offers received, on the selection of the offer.</p> <p><u>Rule 112.16</u> The Executive Director shall establish an Oversight Committee on Commodities (CCTI-Food) and an Oversight Committee on Transport and Insurance (CCTI-Transport), which will review on a quarterly basis the adequacy of the arrangements set out in Rules 112.14 and 112.15 and, in particular, the manner in which relevant selection procedures have been used, and will make related recommendations to the Executive Director. These Committees shall specifically review:</p> <p>(a) <i>ex post facto</i>:</p> <p>(i) all contracts concluded for international and local purchases from developing countries of foodstuffs and related packaging with an estimated value of US\$100,000 or over;</p> <p>(ii) all international and local contracts concluded for transportation by sea, land or air with a value of US\$50,000 or over;</p> <p>(iii) all general rate agreements concluded by WFP;</p> <p>(iv) all insurance arrangements entered into;</p> <p>(v) appointments of agents, forwarders, superintendents and brokers under Rule 112.15(g); and</p> <p>(vi) agreements for stevedoring, warehousing and ancillary services with a value of US\$50,000 or over.</p> <p>(b) with a view to making related recommendations to the Executive Director:</p> <p>(i) proposed insurance write-offs and waivers of demurrage claims against recipients with an estimated value of over US\$25,000.</p> <p>(ii) policy issues on procurement of commodities and related packaging and transportation,</p>



Financial Regulations	Financial Rules
	<p>insurance and related services which may affect WFP's operations.</p> <p>PROCUREMENT OF OTHER GOODS AND SERVICES</p> <p><u>Rule 112.17</u> All procurement of goods (including non-food items) and services (including construction and major rehabilitation of infrastructure), other than foodstuffs and related packaging, transportation and related transport services covered by Rules 112.14 and 112.15, shall be done on a competitive basis and carried out by the issuance of solicitation documents, which are either invitations to bid or requests for quotations or requests for proposal to at least three reputable suppliers of the goods and services.</p> <p><u>Rule 112.18</u> Requests for quotation, invitations to bid, or requests for proposal shall be issued in accordance with procedures established by the Executive Director. All quotes, bids and proposals received from offerors shall be opened at a time and place specified in the solicitation document and an immediate record made thereof.</p> <p><u>Rule 112.19</u> The Executive Director shall establish a Non-Food Purchase and Contracts Committee at headquarters and in regional/country offices which will review and examine all bids, quotes and proposals received and render advice to the relevant Procurement Authority (see Rule 112.14(g) for definition) for the following purchase of goods and services covered under Rules 112.17 and 112.22.</p> <ul style="list-style-type: none"> (a) all procurement actions (competition and waivers) involving commitments either as a single request or a series of related requests with a total value of US\$100,000 or over at headquarters or US\$30,000 or over at the regional/country offices; (b) all indefinite quantity contracts (i.e., Blanket Purchase Agreement (BPAs), Term Contracts for services) and consignment contracts including renewals/extensions/expansions/ amendments of these procurement instruments other than exercising an existing option to extend once at the same terms and conditions; (c) all call-off orders under indefinite quantity contracts amounting to US\$500,000 or over at headquarters or exceeding delegated authority at regional/country offices; (d) all renewals/extensions/expansions/ amendments of existing contracts which will result in an additional cost to WFP of ten percent or more of the accumulated cost of the original obligation plus all related amendments; (e) proposed purchases or contracts of US\$100,000



Financial Regulations	Financial Rules
	<p>or over that have been subsequently cancelled, and related reasons and justifications;</p> <p>(f) all procurement actions that are recommended for award and do not adhere to procurement policy and procedures;</p> <p>(g) such other policy issues and procurement actions resulting from the review of contracts and purchases, as it may consider appropriate to submit to the Procurement Authority or Executive Director.</p> <p>Proposed contracts or purchases of less than US\$30,000 in regional/country offices and of less than US\$100,000 at headquarters shall not be reviewed by a Non-Food Purchase and Contracts Committee, provided that there is a recorded assessment of competitive and responsive quotations prepared by the responsible procurement officer as is the case of all procurement actions.</p> <p>Proposed contracts or purchases at headquarters amounting to less than US\$2,500 and of recurring nature shall be considered as micropurchases and the Executive Director shall establish streamlined procedures for these small-value items.</p> <p><u>Rule 112.20</u> All purchases of goods and services (including non-food items), other than those for foodstuff and related packaging and transportation and related services, shall be awarded based on the following guidelines:</p> <p>(a) In the case of invitations to bid and requests for quotation, contracts or purchase orders shall be awarded to the best qualified supplier or contractor submitting the most technically acceptable and lowest bid or quote, provided that if the interests of the Programme so require any or all bids or quotes may be rejected. In the latter instance, the reasons for rejection shall be recorded and a determination made whether to invite new competitive tenders or to enter into a negotiated contract.</p> <p>(b) In the case of requests for proposals, contracts or purchase orders shall be awarded to the qualified supplier or contractor whose proposal is considered to be the best value (technical and financial) and the most responsive to the needs of the Programme.</p> <p><u>Rule 112.21</u> The requirements for the procurement process under Rule 112.18 may be waived under the following reasons and conditions:</p> <p>(a) Where the proposed contract or purchase meets</p>



Financial Regulations	Financial Rules
	<p>one or more of the following conditions:</p> <ul style="list-style-type: none"> (i) When prices or rates are fixed pursuant to national legislation or by regulatory bodies. (ii) When WFP, on the basis of competent technical advice, has approved the standardization of supplies, equipment, spare parts and other items, and where the related services pertaining to the standardized items make competition impractical. (iii) When the requirements of emergency operations or other operational needs do not permit the delay attendant on the execution of a competitive process. (iv) When only one source can reasonably meet WFP's requirements or the procurement relates to perishable supplies. (v) When competition for identical items has been obtained during the preceding three months, unless there has in the meantime been a substantial change in price or market trends. (vi) When the proposed contract is for services of individuals other than staff members. <p>(b) The application of the conditions enumerated in paragraph (a), as a basis for waivers, must first be approved by the relevant Procurement Authority before the procurement of the goods or services is executed, which must be appropriately documented and recorded.</p> <p>(c) When the proposed contract or purchase involves an amount of US\$100,000 or over at headquarters or US\$30,000 or over in regional/country offices, it shall be referred to the relevant Non-Food Purchase and Contracts Committee for review and advice to the Procurement Authority as provided under Rule 112.19.</p> <p>RULES COMMON TO ALL PURCHASES</p> <p><u>Rule 112.22</u> In cases where the Procurement Authority decides not to follow the advice of the relevant committee or officer concerned, the reasons for such decisions shall be documented and recorded.</p> <p><u>Rule 112.23</u> Written contracts or written purchase orders shall be used for every award, to a single contractor or vendor in an amount of US\$1,000 or over, that is made based on competition or waiver which are documented in all cases. Contracts and purchase orders shall specify:</p> <ul style="list-style-type: none"> (a) the nature and specifications of the goods or services being provided;



Financial Regulations	Financial Rules
	<p>(b) the quantity being provided;</p> <p>(c) the unit or lump sum prices, as applicable;</p> <p>(d) the period covered or duration of the contract;</p> <p>(e) the conditions to be fulfilled;</p> <p>(f) the terms and place of delivery and of payment, and the currency of payment; and</p> <p>(g) the procedure for settlement of disputes.</p> <p><u>Rule 112.24</u> Except where normal commercial practice or the interests of WFP so require, no payment shall be made in advance of the delivery of goods or performance of services contracted for. Progress payments may however be made when the interests of WFP so require.</p> <p><u>Rule 112.25</u> Each determination or decision taken by an official pursuant to Rules 112.14 to 112.24 above shall be appropriately recorded and shall be supported by the written findings of that official.</p>
	<p><u>Rule 112.26</u> The Executive Director shall maintain documentation and records of the acquisition, movement and delivery of commodities, including the establishment of any food reserve which may be approved by the Board. Records of commodities shall be expressed in quantities and show equivalent cash value as may have been determined under General Rule XIII.6.</p> <p><u>Rule 112.27</u> The Executive Director shall maintain adequate property records for the equipment, supplies and other property of WFP. Physical inventories shall be taken of such equipment, supplies and other property on an annual basis, or at such shorter intervals as may be required to ensure adequate control over such property.</p> <p><u>Rule 112.28</u> All supplies, equipment or other property received by WFP shall immediately be inspected to ensure that the item complies with the specifications of the purchase contract and that its condition is satisfactory. On receipt of the item, it shall be entered, if required under Rule 112.27, into the property records.</p> <p><u>Rule 112.29</u> Supplies, equipment and other property shall be issued only to officials authorized by an officer to requisition them.</p> <p><u>Rule 112.30</u> Equipment or other property issued to individuals for their own official use, such as personal</p>



Financial Regulations	Financial Rules
	<p>computers, calculators or tools, shall be recorded in the property records as property issued on loan. The individual is personally responsible and accountable for the return of the item in its original condition "allowing for normal wear and tear". Failure to present the item in question during the semi-annual physical count, on separation from service and after written notice is served within a reasonable time, will constitute personal liability and restitution to WFP should be made either in cash or in kind.</p> <p><u>Rule 112.31</u> The Executive Director shall establish Property Survey Boards for the review, at headquarters and in the field, of:</p> <ul style="list-style-type: none"> (a) shortages and overages of, and damage to, property ascertained through inventories or by other means; and (b) inventoried property that becomes surplus or unserviceable through obsolescence or normal wear and tear. <p><u>Rule 112.32</u> Reviews of property:</p> <ul style="list-style-type: none"> (a) Reviews of property by a duly constituted Property Survey Board under rule 112.31 above shall comprise: <ul style="list-style-type: none"> (i) an investigation into the cause of any shortages or overages of and damage to property, and recommended actions to be taken thereon; (ii) recommendations on disposal of property which has become surplus or unserviceable through obsolescence or normal wear and tear based on the local Property Survey Board's decisions. (b) Such reviews shall in each instance indicate the degree of responsibility, if any, attaching to any official of WFP for shortages, overages or damage. <p><u>Rule 112.33</u> Sales of property declared surplus or unserviceable by a duly constituted Property Survey Board (Rule 112.31 (a) above shall be made by competitive bidding, provided that such competitive bidding is not necessary when:</p> <ul style="list-style-type: none"> (a) the inventoried value is less than US\$5,000 (purchase price); (b) the exchange of surplus property in partial or full payment for replacement equipment or supplies will be in the interests of WFP;



Financial Regulations	Financial Rules
	<p>(c) the destruction of the surplus or unserviceable material will be more economical or is required by law or by the nature of the property; or</p> <p>(d) the interests of WFP will be served by disposal by donation or sale at nominal prices, to a Government or other non-profit organization.</p> <p>Any waiver to this rule must be documented by a statement signed by the constituted Property Survey Board.</p> <p><u>Rule 112.34</u> Sales of property shall be on the basis of cash payments on or before delivery.</p>
	<p><u>Rule 112.35</u> The proceeds from the sale of property shall be credited as miscellaneous income to the source of funds charged with the purchase thereof (the Fund, or a trust fund or special account thereof) except that:</p> <p>(a) when it has been decided that the proceeds of the sale shall be applied directly against the purchase price of replacement property, only the excess, if any, shall be credited as miscellaneous income;</p> <p>(b) the trade-in of property is not considered as a sale, it is considered "constructive sale", as it becomes part of the replacement value of the new item. The trade-in allowance shall be applied against the cost of the replacement property;</p> <p>(c) the proceeds from the sale of surplus project equipment shall be credited to the accounts of that project provided they have not been closed;</p> <p>(d) where equipment is transferred from one project to another and the accounts of the releasing project are open, the fair market value of the equipment shall be credited to the releasing project and charged to the receiving project.</p> <p><u>Rule 112.36</u> Internal audit reviews, conducted in accordance with generally accepted common auditing standards, shall provide comments and recommendations to the Executive Director in respect of:</p> <p>(a) the effective management of WFP and the economic use of its resources;</p> <p>(b) the soundness, adequacy and application of</p>



Financial Regulations	Financial Rules
	<p>financial systems, procedures and internal controls;</p> <p>(c) the compliance of financial transactions with established regulations, rules and instructions;</p> <p>(d) the regularity of the receipt, custody, expenditure, accounting and reporting of the resources of WFP; and</p> <p>(e) the conformity of expenditures with the purposes for which the funds were authorized.</p>
<p>XIII. Financial Statements</p> <p>Financial Regulation 13.1: The Executive Director shall submit to the Board for its approval biennial financial statements in respect of the WFP Fund, including its funds and accounts. These financial statements shall be prepared in accordance with the UN Common Accounting Standards except when the nature of WFP's operation requires different internationally accepted accounting standards. The format of the financial statements shall be such as may be appropriate to clearly show the financial position of WFP and meet the managerial requirements of the Board and of the Executive Director.</p> <p>Financial Regulation 13.2: The financial statements shall be presented in United States dollars. Accounting records may also be kept in such other currencies as the Executive Director may deem necessary.</p> <p>Financial Regulation 13.3: The Executive Director shall certify the financial statements, and submit them not later than 31 March following the end of each financial period, to the External Auditor for examination and opinion.</p>	<p>XIII. Financial Statements</p> <p>(REGULATION 13.1 TO 13.3)</p> <p><u>Rule 113.1</u> The Executive Director shall establish and maintain financial records, systems and procedures providing accurate and timely information required for internal management purposes, for the preparation of the financial statements, for submission to the External Auditor, and for reporting to the Board, the ACABQ and the Finance Committee.</p> <p><u>Rule 113.2</u> The principal accounts shall consist of:</p> <p>(a) project accounts by programme category showing:</p> <p>(i) project identification number;</p> <p>(ii) approved project budget allocations;</p> <p>(iii) disbursements and unliquidated obligations (direct operational costs, direct and indirect support costs); and</p> <p>(iv) unencumbered balances of project budget allocations.</p> <p>(b) The General Fund, programme support and administrative accounts, special accounts, and trust liabilities showing:</p> <p>(i) approved appropriations;</p> <p>(ii) allotments made;</p> <p>(iii) disbursements;</p> <p>(iv) unliquidated obligations;</p>



Financial Regulations	Financial Rules
	<p>(v) unencumbered balances of allotments;</p> <p>(vi) unencumbered balances of appropriations; and</p> <p>(vii) trust and other liabilities.</p> <p>(c) Trust funds</p> <p>(d) General ledger accounts showing, for the WFP Fund, all income, expenditure, cash at banks, investments, receivables and other assets, reserves, payables and other liabilities.</p>
	<p><u>Rule 113.3</u> The Executive Director shall formulate the retention and disposal policy of financial records and supporting documents for such periods as necessary except for those pertaining to outstanding audit issues which may be agreed with the External Auditor, after which they may be destroyed on the authority of the Executive Director.</p> <p><u>Rule 113.4</u> Except as may be otherwise required by the terms of any trust fund or authorized by the Executive Director, all income shall be accounted for on a cash basis and all expenditures shall be accounted for on an accrual basis.</p> <p><u>Rule 113.5</u> Conversion of records into other currencies shall be in accordance with the following:</p> <p>(a) Where records have been authorized to be kept in currencies other than the United States dollar, they shall be converted into United States dollars at the United Nations operational rate of exchange in effect on the date of the transaction or on the date of the report, as appropriate.</p> <p>(b) Where there is a conversion of United States dollars into local currency, or vice versa, the actual amounts obtained shall be taken into account; any difference between that amount and the amount which would have been obtained at the operational rate of exchange under (a) above shall be recorded in the accounts as a loss or gain in exchange.</p> <p>(c) For project accounts, losses and gains on exchange shall be charged or credited to the account of the project concerned, when feasible. For administrative budget accounts, losses or gains shall be charged or credited to miscellaneous income. For trust funds and special accounts, losses or gains shall be charged or credited to the relevant trust fund or special account.</p> <p><u>Rule 113.6</u> Certification of the accounts shall attest that, to the best of the Executive Director's knowledge and</p>



Financial Regulations	Financial Rules
	information, all material transactions have been properly entered in the accounting records and are properly reflected in the financial statements and supporting schedules.
<p>XIV. External Audit</p> <p>Financial Regulation 14.1: The Board shall appoint an External Auditor to perform the audit of the accounts of WFP. The External Auditor shall be the Auditor-General (or official holding the equivalent title) of a State Member of the United Nations or FAO.</p> <p>Financial Regulation 14.2: The External Auditor shall be appointed for a four-year period covering two financial periods. He or she may be reappointed for only one further four-year term.</p> <p>Financial Regulation 14.3: The audit shall be conducted in accordance with Common Auditing Standards of the Panel of External Auditors of the United Nations, the Specialized Agencies and the International Atomic Energy Agency and in accordance with the additional terms of reference set out in the Annex to these Regulations.</p> <p>Financial Regulation 14.4: The External Auditor may make 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.</p> <p>Financial Regulation 14.5: The External Auditor shall be completely independent and solely responsible for the conduct of the audit.</p>	<p>Rule 113.7 In addition to the accounts, there shall be provided to the External Auditor a summary of significant accounting policies and information on:</p> <ul style="list-style-type: none"> (a) ex gratia payments; (b) inventoried property; (c) losses of cash and write-offs of other assets; (d) exceptions to these Financial Rules; and (e) such other information as the External Auditor may require. <p>XIV. External Audit</p> <p>(REGULATIONS 14.1 to 14.9)</p> <p>No rules issued.</p> <p>--</p> <p>--</p> <p>--</p> <p>--</p>



Financial Regulations	Financial Rules
<p>Financial Regulation 14.6: The Board may request the External Auditor to perform specific examinations and issue separate reports thereon.</p>	--
<p>Financial Regulation 14.7: The Executive Director shall provide the External Auditor with the facilities he or she may require in the performance of the audit and any specific examination requested by the Board.</p> <p>Financial Regulation 14.8: The External Auditor shall issue a report on the audit of the financial statements and relevant schedules relating to the accounts of the financial period, which shall include such information as the External Auditor deems necessary with regard to the matters referred to in Financial Regulation 14.4 and in the additional terms of reference.</p> <p>Financial Regulation 14.9: External audits will be conducted exclusively by the External Auditor appointed by the Board, provided that for the purpose of making a local or special examination or of effecting economies of audit cost, the External Auditor may engage the services of any national Auditor-General (or person exercising an equivalent function) or commercial public auditors of known repute or any other person or firm who, in the opinion of the External Auditor, is technically qualified.</p>	<p>--</p> <p>--</p> <p>--</p>



ANNEX TO THE FINANCIAL REGULATIONS**ADDITIONAL TERMS OF REFERENCE GOVERNING EXTERNAL AUDIT**

1. The External Auditor shall perform such audit of the accounts of WFP, including all trust funds and special accounts, as deemed necessary in order to satisfy himself or herself:
 - (a) that the financial statements are in accordance with the books and records of WFP;
 - (b) that the financial transactions reflected in the statements have been in accordance with the rules and regulations, the budgetary provisions and other applicable directives;
 - (c) that the securities and monies on deposit and on hand have been verified by certificate received direct from WFP's depositories or by actual count of WFP;
 - (d) that the internal controls, including the internal audit, are adequate in the light of the extent of reliance placed thereon; and
 - (e) that procedures satisfactory to the External Auditor have been applied to the recording of all assets, liabilities, surpluses and deficits.
2. The External Auditor shall be the sole judge as to the acceptance in whole or in part of certifications and representations by the Executive Director and may proceed to such detailed examination and verification as he or she chooses of all financial records including those relating to supplies and equipment.
3. The External Auditor and the External Auditor's staff shall have free access at all convenient times to all books, records and other documentation which are, in the opinion of the External Auditor, necessary for the performance of the audit. Information classified as privileged and which the Executive Director (or designated senior official) agrees is required by the External Auditor for the purposes of the audit and information classified confidential shall be made available on application. The External Auditor and his staff shall respect the privileged and confidential nature of any information so classified which has been made available and shall not make use of it except in direct connection with the performance of the audit. The External Auditor may draw the attention of the Board to any denial of information classified as privileged which, in his or her opinion, was required for the purpose of the audit.
4. The External Auditor shall have no power to disallow items in the accounts but shall draw to the attention of the Executive Director for appropriate action any transaction concerning which he or she entertains doubt as to legality or propriety. Audit objections to these or any other transactions arising during the examination of the accounts shall be immediately communicated to the Executive Director.
5. The External Auditor shall express and sign an opinion on the financial statements of the World Food Programme. The opinion shall include the following basic elements:
 - (a) the identification of the financial statements audited;
 - (b) a reference to the responsibility of the entity's management and the responsibility of the auditor;
 - (c) a reference to the audit standards followed;
 - (d) a description of the work performed;
 - (e) an expression of opinion on the financial statements as to whether:
 - (i) the financial statements present fairly the financial position as at the end of the period and the results of the operations for the period;
 - (ii) the financial statements were prepared in accordance with the stated accounting policies; and



- (iii) the accounting policies were applied on a basis consistent with that of the preceding financial period;
 - (f) an expression of opinion on the compliance of transactions with the financial regulations and legislative authority;
 - (g) the date of the opinion;
 - (h) the External Auditor's name and position; and
 - (i) should it be necessary, a reference to the report of the External Auditor on the financial statements.
6. The report of the External Auditor to the Board on the financial operations of the period should mention:
- (a) the type and scope of the examination;
 - (b) matters affecting the completeness or accuracy of the accounts, including where appropriate:
 - (i) information necessary to the correct interpretation of the accounts;
 - (ii) any amounts which ought to have been received, but which have not been brought to account;
 - (iii) any amounts for which a legal or contingent obligation exists and which have not been recorded or reflected in the financial statements;
 - (iv) expenditures not properly substantiated; and
 - (v) whether proper books of accounts have been kept; where in the presentation of statements there are deviations of material nature from the generally accepted accounting principles applied on a consistent basis, these should be disclosed.
 - (c) other matters which should be brought to the notice of the Board, such as:
 - (i) case of fraud or presumptive fraud;
 - (ii) wasteful or improper expenditure of WFP's money or other assets (notwithstanding that the accounting for the transaction may be correct);
 - (iii) expenditure likely to commit WFP to further outlay on a large scale;
 - (iv) any defect in the general system of detailed regulations governing the control of receipts and disbursements or of supplies and equipment;
 - (v) expenditure not in accordance with the intention of the Board after making allowance for duly authorized transfers within the budget;
 - (vi) expenditure not in conformity with the authority which governs it.
 - (d) the accuracy or otherwise of the supplies and equipment records as determined by stock-taking and examination of the records.
 - (e) In addition, the reports may contain reference to transactions accounted for in a previous financial period concerning which further information has been obtained or transactions in a later financial period concerning which it seems desirable that the Board should have early knowledge.
7. The External Auditor may make such observations with respect to his findings resulting from audit and such comments on the Executive Director's financial report as he deems appropriate to the Board or to the Executive Director.
8. Whenever the External Auditor's scope of audit is restricted, or whenever he or she is unable to obtain sufficient evidence, the External Auditor shall refer to the matter in his opinion and report, making clear in the report the reasons for his comments, and the effect on the financial position and the financial transactions as recorded.



9. In no case shall the External Auditor include criticism in his or her report without first affording the Executive Director an adequate opportunity to explain the matter under observation.
10. The External Auditor is not required to mention any matter referred to in the foregoing which, in his opinion, is insignificant in all respects.

