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**Executive Board
Second Regular Session**

Rome, 12–14 November 2012

RESOURCE, FINANCIAL AND BUDGETARY MATTERS

Agenda item 5

For approval

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INCREASED FEE FOR THE EXTERNAL AUDITOR



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NOTE TO THE EXECUTIVE BOARD

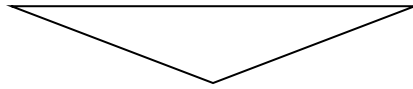
This document is submitted to the Executive Board for approval

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

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

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

DRAFT DECISION*



The Board approves a 4 percent increase in the audit fee payable to the External Auditor, involving a total increase of US\$15,400, on grounds of an increase in daily subsistence allowance, staff costs and airfare. This increase will apply from April 2012.

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

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

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

For further information please contact:

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Increased Fee for the External Auditor

World Food Programme



COMPTROLLER AND AUDITOR GENERAL OF INDIA

Introduction

1. This document presents the External Auditor's proposal for a first time increase in audit fee involving a total increase of US\$15,400 per annum from April 2012 onwards.

Background

2. The Comptroller and Auditor General of India has been appointed by the Executive Board as the External Auditor for WFP for the term 1 July 2010 to 30 June 2016 at a total annual remuneration of US\$385,000.

Proposal

3. The Comptroller and Auditor General of India has proposed an increase of 4 percent over its annual remuneration of US\$385,000, with effect from April 2012, in view of the following:

- There has been a net increase of 13 percent in the audit cost under components of daily subsistence allowance (DSA), staff costs and airfare at Rome over the last two years. Details are given in Annexure A.
- The Agreement with WFP under Article 6 (d) – Remuneration, and the Board Document WFP/EB.A/2010/6-B/1, Para 16 enumerate that the External Auditor may request limited increases in relation to services to be provided after the first year of the term of the agreement, due to variations in the cost of air travel, staff costs and rates of daily subsistence allowance, which shall not, over the term of its office, exceed a cumulative total of 8 percent of the total annual remuneration.
- Adopting a conservative and modest approach, we have proposed an overall increase of 4 percent.
- The increase is not for any additional tasks or work outside the original scope, which as per the Contract/Board document would be the object of discussion with WFP.

4. In view of the above justifications, we seek the Executive Board's prior authorization for a 4 percent increase in audit fee for the External Auditor, involving a total increase of US\$15,400 from April 2012 onwards.

Annexure A**Details of cost increase between November 2009 (as in bid) and March 2012**

Cost component	Weightage in total cost (%)	Increase (%)	Net increase in audit cost (%)
DSA at Rome	48	4	1.92
Airfare for Rome (to and fro)	18	17	3.06
Staff cost	34	25	8.50
Net increase in cost			13.48