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de Alimentos

**Executive Board  
First Regular Session**

**Rome, 8–11 February 2010**

# 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:

- Selection and Appointment of the External Auditor (WFP/EB.1/2010/6-A/1)
- Revised Fee for the External Auditor for the Biennium 2008–2009 (WFP/EB.1/2010/6-B/1)
- Update on the Financial Framework Review: Programme Categories (WFP/EB.1/2010/6-C/1)
- Report of the External Auditor on the Strategic Planning and Reporting at a WFP Country Office — Uganda and WFP Management Response (WFP/EB.1/2010/6-D/1 + Add.1)
- Report of the External Auditor on the IPSAS Dividend: Strengthening Financial Management and Response of the Secretariat (WFP/EB.1/2010/6-E/1 + Add.1)
- Update on the WFP Biennial Management Plan (2010–2011) (WFP/EB.1/2010/6-F/1)
- Final Update on the WINGS II Project (WFP/EB.1/2010/6-G/1)



CL 139/3

**E**

February 2010



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para la  
Agricultura  
y la  
Alimentación

## COUNCIL

### Hundred and Thirty-ninth Session

Rome, 17 - 21 May 2010

Report of the 131<sup>st</sup> Session of the Finance Committee  
Rome, 1 – 2 February 2010

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## REPORT OF THE HUNDRED AND THIRTY-FIRST SESSION OF THE FINANCE COMMITTEE

1–2 February 2010

### Introduction

1. The Committee submitted to the Council the following report of its Hundred and Thirty-first Session.

2. The following representatives were present:

Chairperson: Mr Yasser A. R. Sorour (Egypt)

Vice-Chairperson: Mr Augusto Zodda (Italy)

Members: Ms Kristina Gill (Australia)

H.E. Li Zhengdong (China)

H.E. Noël Baiot (Gabon)

Mr Shobhana K. Pattanayak (India)

H.E. Javad Shakhs Tavakolian (Islamic Republic of Iran)

H.E. Jorge E. Chen Charpentier (Mexico)

Mr Ronald Elkhuisen (Netherlands)

H.E. Guido J. Martinelli della Togna (Panama)

Mr Mohamed Eltayeb Elfaki Elnor (Sudan)

Mr Robert Sabiiti (Uganda)

Mr Michael Glover (USA)

3. The Chairperson informed the Committee that Ms Kristina Gill had been designated to replace Ms Sara Cowan as the representative of Australia at this meeting. The Chairperson further informed the Committee that H.E. Noël Baiot had been designated to replace Mr Louis Stanislas Charicauth as the representative of Gabon at this session. A summary of the qualifications of Ms Gill and H.E. Baiot is listed in the addendum to this report (CL 139/3-Add.1).

4. Mr Augusto Zodda (Italy) was unanimously elected Vice-Chairperson for 2010.

5. The Committee welcomed the presence of the President of the Executive Board of the World Food Programme (WFP), Mr Vladimir V. Kuznetsov, in the session's meeting.



## World Food Programme Matters

### SELECTION AND APPOINTMENT OF THE EXTERNAL AUDITOR (WFP/EB.1/2010/6-A/1)

6. In response to concerns about the postponement of the selection of the External Auditor, the President of the Executive Board informed the Committee that the initial timeline for the selection of the External Auditor was affected by various factors, including the new Terms of Reference (TOR) for the Audit Committee and the careful approach taken while reviewing the proposals received, and more time was required for the Evaluation Panel to make a recommendation.

7. WFP was asked to provide further clarifications in relation to the interview process and the date when the actual shortlisting would take place. In response, the President of the Executive Board outlined the following timeline for the selection process:

- 18 February 2010 – Evaluation Panel to award scores and produce shortlist of candidates
- 19 February 2010 – Invitations for oral presentations to be despatched to shortlisted candidates
- 10 March 2010 – Interviews of shortlisted candidates

8. The Committee questioned whether there would be sufficient time between the selection of the next External Auditor at the Annual Session of the Executive Board in June 2010 and the appointment of the External Auditor on 1 July 2010 to ensure appropriate handover. The President of the Executive Board responded that the current External Auditor was consulted to ensure that the new timeline would be sufficient for an appropriate handover to the new External Auditor.

9. The Committee was assured that the report of the Evaluation Panel and its recommendation would be ready for the Finance Committee's meeting in April 2010.

### REVISED FEE FOR THE EXTERNAL AUDITOR FOR THE BIENNIUM 2008–2009 (WFP/EB.1/2010/6-B/1)

10. The President of the Executive Board briefed the members of the Committee on the content of the paper and the background work undertaken by the Secretariat in regard to the revised fee for the External Auditor for the 2008-09 biennium. He stressed that the work conducted by the External Auditor was key to International Public Sector Accounting Standards (IPSAS) implementation, and that the External Auditor had indicated that there would be no further increases beyond the estimated fee indicated in the contract, and that the revised fee amount was final.

11. The Secretariat informed the Committee that the figures presented by the External Auditor were reviewed internally and that additional work had indeed been conducted by the External Auditor.

12. The Secretariat informed the Committee that the contract between WFP and the External Auditor, which was last renewed by the Executive Board in 2006, included an "estimated fee" for 2008–09 audit services rather than a "ceiling" price. As a legal matter, this formulation could be found to allow the External Auditor to carry out unforeseen, necessary and reasonable additional work pertaining to its agreed audit functions – without the parties having to agree to an amendment of the contract. The fees resulting from such work would, when they are presented, need to be approved by the Executive Board. The Secretariat confirmed that the External Auditor reported solely to the Executive Board, which appointed



it, oversaw its work, and was responsible for putting in place and maintaining the necessary contractual arrangement.

13. The Secretariat clarified that the form of contract that would be employed for the new External Auditor of WFP (as issued in the October 2009 request for proposals) would include “ceiling” prices that cannot be exceeded without the Executive Board’s prior agreement, ensuring greater clarity and Executive Board control over additional work and costs.

14. The Committee recommended to the Executive Board to consult with the External Auditor in order to determine the final revised fee for the 2008–2009 biennium.

15. The Committee also recommended that the lessons learned from this review needed to be properly documented and a more careful approach should be taken while reviewing the financial proposals and the aspects related to the fees and possible amendments to the annual workplans of the External Auditor.

#### UPDATE ON THE FINANCIAL FRAMEWORK REVIEW: PROGRAMME CATEGORIES (WFP/EB.1/2010/6-C/1)

16. The Committee regretted that the late submission of the *Update on the Financial Framework Review: Programme Categories* document, and that too in only one language, meant the Committee was unable to review the document and consult with their respective Capitals prior to the session.

17. In light of the above, and also considering that the Advisory Committee on Administrative and Budgetary Questions (ACABQ) was unable to review the document, the Committee decided to postpone the review of this document until the next Committee meeting which would take place prior to the Annual Session of the WFP Executive Board.

#### REPORT OF THE EXTERNAL AUDITOR ON THE STRATEGIC PLANNING AND REPORTING AT A WFP COUNTRY OFFICE – UGANDA AND MANAGEMENT RESPONSE (WFP/EB.1/2010/6-D/1 + ADD.1)

18. The Secretariat introduced the External Auditor report and presented the Country Strategy as a corporate process, following the approval of the WFP Strategic Plan 2008–2013, to look more strategically at how WFP at the country level could position itself in line with national priorities and the Strategic Plan.

19. The External Auditor had reviewed the Country Strategy process of Uganda, which was the first country to prepare a Country Strategy, and which used the Country Strategy process to inform their new Country Programme and Protracted Relief and Recovery Operation (PRRO).

20. The Committee welcomed the Country Strategy initiative and inquired about the Country Strategy process in Uganda, the criteria for selection of WFP priorities and in-kind contributions. The Secretariat explained that the Country Strategy was prepared based on a hunger analysis and through extensive consultations with the Government, donors and United Nations Agencies. The consultations had resulted in a strong commitment to WFP’s planned operations in Uganda including cash and in-kind contributions from donors and the Government. It further clarified that there were no standard criteria for selection of priorities but that priorities instead were determined in response to national priorities, comparative advantages of WFP, and the corporate Strategic Plan.



21. The Committee inquired about WFP's position on strategic risk assessment in relation to Country Strategies. The Secretariat responded that risk assessment was a central element in the Country Strategy process and integrated in the guidance to country offices.

22. The Committee noted the recommendation of the External Auditor on Executive Board approval of Country Strategies to replace Executive Board approval of projects. The Committee recommended this be thoroughly discussed with the Executive Board based on documentation of lessons learned from the Country Strategy process. The Secretariat responded that lessons learned from the Country Strategy process were being documented and that a formal evaluation of the Country Strategy process was planned for the third quarter of 2010.

**REPORT OF THE EXTERNAL AUDITOR ON THE IPSAS  
DIVIDEND: STRENGTHENING FINANCIAL MANAGEMENT  
AND RESPONSE OF THE SECRETARIAT  
(WFP/EB.1/2010/6-E/1 + ADD.1)**

23. The Secretariat briefed the Committee regarding the report which outlined main benefits achieved to date as identified by the External Auditor. The report also made several recommendations on how WFP could maximise the benefits of IPSAS implementation in future. The Secretariat also informed the Committee about the Management Response.

24. The Committee welcomed the reports but noted with concern that for a second time, the External Auditor was not present when the Committee discussed his reports.

25. The Committee welcomed the implementation of IPSAS in WFP being the first agency to implement. The Committee took note of the two documents presented and commended the Secretariat for its Management Response which showed the willingness of the Secretariat to integrate the recommendations in its work.

26. The Committee was informed that the content of the reports and information would be presented to the Senior Management on a monthly basis.

27. In regard to the Strategic Objectives, the Secretariat informed the Committee that such information would be presented in details in the Annual Performance Reports.

**UPDATE ON THE WFP BIENNIAL MANAGEMENT PLAN  
(2010–2011) (WFP/EB.1/2010/6-F/1)**

28. The Secretariat presented the *Update on the WFP Biennial Management Plan (2010–2011)*, which outlined increases in WFP's Programme of Work for 2010 of USD 595 million.

29. The Committee was informed of the operations in Haiti, which totalled to over USD 300 million for the first 3 to 6 months of 2010. An update of the full 2010 requirements for Haiti (potentially up to USD 800 million) would be included in the second update on the Management Plan (2010–2011) at the Executive Board's Annual Session in June 2010. The Committee also commended the Secretariat on the excellent work it was carrying out in Haiti.

30. The members noted the information about additional requirements since the approval of the original Management Plan (2010–2011), as well as information related to security measures taken to protect WFP staff.

31. The Committee noted the document's information on the hedging strategy and looked forward to the results of a lessons learned exercise to be presented at the Annual Session of the Executive Board in June 2010.





32. The Secretariat also noted that additional Indirect Support Costs (ISC) income was utilized to maintain a four month level of anticipated Programme Support and Administrative (PSA) expenditures in the PSA Equalization Account.

33. The Committee sought clarifications about WFP's method utilized to assess additional, unforeseen operational requirements. The Secretariat responded that it was indeed challenging to predict such emergencies and that needs were based on joint assessment on the ground. The Secretariat also noted that unforeseen requirements had been analyzed by the Secretariat as outlined in the annex of the Original Management Plan (2010–2011).

34. The Committee also sought greater detail how WFP set its priorities in managing the increased operational requirements, which tools it used and how it defined its exit strategies. The Secretariat responded that other tools than the Management Plan, such as the Strategic Resource Allocation Committee (SRAC) and individual project documents were used to manage priorities on a day to day basis.

### FINAL UPDATE ON THE WINGS II PROJECT (WFP/EB.1/2010/6-G/1)

35. The Secretariat presented the update on the WFP Information Network and Global System II (WINGS II) Project, highlighting that this was the final progress report and concluded the project phase of the WINGS II Implementation.

36. The Secretariat informed that the settling-in of the new processes and system was proceeding well and that further refinement and development of management reports and other analytical tools to make better use of stored data was proceeding.

37. The Secretariat reiterated its commitment to provide the costs and the timetable for future potential improvements (including the deferred improvements) at the 2010 Annual Executive Board session.

38. The Secretariat noted that the Performance and Accountability Management Division was in the process of defining an updated set of corporate results and indicators, and that the assessment of the WINGS II benefits would be assessed against how the investment in WINGS II had contributed to the achievement of these corporate results. The assessment would be coordinated by the Performance and Accountability Management Division and be aligned to the annual performance reporting cycle for 2010.

39. The Committee expressed its appreciation that WINGS II had been rolled out and that the stabilization period was proceeding quite well. The Committee welcomed the fact that the implementation of WINGS II would help the Organization comply more efficiently with IPSAS and looked forward to it facilitating more timely reporting to senior management and the Executive Board.

40. The Secretariat clarified what the settling-in, or stabilization, period was and noted that for a project of the scale of the WINGS II it would estimate that the settling-in period would last between 6 months to one year from its introduction.

41. The Committee recognized that this update concluded the project phase of WINGS II but noted that it expected that other reports would be forthcoming to keep the Executive Board and the Committee updated on the progress of the WINGS II.



## Other Matters

### DATE AND PLACE OF THE HUNDRED AND THIRTY-SECOND SESSION

42. The Committee was informed that the 132<sup>nd</sup> Session was tentatively scheduled to be held in Rome from 12 to 16 April 2010. The final dates of the session would be agreed in consultation with the Chairperson.