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RATING SYSTEM OF THE CRITERIA FOR THE SELECTION AND APPOINTMENT OF THE WFP EXTERNAL AUDITOR

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NOTE TO THE EXECUTIVE BOARD

This document is submitted for approval by 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.: 066513-2645).



BACKGROUND

1. The Executive Board decided in 1997 (decision 1997/EB.3/7) that the appointment of the External Auditor of WFP will be based on competitive selection from proposals of eligible external auditors. It further decided that the Bureau of the Board would establish procedures and criteria, and initiate and oversee the competitive selection process and evaluate all proposals received.
2. At its First Regular Session of 1998, the Executive Board, in its decision 1998/EB.1/2, approved the procedures and criteria for the selection and appointment of the External Auditor of WFP beyond 2001 and agreed that a rating system for the selection criteria would have to be developed.
3. In accordance with the above decisions, this paper presents to the Board, for its consideration and approval, the recommendations of the Bureau with regard to the time frame and the rating system to be followed for the selection of the External Auditor of WFP.

TIME FRAME AND SELECTION PROCESS

4. In the years 2000 and 2001, the Bureau will work towards accomplishing the process from invitation to appointment of the External Auditor of WFP according to the following indicative time frame:

Milestone event	Time frame	Action by
Invitation for proposals	June 2000	Bureau
Receipt of proposals	September 2000	Bureau
Completion of evaluation (short-listing) of proposals	January 2001	Bureau
Solicitation of comments from FAO Finance Committee and ACABQ	May 2001	Bureau
Oral presentation and final evaluation	June 2001	Bureau
Appointment by the Board	October 2001	Board

5. The process for selecting and appointing the External Auditor of WFP, as approved by the Board in 1997, is as follows:
 - **Invitation**—The Bureau will invite proposals and responses from eligible state auditors of Member States of the United Nations and FAO.
 - **Receipt and Opening of Proposals**—The Office of Internal Audit (OEDA) will receive and open proposals applying existing WFP procedures for the receipt and opening of proposals. OEDA will then turn over all valid proposals to the Bureau.
 - **Evaluation of Proposals**—The Bureau will constitute itself into an Evaluation Panel and evaluate and short-list valid proposals with the assistance of the WFP Secretariat.



- **Solicitation of Comments**—The Bureau will short-list proposals and submit these to the FAO Finance Committee and the Advisory Committee on Administrative and Budgetary Questions (ACABQ) for comments. The concerned state auditors may be requested to make an oral presentation to the Bureau.
 - **Appointment**—The Bureau, after taking into consideration the comments of the FAO Finance Committee and of the ACABQ, will recommend a candidate to the Board that will then approve the appointment by consensus or secret ballot.
6. The Secretariat will provide administrative support as needed to the Bureau throughout the whole process.

SELECTION CRITERIA

7. The selection criteria, as approved by the Board in 1998, are:
- **Independence**—demonstrated autonomy from other institutions of the government, integrity, objectivity in the discharge of duties and responsibilities, ability to self-determine scope of audit.
 - **Qualifications of Officials and Staff**—conformity to the auditing standards of the United Nations Panel of External Auditors and ethics governing their work; professional qualifications, skills, and size of work force; membership in internationally recognized accounting or auditing bodies such as the International Organization of the Supreme Audit Institutions (INTOSAI), the International Federation of Accountants (IFAC), etc.; and proficiency in at least two WFP official languages.
 - **Training and Experience**—existence of a programme for a continuing professional education for staff; experience in the audit of United Nations organizations or other national or international non-governmental organizations; and staff adequately trained in modern trends of auditing and with extensive audit experience.
 - **Audit Approach and Strategy**—comprehensive work plans to ensure adequate audit coverage of all WFP resources; performance of financial and compliance audits as well as economy, efficiency and value-for-money audits; and collaboration with WFP's internal audit to optimize the use of limited audit resources.
 - **Audit Reports**—timely communication of audit results presented to management through comprehensive management letters and audit reports. The audit reports should be accurate, complete, balanced, fair and constructive.
 - **Cost**—the most competitive fees.



RATING SYSTEM OF PROPOSALS

8. The Bureau, as an Evaluation Panel, will evaluate and short-list proposals on the basis of the following rating system:

	Rating weight (%)
Technical	90
- Independence	15
- Qualifications of officials and staff	25
- Training and experience	20
- Audit approach and strategy	20
- Audit reports	10
Cost	10
Total	100

9. This rating system, as in the case of rating systems which WFP normally uses in its procurement procedures and practices, involves the identification of specific criteria (these are presented, as approved by the Board, in paragraph 7). The specific criteria are then measured from a score scale of 1 to 5 (1 as worst and 5 as best), and each of these criteria is given a specific weight (totalling 100 percent) by the Bureau to measure the relative importance or relevance to the overall competency of the proposals.
10. The Bureau may further detail the selection criteria and assign weights to these details. In order to safeguard the confidentiality of the process, the detailed weights assigned by the Bureau are not disclosed but only recorded on the evaluation form.
11. Scores on the scale of 1 to 5 will be assigned for each criterion based on the replies to a questionnaire¹ completed by the invited state auditors. The scores will be multiplied by the weight to arrive at a total score for each criterion. The total scores for each criterion are then added up to arrive at an overall total score obtained. A short-list of at least eight candidates with the highest overall scores will be prepared by the Evaluation Panel.
12. The Annex provides indicative guidance on how each criterion would be scored by the Evaluation Panel at the lowest and highest ranges of the scale from 1 to 5.

ORAL PRESENTATION

13. The short-listed candidates will be requested to make an oral presentation to the Bureau. The purpose of the oral presentation is to provide an opportunity to the Evaluation Panel to seek further clarification or obtain a better understanding of the proposals from the candidates, in order to confirm their overall rating.

¹ The WFP Secretariat will assist the Bureau in the preparation of the questionnaire. The latter will be tailored to the detailed selection criteria.



14. The oral presentation should cover in a similar manner the matters in the original proposal, and should not be an opportunity to submit new or significantly altered proposals.
15. The Bureau will recommend to the Board the candidate with the highest overall score achieved after the oral presentation.

RECOMMENDATION

16. To enable the Bureau to initiate and oversee the process for the selection and appointment of the External Auditor of WFP for 2002–2005, it is recommended that the Board approve the time frame presented in paragraph 4 above and the rating system presented in paragraph 8 above.



ANNEX

GUIDELINES FOR SCORING OF CRITERIA

Notes:

These are only indicative guidelines which are not necessarily exhaustive and may be supplemented and expanded by the Bureau, as necessary, upon receipt of the actual proposals.

For example, a maximum score of 5 could be awarded if all the requirements are fully met. The lowest score of 1 could be awarded if none of the requirements are met.

	Score	5—Highest
Criteria		
TECHNICAL		
Independence		
Demonstrated autonomy from other institutions of the government		<p>Audit institution is independent and reports to legislature, parliament or other body independent of the government.</p> <p>Audit institution head serves full term in office (i.e. cannot be removed without completing full term).</p> <p>Audit institution has full control over its budget (i.e. the institution's budget is not under the control of executive or other government office).</p>
Integrity		<p>Audit institution has a code of professional and ethical conduct applicable to all its staff and this code is frequently updated.</p> <p>Audit institution has clear and documented disciplinary procedures and these are applicable to all audit institution staff in the case of deviation from the code of professional and ethical conduct.</p> <p>Audit institution staff are required to sign off yearly compliance statements of having abided by the code of professional and ethical conduct of the audit institution.</p>
Objectivity in the discharge of duties and responsibilities		Audit institution work is demonstrably guided and performed in accordance with generally accepted auditing standards.
Ability to self-determine scope of audit		Audit institution demonstrates scope of work is determined solely by the institution.
Qualification of officers and staff		
Conformity to the auditing standards of the United Nations Panel of External Auditors and ethics governing their work		Audit institution demonstrates its officers and staff have extensive experience in the performance of work in conformity with auditing standards of the United Nations Panel of External Auditors and ethics governing their work.



	Score Criteria	5—Highest
	Professional qualifications, skills and size of work force	<p>Audit institution demonstrates it has high number of qualified professional accountant staff (and professional qualification certificates are from an internationally recognized board or standard), including staff with accounting, finance, operations, procurement, transport and information technology audit experience, particularly in client/ server applications such as those used by WFP.</p> <p>Audit institution demonstrates it has sufficient and commensurate number of professional staff to ensure adequate audit coverage of all resources of WFP, as well as to maintain any other commitments the institution may have in addition to the audit of WFP.</p> <p>Audit institution demonstrates its staff have relevant skills and experience in the audit of other United Nations agencies, international NGOs, etc.</p>
	Membership in internationally recognized accounting or auditing bodies such as INTOSAI, IFAC	Audit institution demonstrates it is a member of an internationally recognized accounting or auditing body.
	Language proficiency	Audit institution demonstrates it has sufficient number of staff who speak and are proficient in at least two official WFP languages.
Training and experience		
	Existence of a programme for a continuing professional education for staff	Audit institution professional staff required to attend continuing professional education training of at least two weeks every two years, and the institution demonstrates how this requirement is monitored and adhered to.
	Experience in the audit of United Nations organizations or other national or international non-governmental organizations	Audit institution demonstrates its officers and staff have extensive experience in performance of audit work at United Nations organizations or other national or international non-governmental organizations, and that its officers and staff are up to date on emerging issues and trends in the audit and businesses of these organizations.
	Staff adequately trained in modern trends of auditing and with extensive audit experience	Audit institution demonstrates that its officers and staff regularly and proficiently attend auditing 'best practices' professional seminars or other means of adequate training in modern and emerging audit trends and techniques, and that officers and staff individually have extensive audit experience.
Audit approach and strategy		
	Comprehensive work plans to ensure adequate audit coverage of all WFP resources	Audit institution demonstrates it prepares extensive and comprehensive work plans, coordinates and communicates this with management of the audited organization. The audit institution demonstrates its audit methodology conforms to best practices. The audit institution demonstrates it implements adequate quality assurance procedures and programmes to ensure audit work is always of high standard.



	Score	5—Highest
Criteria		
Performance of financial and compliance audits as well as economy, efficiency and value-for-money audits		Audit institution demonstrates it has extensive experience in conducting financial, compliance, economy, efficiency and value-for-money audits. Audit institution demonstrates it has adequate division and structure in the organization of responsibility along lines of types and nature of work undertaken (to ensure specialization and extensive audit skill and experience resources available to the institution). Audit institution demonstrates it is able to take initiative and to deal effectively and in an innovative manner, in coordination and cooperation with management, with new and emerging or particular issues relevant to the audit and business of WFP.
Collaboration with WFP's internal audit to optimize the use of limited audit resources		Audit institution demonstrates extensive experience and reliance placed on work of internal audit units. The audit institution demonstrates how the use of limited audit resources was optimized in the institution's own experience, and how the institution will optimize this in the audit of WFP.
Audit Report		
Timely communication of audit results presented to management through comprehensive management letters and audit reports		Audit institution demonstrates its audit reports are structured in a format judged to be adequate to convey clearly results of the audit. Audit institution demonstrates it conveys audit results in a timely manner and with effective basis to management, discusses audit results on a preliminary basis with management, provides opportunity to management to make comments and provide input before management letters or audit reports are finalized, and reflects in the final management letter or audit report management's comments and input, as necessary.
Audit reports are accurate, complete, balanced, fair and constructive		Audit institution demonstrates its management letters and audit reports do not appear to be superficial, demonstrate an adequate understanding of the business and issues relevant to WFP, are well written, and provide very helpful, practical, feasible and constructive recommendations to management.
COSTS		
Most competitive fees		Audit institution's fees are very competitive and judged to be adequate and proportionate to the work to be undertaken, and the institution demonstrates these fees are not too low so as to inhibit effective and efficient execution of audit work or too high as may be judged to be disproportionate to work to be undertaken.