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World
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Programa
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RESOURCE AND FINANCIAL MATTERS

Agenda item 4 b)



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FINANCIAL REGULATIONS - Revised wording of the audit opinion of the External Auditor

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NOTE TO THE EXECUTIVE BOARD

This document contains recommendations for review and approval by the Executive Board.

Pursuant to the decisions taken on the methods of work by the Executive Board at its First Regular Session of 1996, the documentation prepared by the Secretariat for the Board has been kept brief and decision-oriented. The meetings of the Executive Board are to be conducted in a business-like manner, with increased dialogue and exchanges between delegations and the Secretariat. Efforts to promote these guiding principles will continue to be pursued by the Secretariat.

The Secretariat therefore invites members of the Board who may have questions of a technical nature with regard to this document, to contact the WFP staff member(s) listed below, preferably well in advance of the Board's meeting. This procedure is designed to facilitate the Board's consideration of the document in the plenary.

The WFP focal point for this document is:

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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.: 6513-2641).



1. At its Third Regular Session of 1997, the Executive Board approved the new Financial Regulations of WFP to take effect from 1 January 1998. The annex to the Financial Regulations sets out the additional terms of reference governing external audit.
2. The purpose of this paper is to propose specific changes, endorsed by the United Nations in October 1997, to the Financial Regulations. Such changes were suggested by the United Nations Panel of External Auditors in order to ensure that the audit opinion of the External Auditor reflects current best practice, and to maintain consistency throughout the United Nations system.

DIALOGUE BETWEEN THE UNITED NATIONS PANEL OF EXTERNAL AUDITORS AND THE UNITED NATIONS SECRETARIAT

3. On 15 January 1997, the Chairman of the United Nations Panel of External Auditors wrote to the Secretary-General, in his position of Chairman of the Administrative Committee on Coordination (ACC), to convey a suggested revision to the wording of the audit opinion throughout the United Nations system. At its eighty-seventh session in August 1997, the Consultative Committee on Administrative Questions (Financial and Budgetary) (CCAQ(FB)), on behalf of the ACC, reviewed the Panel's proposed revision to the additional terms of reference governing external audit. CCAQ(FB) members accepted the proposed text and stated that they would be taking steps, as appropriate, to initiate any necessary changes to their financial regulations to effect the revision. In October 1997, the Under-Secretary-General for Management of the United Nations conveyed this position of the CCAQ(FB) to the Chairman of the United Nations Panel of External Auditors.
4. The WFP Audit Committee reviewed the Panel's proposal and agreed that the suggested revision would help ensure that the audit opinion reflects current best practice. The proposed revision was also discussed with the incumbent WFP External Auditor, the Cour des Comptes of France, who confirmed their agreement to the suggested revision.

CURRENT PROVISIONS OF THE ANNEX TO WFP'S FINANCIAL REGULATIONS

5. The paragraphs of the annex to WFP's Financial Regulations (as approved by the Board in October 1997) relevant to the wording of the audit opinion are:

Paragraph 5: *“The External Auditor shall express and sign an opinion on the financial statements in the following terms: ‘I have examined the following appended financial statements, numbered ... to ... properly identified, and relevant schedules of the World Food Programme for the financial period ended 31 December My examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as I considered necessary in the circumstances.’”*

Paragraph 6: *“The opinion shall state, as appropriate, whether:*

- a) *the financial statements present fairly the financial position as at the end of the period and the results of its operations for the period then ended;*
- b) *the financial statements were prepared in accordance with the stated accounting principles;*
- c) *the accounting principles were applied on a basis consistent with that of the preceding financial period; and*



- d) *the transactions were in accordance with the financial regulations and legislative authority.”*

PROPOSED PROVISIONS OF THE ANNEX TO WFP’S FINANCIAL REGULATIONS

6. The Panel’s proposal will replace paragraphs 5 and 6 of the present annex to WFP’s Financial Regulations as follows:

“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.*

7. The Panel’s approach is to ensure that all opinions contain the same main elements, while the precise and detailed wording of the audit opinion rests with the external auditors.

RECOMMENDATION

8. The Executive Director recommends that the Board approve the proposed change to the annex to the Financial Regulations - Additional terms of reference governing External Audit, as stated in paragraph 6 above.

