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**Executive Board
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Agenda item 5

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WORK PLAN OF THE EXTERNAL AUDITOR

For the Period July 2014 to June 2015

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NOTE TO THE EXECUTIVE BOARD

This document is submitted to the Executive Board for information.

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: Mr S. Hongray tel.: 066513-2392

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

The Comptroller and Auditor General of India (CAG) provides an external audit service to the World Food Programme (WFP).

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

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Work Plan of the External Auditor

World Food Programme

**For the period
July 2014 to June 2015**



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COMPTROLLER AND AUDITOR GENERAL OF INDIA

I. Introduction

1. This document elucidates our work plan detailing the audit activities for the period July 2014 to June 2015. Adherence to International Standards of Auditing and proven audit methods will form the basis of our assurance of providing high quality services to WFP.

II. Management Responsibilities

2. The responsibility for the preparation of the financial statements, in accordance with the International Public Sector Accounting Standards (IPSAS) and in accordance with the Financial Regulations and stated accounting policies, and the regularity of financial transactions, lies with WFP.
3. The WFP is also responsible for ensuring the completeness and the quality of the financial statements and for providing supporting schedules and evidence on a timely basis.
4. The Management should provide all books, records and explanations deemed necessary for the conduct of the audit, in accordance with the terms of the supplement to the Financial Regulations – Additional Terms of Reference for the External Auditor.

III. Audit Approach

5. We will plan and perform our audit to obtain reasonable assurance that the financial statements present fairly the financial position as at the end of the period and the results of the operation for the period. We will perform procedures to obtain audit evidence about the amounts and disclosures in financial statements. We will re-evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management as well as evaluating the overall presentation of the financial statements.
6. We will review accounting systems and internal controls only to the extent we consider necessary for the effective performance of the audit. Thus, our review may not detect all weaknesses that exist or may not suggest all improvements that could be made.
7. We will focus our audit work on the key risk areas. Our risk assessment is based mainly on our work in our previous audits as also on our review of WFP documents and interaction with key personnel of WFP.
8. We will submit two Performance Audits and a Long Form Report that together will summarise our findings on the work conducted during the year.

IV. Key Areas of Audit Emphasis

A. Performance audit

Management of Corporate Emergencies

9. Saving lives and protecting livelihoods in emergencies is the first Strategic Objective of WFP. In contexts where the urgency, scale and complexity of the operation is beyond the immediate capability of the Country Office (CO)/Regional Bureau (RB) and temporarily requires extraordinary procedures, capacities and resources resident in WFP corporate capability, the

emergency operation is categorized as a Level 3 Emergency Response.¹ The response is then coordinated in accordance with WFP Emergency Response Activation Protocol to ensure optimization of resource allocation and to facilitate a timely and active response. The Deputy Executive Director/Chief Operating Officer at Headquarters (HQ) is designated as the Corporate Response Director for these emergencies, the Regional Director being the Emergency Coordinator in the region and Office of Director of Emergencies in WFP, the nodal office for ensuring cross-divisional coordination at HQ.

10. With effect from end of 2013, WFP has grappled with four simultaneous Corporate or Level 3 emergencies. These include emergencies in Syrian Arab Republic (since 14 December 2012) Philippines (12 November 2013), Central African Republic (11 December 2013), and South Sudan (23 December 2013), to which Cameroon has most recently been added (21 May 2014). While the Philippines emergency ceased to be a corporate emergency with effect from 11 January 2014, the others continue to be so. Substantial resources have been deployed for managing these emergency responses (Syrian operation alone amounted to approximately a weekly spending of USD 35–40 million per week in 2013, which has continued in 2014 and the reputational risk of non-delivery for WFP is exceptionally high.
11. Our Performance Audit will broadly seek an assurance that WFP has been able to manage these multiple corporate emergencies economically, efficiently and effectively with the ultimate objective of maximizing prompt humanitarian assistance to the intended beneficiaries. The detailed thrust areas will assess whether:
 - a) Robust criteria for identification of the corporate emergencies existed;
 - b) Plans for determination of response (quantum and mode of intervention) were in place;
 - c) Protocol model, in terms of functioning of Strategic and Operational Task Forces, emergency rosters, staffing, supply chain management (food and finance) etc., was actively managed at HQ and the necessary coordination was ensured;
 - d) Timeliness, degree and nature of response in the field was adequate and effective, particularly since simultaneous emergencies had to be handled;
 - e) Partnerships with governments/other agencies were used effectively to avoid duplication and optimize response;
 - f) Monitoring/oversight by HQ/Regional Emergency Coordinator was adequate and there was an effective Management Information System in place.

Warehouse Management

12. Efficient warehouse management is critical to an organisation having annually over 1 million metric tons (mt) of food commodities as food stocks (1.1 million mt at 31 December 2013 valued at USD 651.8 million).
13. We note that there are around 600 WFP managed warehouses in some 80 countries where food is stored for distribution to beneficiaries. In addition, there are warehouses of government and NGO partners. (As of 31 December 2013, 121,795 mt valuing 86 million USD was with these cooperating partners, that remained to be distributed). While

¹The Executive Director declares the operation a Level 3 Response in accordance with Office of the Executive Director (OED) circular 2012/012, dated 3 October 2012.

WFP fully monitors its activities in its warehouses, it also needs to assure that adequate controls are in place for food commodities in warehouses managed by the partners.

14. With increasing concerns of food quality, increased thrust by WFP on procuring high value specialised nutritious foods that specifically require safe and protected environment, and significant trend of advance procurements using forward purchase facility, proper storage of food commodities becomes an imperative need, as incidence of expired/damaged commodities can raise reputational risks for WFP.
15. Our Performance Audit on 'Warehouse Management' will seek an assurance that WFP was economic, efficient and effective in managing these warehouses and the food commodities stored therein, in line with its manuals and existing guidance. The detailed thrust areas will assess whether:
 - a) Warehouse planning was in place and adequate;
 - b) Criteria for setting up/hiring warehouses were laid down and adhered;
 - c) Space management for storage of commodities was optimal and hiring of private warehouses was judicious and economic;
 - d) Stock management was based on manual provisions/best practices and handling/storing and inspection of food commodities ensured supply chain efficiency;
 - e) Quality management was ensured to check food quality issues and controls were in place to check incidence of expired/damaged commodities and post-delivery warehouse losses;
 - f) Stock Accounting was timely, accurate and IT Tools like COMPAS were efficiently used for the same;
 - g) Capacity building of staff and also cooperating partners was ensured for proper warehouse/stock management as per WFP requirements;
 - h) Monitoring and oversight was effective at all levels of CO/RB/HQ.

B. Compliance audit

16. Based on our risk analysis, we have planned field audit at three RBs, a Regional Emergency Coordinator office and seven COs. The list of selected units is at Annexure I.
17. Our audit in the field units will be conducted against the principles identified in WFP's internal control framework "Strengthening Management Control and Accountability" (SMCA), which is closely in line with the Committee of Sponsoring Organizations' Control Framework (COSO Framework).
18. The field audits will also feed both Performance Audits that will be conducted during the year. Hence, the selection of the country offices within the regional bureaux, in particular those grappling with corporate emergencies, has been aimed to study the issue in the varied contexts obtaining in these countries.

C. Certification of accounts

19. With regard to certification of accounts, the key areas of focus in the audit during the year will be:

- a) **Inventory.** Given the mandate of WFP, the supply chain management and the related issues have been the central focus area for each audit. We have recommended in the audit of Financial Statements 2013 improvement in quality of inventory reporting in terms of (i) reconciliation of data between WINGS and COMPAS; (ii) timely recording of receipts of food and non-food commodities and (iii) post-delivery losses. We will review the implementation of these recommendations and the improvements made in the system in each of these areas in the current year. Controls to monitor undistributed food lying with the Cooperating partners will also be checked.
- b) **Contributions and Contributions Receivables.** Revenue from contributions is the significant part of the total revenue, which constitutes around 95 *per cent* of total revenue. As per accounting policy of the organisation, contributions are recognized when confirmed in writing by donors. We would examine the agreements to ensure correct recording of contribution. Besides this, contributions not received during the year (contribution receivable) would also be checked to examine the reasons for non-receipt. Further, in-kind contributions (such as use of premises, utilities, transport and personnel etc.) and donated Plant, Property and Equipment would also be looked into, for the valuation method adopted.
- c) **Payable and accruals.** These are the most significant components of current liability. Of these also, the major portion is for accruals i.e. liabilities for goods and services that had been received or provided to WFP during the year but which had not been invoiced by suppliers. Long outstanding liabilities would be specifically seen in this regard.
- d) **Post-closure adjustments.** Post-closure adjustments are an important accounting activity which is done after 31 December every year. Transactions related to the financial year but actually coming to notice during subsequent period (1 January 2014 to 15 February 2014) are accrued as on 31 December. The organisation issues comprehensive closure process guidelines every year during December to all the field offices. We had recommended in 2013 for strengthening of controls in this regard and we would check correctness of post closure adjustments for major revenue and expense items.
- e) **Provisions and allowances.** WFP has policies and guidance with regard to allowance and provisions to be made in the financial statements. While provisions are created for refund to donors against contribution actually received during the year, allowances are created for different purposes, viz. for reduction in contribution revenue; for doubtful accounts against contribution receivables; doubtful accounts in other receivables and impairment in loss or damage to inventory.

All these provisions/allowances are made on estimated basis, based on historical experience. We would examine the basis and adequacy of these estimations in the current year.

V. Working with Internal Oversight

20. International Standards on Auditing require us to:
- Consider the activities of internal audit and their effect, if any, on external audit procedures;
 - Obtain a sufficient understanding of internal audit activities to assist in planning the audit and developing an effective audit approach;
 - Perform a preliminary assessment of the internal audit function when it appears that internal audit is relevant to our audit of the financial statements in specific audit areas;
 - Evaluate and test the work of internal audit, where use is made of that work, in order to confirm its adequacy for our purposes.
21. In our planning meeting with the representatives of the Internal Oversight Office, we discuss the scope of their work to ensure that duplication of effort is avoided. We will review their reports to determine the extent of assurance that can be taken from the work performed.

VI. Quality Review

22. We have an Audit Quality Management Framework (AQMF) for the Organization, the compliance of which is mandatory. To ensure high standards of audit we implement rigorously several quality assurance procedures. The procedures relevant to present assignment are as under:
- Compliance with documented auditing standards and audit methods and procedures;
 - Rigorous scrutiny of audit findings both at field offices and HQ by persons not involved in audit fieldwork so as to ensure that audit findings meet standards of materiality and evidence;
 - Review of working papers;
 - Structured mid-term review of audit plan.

Annexure I**Planned Field Audits**

1.	Regional Bureau Asia, Bangkok (OMB)
2.	Country Office, Philippines
3.	Country Office, Democratic People's Republic of Korea
4.	Regional Bureau of Middle East, North Africa, Eastern Europe and Central Asia, Cairo (OMC)
5.	Office of Regional Emergency Coordinator, Jordan (Amman)
6.	Country Office, Jordan (Amman)
7.	Regional Bureau of West Africa, Dakar (OMD)
8.	Country Office, Central African Republic
9.	Country Office, Cameroon
10.	Country Office, United Republic of Tanzania (OMJ)
11.	Country Office, South Sudan, (OMN)