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**Executive Board  
Second Regular Session**

**Rome, 4–7 November 2013**

# RESOURCE, FINANCIAL AND BUDGETARY MATTERS

Agenda item 5

*For information\**



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## WORK PLAN OF THE EXTERNAL AUDITOR

**For the Period July 2013 to June 2014**

\* In accordance with the Executive Board's decisions on governance, approved at the Annual and Third Regular Sessions, 2000, items for information should not be discussed unless a Board member specifically requests it, well in advance of the meeting, and the Chair accepts the request on the grounds that it is a proper use of the Board's time.

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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: Ms Alka R. Bhardwaj tel.: 066513-3071

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.*

*For further information please contact:*

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## **Work Plan of the External Auditor**

### **World Food Programme**

**For the period  
July 2013 to June 2014**



**सत्यमेव जयते**

**COMPTROLLER AND AUDITOR GENERAL OF INDIA**

## **I. Introduction**

1. This document elucidates our work plan detailing the audit activities for the period July 2013 to June 2014. 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**

9. Every year WFP purchases enormous quantities of food with the objective of ensuring availability of appropriate food commodities to beneficiaries in a timely and cost effective manner. Consistent with this, WFP purchases have to be fair and transparent. The WFP Food Procurement Policy also emphasizes purchasing from developing countries. In 2012, WFP purchased 2.1 million metric tons of food worth over US\$1.1 billion, of which over 50 percent were international purchases by WFP Headquarters (HQ) and remaining was mainly local/regional purchases by country offices (COs) and regional bureaux (RBs). The food procurements at HQ are managed by Food Procurement Service with its three units of

International Food Procurement, Field Food Procurement Support and Food Safety and Quality Assurance.

10. We recognise that WFP will benefit from a Performance Audit of food procurement at HQ and in RBs and COs to ensure that the stated objectives of Procurement Policy and the conditions in the Procurement Manual are being met. The risk of deviation from the guidelines raises the risk of compromising the procurement objectives and also makes the organisation vulnerable to reputational risk. Our **Performance Audit on 'Food Procurement in WFP'** will broadly seek an assurance that the food procurements fulfil the policy objective of cost effective, efficient and timely purchases in a transparent manner. The detailed thrust areas will assess whether:

- procurement planning is adequate and is built on market intelligence and clear criteria for international or local/regional purchase;
- process of contracting is based primarily on principle of competitive tendering and procurement by direct contract (waiver of competition) is well justified and documented;
- adherence to contractual terms and conditions is ensured and action taken for violation;
- procurement processes in HQ/RB/CO are rational and optimal in terms of cost and time;
- food quality aspects get due and desired attention in procurement;
- the Purchase for Progress initiative, to build on local procurement by buying marketable surplus from low-income farmers and small holders at a fair price, is being successfully executed by COs and RBs under corporate guidance;
- the Forward Purchase Facility is being used for its stated objective of improving on-time delivery of food and reducing response time in emergencies;
- IT tools are applied to ensure efficient and transparent procurement;
- review by oversight bodies such as the Committee on Commodities, Transport and Insurance is adequate; and
- corporate guidance and oversight by RBs on food procurements in COs is geared to meet the objectives of new organisational design (Fit for Purpose).

11. The core objective of WFP is emergency preparedness and response co-ordination. An important preparatory role is played in this regard by WFP's United Nations Humanitarian Response Depots (UNHRD), managed through its networks at Dubai, Italy, Ghana, Malaysia and Panama. The aim of the network is to facilitate WFP's capacity to respond to multiple large-scale emergencies and promote inter-agency and inter-organisational co-operation by providing warehousing, storage, procurement, transport, technical assistance for UN agencies, Member States, NGOs and other parties and manage WFP's corporate emergency response stocks. WFP is the manager and also one of the users of UNHRD. The financial management system of UNHRD is through Special account<sup>1</sup>, established in June 2000, to manage donor's contributions and revenue from services at the hubs.

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<sup>1</sup> *Special Accounts may be established by the Executive Director to manage special contributions or funds earmarked for programmatic, corporate or cost-recovery purposes or to support long-term activities.*

12. Our **Performance Audit of UNHRD** will seek an assurance that the stated objectives of the facility of strengthening the capacity and response to emergencies is achieved. The detailed thrust areas will assess whether:
- emergency response is backed with planning: plans, manuals, standard operating procedures, delegation of powers and responsibilities;
  - procurement of non-food items is based on competitive tendering in a fair and transparent manner;
  - technical agreements with partners are adhered to;
  - stock management is effective and efficient and follows best practices;
  - warehouse management system, including storing, handling and inspection of relief items, ensures supply chain efficiency and is based on robust IT system;
  - financing model is self-sustaining and able to meet the cost of the operations;
  - administrative and accounting procedures are adhered to; and
  - corporate guidance and oversight mechanisms are in place.

### **B. Compliance Audit**

13. Based on our risk analysis, we have planned field audits at three RBs and six COs. The list of selected units is in Annexure I.
14. Our audit in the field units will be conducted against the principles identified in WFP's draft internal control framework "Strengthening Management Control and Accountability" (SMCA), which is closely in line with the Committee of Sponsoring Organizations' Control Framework (COSO Framework).
15. The field audits will also feed the performance audit of food procurement that will be conducted during the year. Hence, the selection of the country offices within the regional bureaux has been aimed to study the issue in the varied contexts obtaining in these countries.

### **C. Certification of Accounts**

16. With regard to certification of accounts, the key areas of focus in the audit during the year will be:
- **Implementation of New IPSAS:** As per Note 1, Para 41–44 of Financial Statements 2012, WFP will begin application of IPSAS 28, 29 and 30 for its financial statements for the year beginning January 1, 2013. IPSAS 28 and IPSAS 29, dealing with financial instruments and their recognition and measurement respectively, are not stated to have a significant impact on the Financial Statements, as the present IPSAS 15 and IAS – 39 requirements are being adhered in the WFP financial statements. However, IPSAS 30 – Financial Instruments: Disclosures, would increase both qualitative and quantitative information that needs to be provided in respect of financial instruments held by WFP and its exposure to financial risks arising from such instruments. We will examine the increased disclosures in the level of quantitative data about financial risks, as this is the first year when WFP would be collecting and disclosing this information.

- **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 2012 improvement in quality of inventory reporting in terms of: (i) reconciliation of data between WINGS and COMPAS and (ii) undistributed food lying with the partners (CP held stock); (iii) timely recording of receipts; and (iv) post-delivery losses. We will review the implementation of these recommendations and the improvements made in the system in each of these four areas in the current year.

We will also examine the review, assured by management, of expense recognition policy for cash and vouchers.

- **Cash Management:** Cash and cash equivalents represent a significant portion of WFP's assets. WFP has taken certain initiatives to improve its forecasting and cash management in the year 2012. We would see the impact of these efforts in the overall cash and investment management decisions in the year 2013.
- **Employee Benefits:** These include short-term, post-employment and long-term benefits and represent a major component of liabilities. We would examine the valuation of these liabilities and also the funding plan in place to provide for unfunded employee benefit liabilities.
- **Trust Funds:** Trust funds are an important component of WFP funding. These are sub-divisions of the WFP Fund established for special contributions, whose purpose, scope and reporting requirements are outside WFP's regular programmes but consistent with its objectives. We will draw assurance that transactions in the trust funds comply with the regulations (Financial Regulation 5.1) that govern them and with the accounting procedures.

## V. Working with Internal Oversight

17. 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; and
- evaluate and test the work of internal audit, where use is made of that work, in order to confirm its adequacy for our purposes.

18. 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**

19. 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 Headquarters by persons not involved in audit fieldwork so as to ensure that audit findings meet standards of materiality and evidence;
- review of working papers; and
- structured mid-term review of audit plan.



**Annexure I****Planned Field Audits**

<b>S.No</b>	<b>Field Audit</b>
1.	<b>Regional Bureau for Eastern and Central Africa: Nairobi (OMN)</b>
2.	Country Office, Yemen (OMC)
3.	Country Office, Ethiopia (OMN)
4.	<b>Regional Bureau for West Africa: Dakar (OMD)</b>
5.	Country Office, Burkina Faso
6.	Country Office, Mali
7.	<b>Regional Bureau for Latin America and Caribbean: Panama (OMP)</b>
8.	Country Office, El Salvador
9.	Country Office, Honduras