

برنامج
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Programme
Alimentaire
Mondial

World
Food
Programme

Programa
Mundial
de Alimentos

**Executive Board
Second Regular Session**

Rome, 8–11 November 2010

RESOURCE, FINANCIAL AND BUDGETARY MATTERS

Agenda item 5

*For information**



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REVIEW OF WFP OPERATIONS IN SOMALIA

Additional Fees for the External Auditor

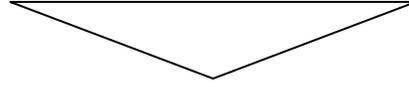
On 23 September 2010, a communication was sent to Executive Board members inviting them to vote by correspondence for the approval of additional fees of US\$84,000 submitted by the External Auditor to proceed with the review of WFP operations in Somalia.

Some Board members requested clarification on: i) the objectives of the review; ii) the anticipated outputs; and iii) the breakdown of costs. This information was sent to them on 29 September (see Annex).

Of the 36 Board members, 21 voted and 21 approved the request. Approval was obtained on 8 October 2010.

* 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.

DECISION



On 8 October 2010, the Board approved the proposed “Review of WFP Operations in Somalia: Additional Fees for the External Auditor” (WFP/EB.2/2010/5-E/1).

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No. 826/IR/31-2010
September 16, 2010

Dear Mr Sabas Pretelt de la Vega,

I write this to follow up on the Comptroller and Auditor General of India, Mr Vinod Rai's letter of 25 August 2010 to you regarding the audit of Somalia operations of WFP. We have since firmed up our plan, the salient details of which are presented below.

We have constituted a special team comprising one Senior Audit Director and two Audit Managers for the purpose who will be visiting WFP Headquarters at Rome and the Somalia Country Office at Nairobi. The team will work in close coordination with the Director of External Audit and will start its work in Rome from 11 October 2010. This one week visit to WFP Headquarters is meant to give the team an opportunity to interact with key personnel and gain an insight into the framework of controls instituted by WFP Headquarters. The audit team will then proceed to Nairobi where it will conduct necessary field work and gather evidence for four weeks from 18 October to 12 November 2010. This phase of our work will be wound up with the team visiting Rome again for a week from 15 November to 19 November 2010 to discuss the findings with the WFP managers.

As mentioned by Mr Rai in his letter, we would be targeting the February 2011 session of the Executive Board for presenting our Report, with the possibility of an interim update to the Executive Board Bureau in December this year.

I thought I would also mention that this special assignment falls outside the scope of the work specified in our External Audit Services Agreement with WFP. Consequently, this assignment would be on cost reimbursement basis, which would be US\$84,000 (US Dollars eighty four thousand only).

With regards,

Yours sincerely,

(signed)

(Jagbans Singh)

Principal Director
International Relations

**Mr Sabas Pretelt de la Vega
President of the WFP Executive Board
Via Cesare Giulio Viola, 68/70
00148 Rome Italy**



ANNEX

REVIEW BY THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

Background

1. In June 2009, a Channel 4 News programme made allegations on the operations of World Food Programme (WFP) food in Somalia. Office of Inspections and Investigations (OSDI) investigated the allegations during September-October 2009. In March 2010, the United Nations Monitoring Group on Somalia (MGS) echoed the allegations made by Channel 4 and added fresh allegations.
2. The Executive Board requested National Audit Office of the United Kingdom (NAO), the then External Auditor, to prepare the terms of reference for a review of Somalia operations. The terms of reference emphasized on five-step review of the operations by the management, geared not as a retrospective assessment but towards recommendations. This review would form the basis for the audit conducted by the new external auditor, Office of the Comptroller and Auditor General of India (CAG).
3. The Executive Board requested the CAG in June 2010G to undertake the audit. This paper provides the approach of the review to be undertaken by CAG.

Objectives

4. The broad objectives of our review are to:
 - Verify whether controls have been designed
 - ◇ based on risk assessment and
 - ◇ keeping in view the risk appetite of WFP
 - Verify whether the controls are implemented as designed
 - Recommend
 - ◇ additional controls
 - ◇ modification of existing controls and
 - ◇ annulling controls
 - Recommend lessons from Somalia operations for similar critical operations elsewhere

Methodology and Anticipated Output

5. A team of three members will conduct the review for six weeks from 11 October to 19 November 2010. We intend to cover the Somalia operations relating to the period Jan 2009 to date of audit. The review would follow the objectives laid down in the approved Terms of Reference for Somalia Operation. Accordingly the team will aim to make use of original work done by the management and oversight on the five-steps.
6. While reviewing the level of risk, we will do vulnerability and impact analysis to understand the requirements of risk mitigation. The risks would then be mapped with controls in place to assess the adequacy of risk mitigation strategies. The review of controls will cover Accounting controls, Operational controls and Administrative controls with specific emphasis on the following areas:

- Contracting of services
 - Delivery of food including security of delivery corridors, pilferage of food
 - Distribution of food including identification of beneficiaries, tracking of food up to the final point of delivery
 - External liaison and partnership – conflict of interest, risks from delivery partners etc.
 - Support services – Record maintenance, HR controls etc.
7. While evaluating the strength of controls, we would focus on control elements which could be classified as preventive, detective or corrective. .
8. Our output would also conform to the expectations stated in the Terms of Reference. Apart from commenting on the status of controls, our recommendations would focus on strengthening the risk management framework of WFP keeping in view the eight interrelated components of enterprise risk management of the COSO Framework. We will also recommend lessons from the Somalia operations for similar critical operations of WFP elsewhere.

Audit Discretion

9. The overview elaborated above is based on the information available with us now and it is provisional. Our final audit methodology, scope and output may undergo significant changes depending on the ground realities and available evidence.

Cost Break-Down

SI No.	Cost Components	Amount in US\$	Total in US\$
1	DSA	46 507.05	
2	Travel Cost (Delhi-Rome-Nairobi-Rome-Delhi)	26 923.08	
3	Staff Cost	10 956.52	84 386.65
	Restricted to		84 000

Based on the cost of an audit team comprising one Senior Audit Director and two Audit Managers