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RESOURCE, FINANCIAL AND BUDGETARY MATTERS

Agenda item 6

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3 June 2010

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REPORT OF THE ADVISORY COMMITTEE ON ADMINISTRATIVE AND BUDGETARY MATTERS (ACABQ)

The Executive Director is pleased to submit herewith the report of the ACABQ pertaining to WFP. The report covers the following agenda items:

- Audited Annual Accounts, 2009
(WFP/EB.A/2010/6-A/1)
- Final Report of the Evaluation Panel on the Selection and Appointment of the WFP External Auditor for the Term 1 July 2010–30 June 2016
(WFP/EB.A/2010/6-B/1)
- Appointment of Members to the Audit Committee
(WFP/EB.A/2010/6-C/1)
- Second Update on the WFP Management Plan (2010–2011)
(WFP/EB.A/2010/6-D/1)
- Financial Framework Review Options
(WFP/EB.A/2010/6-E/1)
- Proposed Amendments to the Terms of Reference of the WFP Audit Committee
(WFP/EB.A/2010/6-F/1)
- Annual Report of the WFP Audit Committee
(WFP/EB.A/2010/6-G/1)
- Progress Report on the Implementation of the External Auditor Recommendations
(WFP/EB.A/2010/6-H/1)
- Report of the Inspector General
(WFP/EB.A/2010/6-I/1)
- Report of the Executive Director on the Utilization of Contributions and Waivers of Costs (General Rules XII.4 and XIII.4 (g))
(WFP/EB.A/2010/6-J/1)
- Investigation on WFP Operations in Somalia
(WFP/EB.A/2010/6-K/1)

COPY OF LETTER RECEIVED FROM THE UNITED NATIONS — NEW YORK

Reference: AC/1714

Advisory Committee on
Administrative and Budgetary Questions
2 June 2010

Dear Ms. Sheeran,

Please find attached a copy of the report of the Advisory Committee on your submissions concerning:

- Audited Annual Accounts, 2009 (WFP/EB.A/2010/6-A/1)
- Final Report of the Evaluation Panel on the Selection and Appointment of the WFP External Auditor for the Term 1 July 2010–30 June 2016 (WFP/EB.A/2010/6-B/1)
- Appointment of Members to the Audit Committee (WFP/EB.A/2010/6-C/1)
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- Report of the Executive Director on the Utilization of Contributions and Waivers of Costs (General Rules XII.4 and XIII.4 (g)) (WFP/EB.A/2010/6-J/1)
- Investigation on WFP Operations in Somalia (WFP/EB.A/2010/6-K/1)

I should be grateful if you could arrange for the Committee's report to be placed before the Executive Board at its forthcoming session, as a complete and separate document. I would appreciate it if a printed version of the document could be provided to the Advisory Committee at the earliest possible opportunity.

Yours sincerely,
Susan McLurg
Chairman

Ms. Josette Sheeran
Executive Director
World Food Programme
Via Cesare Giulio Viola, 68-70
00148 Rome, Italy

WORLD FOOD PROGRAMME

Financial and Budgetary Matters

Report of the Advisory Committee on Administrative and Budgetary Questions

1. The Advisory Committee has considered the reports of the World Food Programme on its audited annual accounts for 2009, the selection of the External Auditor, the appointment of members to the Audit Committee, the second update to the management plan for 2010-2011, financial framework review options, and proposed amendments to the terms of reference of the Audit Committee, along with the annual report of the WFP Audit Committee, the progress report on the implementation of recommendations of the External Auditor, and the report of the Inspector General. The Committee also had before it, for information, the report of the Executive Director on the utilization of contributions and waivers of costs and a report on the investigation of WFP Operations in Somalia. The complete list of documents before the Committee is annexed to the present report.
2. During its consideration of these reports, the Advisory Committee met with the representatives of the Executive Director of the WFP who provided additional information and clarification.

Audited annual accounts for 2009

3. The audited annual accounts for 2009 (WFP/EB.A/2010/6-A/1) represent the second set of International Public Sector Accounting Standards (IPSAS)-compliant annual financial statements issued by WFP, which transitioned to IPSAS with effect from January 2008. They include the following five statements: financial position of WFP (statement I); financial performance (statement II); changes in net assets (statement III); cash-flow (statement IV); and a comparison of budgeted and actual amounts (statement V). The External Auditor has issued an unqualified audit opinion on WFP's financial statements for 2009. He has made ten recommendations to improve financial management and governance, which have been accepted by the Secretariat. The main recommendations, which are discussed in paragraphs 4 to 16 below, relate to financial performance, recovery of value added tax (VAT) from host governments, the requirement of an assessment of the WFP Information Network and Global System (WINGS II) project, and the review of the work of the internal audit office.
4. Among the issues arising from the financial performance of WFP during 2009 the External Auditor has identified the need to ensure that income contributions remain consistent with the level of planned expenditures, given the decline in the contributions for 2009 as shown in statement II on financial performance. The Advisory Committee also notes from statement V that there is a widening gap between the budgeted and actual amounts, which in 2009 amounted to \$6.4 billion and \$3.8 billion respectively, resulting in a difference of some \$2.7 billion, or 42 percent. Statement V also shows that the final budget for 2009 (\$6.4 billion), more than doubled as compared to the original estimate of \$2.7 billion in the WFP biennial management plan for 2008–2009, which was updated five times during the 2008-2009 period.
5. The Advisory Committee was informed that the budgeted amounts in the management plan were needs-based, corresponding to a projected programme of work rather than to

expected contributions, and, furthermore, that the difference between the level of requirements and actual contributions in 2009 was in part due to the fact that, at the country level, some situations received less support than others. While the Committee recognizes that, for a variety of reasons, the capacity to implement the activities forecasted in the management plan will necessarily be limited by the actual receipt of contributions, it is of the view that the Executive Board may need to consider whether the basis on which the management plan is formulated could be optimized to reflect the projected programme of work more accurately. Upon enquiry, the Committee was informed that WFP recognized the importance of this issue and intended to examine various alternatives for reflecting projected activity and revenue levels in the preparation of the management plan.

6. The External Auditor has ascertained that WFP is owed \$42.1 million in recoverable VAT from host governments. As indicated, the 1946 Convention on Privileges and Immunities of the United Nations provides the WFP with exemption from direct taxes such as VAT, with implementation being subject to a basic agreement negotiated with the host government of each country where WFP operates. However, the External Auditor notes that, despite the exemption, WFP is paying VAT in some countries, and that there are delays in recovering VAT in others which can result in lost interest. He has made three recommendations in respect of VAT, namely the need to review basic agreements with sovereign states, to recover VAT in a more timely manner, and to improve accounting arrangements to clearly show where VAT is charged, so as to provide more transparency to donors. The Committee recommends that the Executive Board be kept informed of the concrete measures taken by the WFP Secretariat to resolve all VAT-related issues and of the status of recovery of VAT owed from host governments.

7. The upgraded version of WFP's WINGS II has been operational since 1 July 2009. The External Auditor indicates that only a limited review of the financial aspects of WINGS II was undertaken in the context of the 2009 audit, to the extent necessary to form an external audit opinion on the financial statements. He has reiterated his recommendation that a cost-benefits assessment of WINGS II should be undertaken to determine whether the project has delivered the objectives established by WFP, and further, that a full assessment of the WINGS II control environment process should be undertaken using specialist information technology skills with a view to providing the necessary assurances as to the effectiveness of the internal control environment. Furthermore, the External Auditor indicates that, while the cost of the implementation of the system is indicated at \$54.8 million, some \$1.5 million less than the approved budget of \$56.5 million, the full costs of WINGS II are understated since many of the indirect costs incurred are not reflected under this figure. The Committee concurs with the External Auditor on the need for both a comprehensive assessment of the implementation of WINGS II and the establishment of the full quantum of the project's costs. As indicated, WINGS II is central to many key systems and processes in WFP, including finance, human resources, purchasing and inventory control, as well as to the external audit process. Furthermore, the lessons learned by WFP in this regard will be invaluable for the other entities of the United Nations system engaged in similar efforts for the adoption of IPSAS and the full implementation of enterprise resource planning systems. Accordingly, the Committee urges WFP to proceed with the assessments recommended by the External Auditor.

8. With regard to governance matters, the External Auditor conducted a review of the Office of Internal Audit, focusing in particular on planning and audit coverage during 2009, the follow-up of recommendations and the scope for enhancing the performance report of the Office. The Committee notes with concern that of the 33 audits planned for 2009 only 20

were delivered, representing 67 per cent of the planned work. The External Auditor indicates that the delays and shortfall of outputs against the plan were largely due to staff shortages. The Committee holds the view that it is essential to provide effective audit coverage and to ensure that adequate numbers of skilled staff are available in order to maintain the highest possible oversight standards and sustain confidence in the operations of the WFP. It therefore urges WFP to take the necessary steps to improve the staffing situation of the Oversight Office expeditiously. The Committee stresses the need for the Office of Internal Audit to improve the rate of completion of its planned audit workplan.

9. Concerning the recommendations emanating from the internal audits conducted by the Oversight Office, the Committee notes that as at 31 December 2009 there were 20 high-risk and 564 medium-risk recommendations awaiting implementation. The Committee was concerned by the high number of outstanding recommendations and enquired as to the latest implementation status of these recommendations. It was informed that WFP management had decided to take a central and more active role in dealing with the outstanding recommendations, which had been reviewed on a case-by-case basis, and, furthermore, that a system for follow-up had been put into place. As a result of these measures, the outstanding high-risk recommendations have decreased from 22 at the beginning of March to 10, and medium-risk issues have fallen from 512 to 376. The Committee notes the progress made. It recommends that WFP management remain engaged in this matter on an on-going basis and pursue efforts to address the remaining outstanding recommendations as a matter of priority.

10. From note 9 to the financial statements on losses, ex-gratia payments and write-offs (paras. 184-186), the Advisory Committee notes that in 2009 losses of food commodities after arrival at the recipient country totalled 21,960 metric tons with a value of \$9.4 million and that losses from non-food items amounted to \$1.4 million. Losses arising from fraud and presumptive fraud, including theft of commodities and non-food items involving WFP staff and third parties, as well as misappropriation of cash, were valued at \$1,349,724, of which \$84,007 has been recovered. The Committee has commented on this issue in paragraphs 34 to 35 below, in the context of its observations on the report of the Inspector General.

11. The External Auditor is recommending that WFP produce a Statement of Internal Control (SIC) describing the effectiveness of internal controls, which would be personally signed by the executive head of the Organization and included as part of the audited financial statements. As indicated, while the primary responsibility for the preparation of the Statement of Internal Control would rest with the Executive Director, it would be based on assurances provided by senior management, the Oversight Office's independent assessment of the control environment, as well as the Audit Committee's assessment of the assurances received in support of the statement. Upon enquiry, the Committee was informed that a significant effort would be required for the production of such a statement. The Committee is of the view that further analysis is needed to identify more precisely the workload requirements and to determine the procedure to be followed for the production of a Statement of Internal Control. It recommends that the Executive Director be requested to conduct such an analysis and to provide further information on this matter to the Executive Board.

12. The Committee recommends approval of the audited annual statements for 2009.

13. With respect to the report on the implementation of the recommendations of the External Auditor (WFP/EB.A/2010/6-H/1), the Committee notes that since the last reporting date in May 2009, 16 of the 38 outstanding recommendations, or 42 per cent, have been completed and that all recommendations reported prior to January 2009 have been completed.

Selection and appointment of the External Auditor

14. It is proposed to appoint the Comptroller and Auditor General of India as the WFP External Auditor for a six-year period from 1 July 2010 to 30 June 2016 (WFP/EB.A/2010/6-B/1). The Committee notes that the total annual remuneration would amount to \$385,000, inclusive of all costs, and that any increase would require prior authorization of the Executive Board, following detailed justification by the External Auditor. The Committee further notes that any changes to the scope of work or increases to take account of the impact of exchange rates would be discussed with WFP.

15. As indicated, the selection process was conducted on the basis of a competitive bidding exercise and led by an Evaluation Panel consisting of the 2009 Bureau, supported by the Audit Committee and a technical group drawn from the WFP Secretariat. The Committee considers that the selection of the WFP External Auditor appears to have been based on a rigorous and transparent process, and recommends approval of the recommendation of the Evaluation Panel.

16. The Committee requested additional information on the assessment of the adequacy of the scope and coverage proposed by the External Auditor. It was informed that the External Auditor's proposal provided for some 37 person-months of audit services annually, including for field audits. In its future consideration of the adequacy of the scope and depth of audit coverage of WFP operations, the Executive Board may wish to take into account the experience and practice of other United Nations entities in this regard.

Audit Committee

17. The reports related to Audit Committee include: the appointment of new members to the Committee (WFP/EB.A/2010/6-C/1); the proposed amendments to its terms of reference (WFP/EB.A/2010/6-F/1); and its annual report for 2009 (WFP/EB.A/2010/6-G/1).

18. The Advisory Committee notes that, in his report on the 2009 audited financial statements, the External Auditor has recommended that the Executive Board seek to place more reliance and take greater account of the work of the Audit Committee, and that in addition to its annual presentation to the Executive Board a more formalized and regular dialogue with the Bureau of the Executive Board could be helpful. The Advisory Committee is of the view that, at this early stage, when the WFP Audit Committee has been operational for only two years, the Executive Board may wish to consider the option of allowing the Audit Committee to continue its work on the basis of existing terms of reference in order to gain further experience in submitting its reports. The Board could examine any possible requirements for amendments to the terms of reference of the Audit Committee in light of that experience, and also taking into account the mandates of the other existing oversight bodies

19. The Advisory Committee notes that some of the proposed amendments to the terms of reference of the Audit Committee appear to be somewhat vague and would merit further development and clarification. For example, under paragraph 2 (b) of the terms of reference, it would be useful to define more precisely what constitutes “business-related issues”. The Advisory Committee further notes that in some cases the terms of reference appear to confer on the Chairperson and the Audit Committee a broader role than might be expected of a body with a purely advisory function. For example, under paragraph 11 it is proposed that the “Chairperson will consult with senior managers with regard to the appointment of new committee members and will be on any appointment panel”, and in paragraph 2 (o) that the Audit Committee will advise and make recommendations on the appointment of the Inspector General, the Director of Internal Audit and the Director of Inspections and Investigations. While the Advisory Committee recognizes that the Audit Committee will have a role to play in the selection of the Inspector General, it considers that the appointment of the Director of Internal Audit and the Director of Inspections and Investigations should fall within the purview of the Inspector General, in line with his prerogative to recruit staff to his Office. Furthermore, in paragraph 25 of its annual report, the Audit Committee states that it “reviewed and accepted” the 2009 report of the Inspector General. The Advisory Committee emphasizes that the role of the Audit Committee is to serve in an expert advisory capacity to assist the Executive Board in discharging its oversight function. In the opinion of the Advisory Committee, the terms of reference for the Audit Committee would appear to go beyond such an advisory role.

20. It is proposed to appoint two new members to the Audit Committee to replace two members whose terms will expire during 2010. While it is not explicitly stated in the document, the Committee understands from its discussions with the representatives of the Executive Director, that WFP is presenting the option of extending by one year the two sitting members whose terms expire in 2010, to ensure consistency with the terms of reference of the Audit Committee, as well as continuity and stability. As regards the two nominated candidates, the Advisory Committee has no objection to their succeeding the above-mentioned sitting members of the Audit Committee. The Advisory Committee is of the view that it would be reasonable to extend the term of the two sitting members of the Audit Committee by one year.

Second update of the management plan for 2010–2011

21. The updated programme of work for 2010 (WFP/EB.A/2010/6-D/1) is estimated at \$6.4 billion, reflecting an increase of some \$1.2 billion, mainly due to additional requirements for Haiti (\$570 million), Ethiopia (\$267 million), Pakistan (\$111 million) and Niger (\$111 million). The programme was initially estimated at \$4.35 billion, and increased by some \$595 million after the first update. Total requirements for the biennium 2010–2011 would amount to \$10.7 billion. Projected contributions for the biennium 2010–2011 remains unchanged at \$7.5 billion, or \$3.75 billion per year, representing 70 percent of the overall requirements. In the Committee’s view, the updated management plan, which projects a substantial increase in the programme of work while the level of contributions would remain unchanged, lends further credence to the Committee’s observations on the approach adopted for the formulation of the management plan (see para. 5 above).

22. The Committee notes that WFP is seeking operational efficiencies, and was able to achieve budget reductions of \$67 million in the Sudan operation comprising some \$37 million in direct support costs (human resources, information and communications technology,

procurement, finance and administration in Khartoum) and some \$30 million in road transport operations. WFP intends to undertake similar efforts in other country offices.

23. The Committee notes that a funding proposal for long-term employee benefits is presented for approval, based on an asset-liability management study commissioned by WFP, which determined that additional funding of \$7.5 million per annum is required for the next 15 years, starting in 2010, to achieve complete funding of employee benefits. The 2010 funding is proposed to be provided from the Programme Support and Administrative (PSA) equalization account. From 2011, funding would be provided from standard staff costs comprising \$3.37 million from PSA-funded standard staff costs and \$4.13 million from direct support costs (DSC)-funded standard staff costs, proportionate to the number of staff funded from each source, as agreed at the annual session of the Board in June 2010. From paragraph 39 of the report, the Committee notes that the additional funding would enable WFP to deal with this issue proactively, and that further delays in addressing the matter will become difficult to manage in the long term. Subject to the Executive Board's decision on the financing of long-term employee benefits, the Advisory Committee would not object to the measures proposed by the Executive Board.

24. The Committee notes that the opening balance for 2010–2011 of the unearmarked portion of the General Fund is -\$25.7 million, a significant deterioration as compared to the forecast in October 2009 when the management plan was first presented. The Advisory Committee sought additional information on the factors underlying this deterioration to supplement the explanation provided in paragraph 44 of the report. It is in the context of the weakened financial position of the unearmarked portion of the General Fund that WFP now proposes to finance \$38.9 million for security-related expenditures from the PSA equalization account rather than the unearmarked portion of the General Fund. While the Committee does not object to this course of action, it is concerned about recurrent recourse to the PSA equalization account for one-time expenditures. It notes that \$25.9 million of such expenditures have already been approved for 2010–2011. The Committee is of the opinion that the practice of drawing from the PSA equalization account for one-off expenditures requires monitoring. The Executive Board may wish to consider the specific purpose for which the PSA equalization account was established and further clarify the type of expenditures it should be for.

25. Concerning the PSA equalization account, the Committee notes from table 3 of the document that the opening balance as at 1 January 2010 was \$152 million and that the closing balance at the end of 2011 is estimated at \$79.7 million, which represents an increase as compared to the original projection of \$44.5 million in the initial management plan, owing to additional indirect support costs (ISC) income received. This increase in income will allow WFP to reach its target of maintaining an amount equivalent to 4 months expected expenditure, or \$80 million.

26. The Committee recommends approval of WFP's second update of the management plan for 2010–2011.

Financial framework review options

27. As indicated in the Executive Director's report (WFP/EB.A/2010/6-E/1), the review is intended to align the financial framework with WFP's Strategic Plan (2008–2013), which outlines a broad food-assistance approach, including through means other than food distribution, involving cash transfers, vouchers, technical support, and training. The current financing model reflects a commodity-oriented tonnage-based approach, which distinguishes between direct operational costs (DOC) for food, transport, storage and handling, DSC funded primarily on the basis of tonnage and ISC (see paras. 8-16 of the document). The current model is therefore not well suited to forms of assistance other than food distribution, particularly as regards the determination of direct support costs.

28. WFP applies the principle of full-cost recovery to all contributions, under which each donor is expected to meet the full operational and support costs of its contributions. The Committee notes that this principle would be maintained.

29. The review covers three aspects of the financial framework. Alternative approaches are proposed for each of the following areas:

- a) Costing of non-commodity activities (see paras. 17–36):
- Option A: Continuation of the current model (para. 21);
 - Option B: Segregation of non-commodity activities within projects: (paras 22–33);
 - B1 Separate funding streams for commodity and non-commodity activities;
 - B2 Same funding stream for all contributions provided to the project as a whole without distinction between commodity and non-commodity activities;
 - B3 A hybrid approach with most funding provided to the project as a whole, but with the possibility of accepting resources on an exceptional basis for either commodity or non-commodity activities.
 - Option C: Segregation of non-commodity activities in separate projects (paras. 34-36).

The Executive Director recommends the B3 option for the reasons given in paragraphs 31 and 32 of the report.

- b) Funding of direct support costs (see paras. 37–48):
- Option A: Continuation of the current model and application of a rate by metric ton (para. 40);
 - Option B: Modification of the current model and determination of direct support costs as a percentage of direct operational costs (paras. 41–42);
 - Option C: Funding of direct support costs separately from direct operational costs (paras. 43–46).

The Executive Director recommends the option B for the reasons given in paragraph 47 of the report.

- c) Ensuring stability of the PSA budget (see paras. 49–63):
- Option A: Continuation with the current model (para. 55);
 - Option B: Development of a rolling Management Plan (paras. 56–58); and
 - Option C: Establishment of a mechanism for funding of PSA costs exclusively by direct appeals (paras. 59–61).

The Executive Director proposes option B for the reasons given in paragraphs 57 to 58 of the report.

30. The Committee notes that any necessary amendments to WFP rules and regulations, and any necessary adjustments to internal processes and systems, will be identified based on the decisions of the Executive Board.

31. The Committee was informed that these recommendations were formulated on the basis of substantial analytical work undertaken by the Secretariat and extensive discussions with Executive Board Members, as well as WFP Regional and Country Managers. The Committee trusts that an assessment of the impact of the new modalities of the financial framework will be provided, should these proposals be approved by the Executive Board.

Report of the Inspector General

32. The Committee has commented on the External Auditor's review of the Oversight Office and the status of implementation of the internal audit recommendations in the context of its observations on the audited annual statements for 2009 in paragraph 9 above.

33. The Committee notes the Inspector-General's observations on governance matters and the weaknesses related to performance management (see WFP/EB.A/2010/6-I/1, para. 29). The Inspector General states that WFP was not able to systematically and adequately determine and measure whether strategic and operational goals are being achieved because of the absence of a performance management information system to support WFP performance reporting. In this connection, the Committee recalls that in his report on the IPSAS dividend and strengthening financial management (WFP/EB.1/2010/6-E/1) the External Auditor had recommended that a clear link be provided between the resources expended and strategic objectives. The Advisory Committee had concurred with the recommendation of the External Auditor (WFP/EB.1/2010/6 (A, B,D,E,F,G)/2). It emphasizes the need to derive the full benefits of the implementation of WINGS II and IPSAS and provide improved performance reporting with the necessary tools for measuring achievements and to demonstrate how the resources provided contribute to achieving its objectives. The oversight function could be weakened as a result of the lack of appropriate instruments for monitoring performance and measuring achievements.

34. Table 8 of the report of the Inspector General shows the number of complaints and cases in 2008 and 2009. He indicates that while the number of complaints decreased from 174 in 2008 to 108 in 2009, the severity of the complaints increased, with a greater number of complaints having to be converted to investigation in 2009 (64) as compared to 2008 (49). The total loss from cases investigated in 2009 rose to \$1.3 million as compared to \$0.85 million in 2008. As yet only a small part of the 2009 losses has been recovered. The Committee was informed that the recovery of losses required time to be processed through the

administration of justice system and that it was unlikely that a significant part of the losses incurred would be recovered.

35. The Inspector General has outlined some of the major investigations conducted during 2009 relating to retaliation in violation of the WFP whistleblower protection policy; harassment, sexual harassment and abuse of power and unsatisfactory conduct; investigations concerning senior staff and food diversion cases. The Committee emphasizes the need for establishing appropriate procedures so as to avoid negligence and abuse (see for example para. 71 of the report). Furthermore, the Committee trusts that disciplinary action commensurate with the nature and seriousness of the perpetrated offences is administered in all such cases. In this connection, given the high-risk environment in which WFP operates, the Committee points to the need for strengthening management controls.

36. From table 9 of the report, the Committee notes that out of a total of 234 recommendations made in 2008 and 2009, 120 were outstanding at the end of 2009. In paragraph 9 above, the Committee noted additional information provided on the actions taken to expedite implementation of internal audit recommendations. It stresses the need for focused efforts toward the implementation of remaining outstanding internal audit recommendations and recommends that the Inspector General follow up on their implementation.

Investigation on WFP Operations in Somalia

37. With respect to the report of the United Nations Monitoring Group on Somalia (MGS) issued on 10 March 2010, which includes allegations about WFP's controls and mentions a high level of food diversions, the Committee notes that the External Auditor found insufficient evidence to suggest that these allegations represented a material risk of fraud within the financial statements and indicated that this had not affected his audit opinion. The External Auditor also indicated that the Internal Audit Office (OSA) provides an independent review of operational and financial control throughout WFP, and that in his monitoring of the work of OSA in Somalia over the years, he had not identified any material weaknesses in internal control performed by that office. The Committee further notes that on 31 March 2010 the Executive Board approved, through a vote by correspondence, the three recommendations contained in the report of the Bureau entitled "Investigation on WFP Operations in Somalia – Conclusions of the Bureau Meetings Concerning Somalia held on 12 and 17 March 2010" (WFP/EB.A/2010/6-K/1).

38. In paragraph 6 of his report on the audited annual statements for 2009 (WFP/EB.A/2010/6-K/1), the Executive Director indicates that, in light of the situation in Somalia where conflict and lack of governance have made normal monitoring and controls extremely challenging, WFP has continually had to reassess its procedures. The Inspector General has performed seven audits and three investigations over the last 15 years. Furthermore, based on the Inspector General's most recent investigation, performed in the fall of 2009, WFP put in place a number of new procedures and controls, and in January 2010 halted operations in southern Somalia when the ability to safely maintain standards and controls proved impossible given growing security issues and threats.

39. The Committee welcomes the swift actions taken by WFP in response to the report of the United Nations Monitoring Group on Somalia. It requests that WFP continue to refine its

internal controls and management oversight mechanisms so as to reduce risks to the minimum level possible.

Documentation

For approval

1. WFP/EB.A/2010/6-A/1 Audited Annual Accounts, 2009
2. WFP/EB.A/2010/6-B/1 Final Report of the Evaluation Panel on the selection and appointment of the WFP External Auditor for the term 1 July 2010–30 June 2016
3. WFP/EB.A/2010/6-C/1 Appointment of Members to the Audit Committee
4. WFP/EB.A/2010/6-D/1 Second Update on the WFP Management Plan (2010–2011)
5. WFP/EB.A/2010/6-E/1 Financial Framework Review Options
6. WFP/EB.A/2010/6-F/1 Proposed Amendments to the Terms of Reference of the WFP Audit Committee

For consideration

7. WFP/EB.A/2010/6-G/1 Annual Report of the WFP Audit Committee
8. WFP/EB.A/2010/6-H/1 Progress Report on the Implementation of the External Auditor's Recommendations
9. WFP/EB.A/2010/6-I/1 Report of the Inspector General

For information

10. WFP/EB.A/2010/6-J/1 Report of the Executive Director on the Utilization of Contributions and Waivers of Costs (General Rules XII.4 and XIII.4 (g))
11. WFP/EB.A/2010/6-K/1 Investigation on WFP Operations in Somalia

ACRONYMS USED IN THE DOCUMENT

DSC	direct support cost
IPSAS	International Public Sector Accounting Standards
ISC	indirect support costs
OSA	Internal Audit Office
PSA	Programme Support and Administrative
VAT	value added tax
WINGS II	WFP Information Network and Global System