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**Executive Board  
First Regular Session**

**Rome, 8–11 February 2010**

# **RESOURCE FINANCIAL AND BUDGETARY MATTERS**

**Agenda item 6**

*For approval*



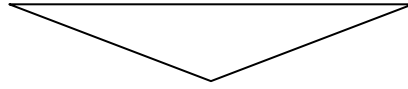
Distribution: GENERAL  
**WFP/EB.1/2010/6-B/1**  
29 December 2009  
ORIGINAL: ENGLISH

## **REVISED FEE FOR THE EXTERNAL AUDITOR FOR THE BIENNIUM 2008–2009**



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## DRAFT DECISION\*



The Board approves an increase in the audit fee payable to the External Auditor for the 2008–2009 biennium in the amount of £114,800.

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\* This is a draft decision. For the final decision adopted by the Board, please refer to the Decisions and Recommendations document issued at the end of the session.



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## BACKGROUND

1. At its Second Regular Session in 2005, the WFP Executive Board reappointed the Comptroller and Auditor General of the United Kingdom as WFP External Auditor for a second four-year term from 1 July 2006 to 30 June 2010. In February 2006, the WFP Executive Director received from his office, the National Audit Office (NAO), an estimate of its audit fees for the next two biennia. WFP management analysed the request and found it reasonable and justified. At its Second Regular Session in 2006 the Board approved the new audit fee. The audit fee thus approved amounted to 380,000 pounds sterling (£) for the biennium 2006–2007, based on an estimated workload of 6,500 hours, payable quarterly; and to £398,000 for the biennium 2008–2009, respectively. The hourly cost for the biennium 2006–2007 amounted to £58 and for the biennium 2008–2009 has been estimated at £61.20. The External Auditor now requests a further increase of fees for the biennium 2008–2009.
2. The issue of the fee increase was brought to the attention of the Executive Board Bureau at its meeting on 18 September where it was discussed.
3. The matter is now brought before the Board for decision based on the consideration that the External Auditor is appointed by the Board in accordance with Financial Regulation 14.1 and is therefore answerable only to the Board. No authority to approve payments to the External Auditor additional to those initially agreed is delegated to any other organ of WFP. Such payments should, accordingly, be approved by the Board itself.

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## ANALYSIS OF THE NOTICE OF A PROPOSED NEW FEE LEVEL PRESENTED BY THE EXTERNAL AUDITORS FOR THE BIENNIUM 2008–2009

4. The Secretariat received notice from NAO of a proposed increase to the fee to £512,800 for services rendered in the biennium 2008–2009. This new proposed fee is based on an estimated workload of 7,765 hours, an increase of 19 percent over the original estimate, and is due to several factors as outlined below:
  - WINGS II IMPLEMENTATION
    - ◇ The delay in implementation of WINGS II through mid-2009 created significant extra work. Conducting the migration of data from WINGS into WINGS II at mid-year, rather than at year-end, resulted in a significant increase in workload for the External Auditor.
    - ◇ The External Auditor's work included additional work related to systems and processes outside of WINGS, in particular the Commodity Movement Processing and Analysis System (COMPAS) and the asset management database. This created a more onerous workload than expected.
  - IPSAS IMPLEMENTATION
    - ◇ Upon request of the Secretariat, the External Auditor carried out a full review of the 9-month financial statements, a key element in WFP's preparation for the first fully IPSAS-compliant closure on 31 December 2008.



- ◇ The results of this work were presented to the Board in the document WFP/EB.1/2009/6-D/1 and the recommendations therein were noted by the Board.
5. The bill is based on an hourly rate of £66 over the biennium. It is worth noting that over the contract period since 2004, the increase in the External Auditor fee is generally in line with the increase in the cost of living estimated by the Italian Institute of Statistics (ISTAT), which is the recognized index used for evaluating the costs of longer-period procurement contracts in Italy.

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## RECOMMENDATION

6. The Bureau recommends that the Board approve an increase requested by the External Auditor for the biennium 2008/2009 from £ 398,000 to £ 512,800.