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Programa
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de Alimentos

Executive Board
Third Regular Session

Rome, 20 - 23 October 1997

FINANCIAL AND BUDGETARY MATTERS

Agenda item 4 b)

COVERING NOTE TO THE REPORT OF THE FAO FINANCE COMMITTEE - EIGHTY-SEVENTH SESSION

The Executive Director is submitting herewith for consideration by the Executive Board, an excerpt of the report of the Eighty-seventh Session of the FAO Finance Committee.

The enclosed section of the report (paragraph 16 to 24) relates to the proposed WFP Financial Regulations.

The report in its entirety may be found in document
WFP/EB.A/97/4-A/Add.1; WFP/EB.A/97/4-B/Add.1;
WFP/EB.A/97/4-C/Add.1; WFP/EB.A/97/4-D/Add.1;
WFP/EB.A/97/4-E/Add.1; WFP/EB.A/4-F/Add.1.



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Alimentación

FINANCE COMMITTEE

EIGHTY-SEVENTH SESSION

21 - 29 April 1997

World Food Programme Report

Item 18 - Revised WFP Financial Regulations

16. The Committee reviewed the proposed WFP Financial Regulations as prepared by the Open-Ended Working Group established by the Executive Board for the revision of WFP General and Financial Regulations and the establishment of General Rules.

17. The Committee made recommendations concerning certain Financial Regulations. In Financial Regulation 2.1, the Committee recommended that the phrase "the WFP Fund" should replace "WFP" to be consistent with the General Regulations. One member dissented believing that the WFP Fund is narrower than the entirety of WFP.

18. The Committee noted that Financial Regulation 4.5 was inconsistent with Article XII.3 of the proposed General Regulations which indicated that the recipient country was responsible for some costs, while Financial Regulation 4.5 seemed to indicate that the donor is responsible for those same costs. For clarification, the Committee recommended the following text:

Financial Regulation 4.5 Each donor contributing commodities or non-food items shall be responsible for related external transportation costs as well as all associated operational and support costs. The donor shall also be responsible for the costs of unloading and internal transport and any necessary technical and administrative supervision, and all associated operational and support costs, where the responsibility of the government of the recipient country for these costs is waived by the Executive Director in accordance with General Regulation XII.3.

19. The Committee discussed Financial Regulations 14.1 and 14.2. The Committee advised that the external auditor role should not be limited to the Auditor General (or official holding the equivalent title) of a State Member of the United Nations or FAO in order to promote maximum competition among qualified auditors. Therefore, the Committee recommends that the second sentence of Financial Regulation 14.1 be deleted. Some member states expressed reservations on enlarging competition to private audit firms since it would be contrary to the objective of associating developing countries and countries in transition in the conduct of the audit. The Committee also recommended that national audit offices be encouraged to submit proposals that would associate national audit offices from developing countries and countries in transition in the conduct of the audit.

20. The Committee noted that the commencement date of the term of the External Auditor of WFP occurred mid-year while that of FAO is at the beginning of the year. It felt that the term of the external auditor should commence at the beginning so that responsibility for each financial period is clearly established. It also noted that this would allow for cost savings for FAO and WFP if the same External Auditor is appointed for both. The Committee recommended changing the first sentence of Financial Regulation 14.2 as follows: The External Auditor shall be appointed for a four-year period covering two financial periods.

21. The Committee also discussed the limitation to the term of the External Auditor to two terms. This limitation also prevents competition and creates the possibility that FAO and WFP could not have the same External Auditor. The Committee, therefore, recommends deletion of the second sentence to Financial Regulation 14.2.

22. One member of the Committee expressed the wish to have a provision in the Financial Regulations on donor reporting and the necessity for reports within a reasonable time. The other members felt, however, that this type of provision did not belong in the Financial Regulations. The Secretariat indicated that donors could specify the reporting required in their agreements with WFP. The Committee wished the Secretariat to note the concerns of the member with respect to donor reporting.

23. One member had identified editorial changes such as capitalization and references to gender (especially in the Annex) which needed to be made. The Committee requested that the member make these suggestions available to the Secretariat and that the editorial changes be included if these will not change the meaning of the text of any of the Financial Regulations.

24. In addition, the Committee noted the need for several technical changes in the proposed Financial Regulations:

- a. In the definition of General Fund, the term "Operational Reserve" should be added;
- b. In the definition of General Rules, "Rules" should be replaced with "General Rules";
- c. The definition of "PRO" should be omitted since it does not occur in the text;
- d. The title of Section VIII should be revised to read "Country Programmes and Projects" to be consistent with the terms used in the title of Section VI.
- e. In Financial Regulation 9.4, the word "budget" should be replaced by "WFP Budget" to be consistent with other references to the WFP Budget in the text.
- f. In Financial Regulation 14.8, the word "Financial" should precede "Regulation".