

برنامج  
الأغذية  
العالمي



Programme  
Alimentaire  
Mondial

World  
Food  
Programme

Programa  
Mundial  
de Alimentos

**Executive Board  
First Regular Session**

**Rome, 9–11 February 2009**

# **RESOURCE, FINANCIAL AND BUDGETARY MATTERS**

**Agenda item 6**

*For approval*



Distribution: GENERAL  
**WFP/EB.1/2009/6-C/1**  
5 January 2009  
ORIGINAL: ENGLISH

## **APPOINTMENT OF THE EXTERNAL AUDITOR**



This document is printed in a limited number of copies. Executive Board documents are available on WFP's website (<http://www.wfp.org/eb>).

## NOTE TO THE EXECUTIVE BOARD

**This document is submitted to the Executive Board for approval.**

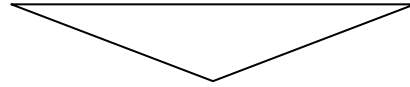
The Secretariat invites members of the Board who may have questions of a technical nature with regard to this document to contact the WFP staff focal point indicated below, preferably well in advance of the Board's meeting.

Secretary to the Executive Board:      Ms C. von Roehl      tel.: 066513-2603

Should you have any questions regarding matters of dispatch of documentation for the Executive Board, please contact Ms C. Panlilio, Administrative Assistant, Conference Servicing Unit (tel.: 066513-2645).



## DRAFT DECISION\*



The Board approves “Appointment of the External Auditor” (WFP/EB.1/2009/6-C/1). Financial Regulation 14.2 will therefore read as follows: “The External Auditor shall be appointed through a competitive selection process for a non-renewable six-year term. Another appointment may be possible after a break of at least one term.”

---

\* 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.



---

## INTRODUCTION

1. While reappointing the External Auditor for a second four-year term from 1 July 2006 to 30 June 2010 at its Second Regular Session in October 2005, the Executive Board invited the Bureau to prepare for a decision by the Board on changes to the Basic Texts with a view to clarifying the procedures for reappointment of the External Auditor. Accordingly, the Executive Board Bureau deliberated the issue at several meetings. This document summarizes the information and proposes a decision for adoption by the Executive Board.

---

## PRACTICE AT WFP

2. The External Auditor is currently appointed by the Board for a four-year term and may be reappointed for one further four-year term. The maximum term of office for the WFP External Auditor is thus eight years.
3. WFP's current External Auditor, the National Audit Office (NAO) of the United Kingdom, was initially appointed, through a competitive selection process,<sup>1</sup> for the 2002–2005 period at the Board's Third Regular Session of 2001.<sup>2</sup> At its Second Regular Session of 2005, the Board reappointed the NAO as the WFP External Auditor for a second and final term.<sup>3</sup>
4. The previous External Auditor was the *Cour des Comptes* of France, which was appointed for two four-year terms, the first from 1 July 1994 to 30 June 1998 and the second from 1 July 1998 to 30 June 2002 (WFP/EB.3/97/13, pp. 9 and 10). WFP did not have its own External Auditor at the time; the *Cour des Comptes* was appointed in accordance with the relevant Food and Agriculture Organization of the United Nations (FAO) rules and procedures. No competitive process took place for the reappointment of the *Cour des Comptes*.
5. At the time of that reappointment, the Bureau was asked to develop procedures and criteria for the selection and appointment of the External Auditor. In its decision 1997/EB.3/7, the Board added that "the audit fee should not be increased, and if possible should be reduced".
6. On the basis of that precedent and of strict interpretation of the relevant WFP Rules and Regulations, the Division of Legal Services advised that a competitive selection involving a formal tender procedure did not seem to apply in cases of reappointment. The current External Auditor was reappointed without a tender procedure.

---

<sup>1</sup> The requirement for a competitive selection process in the appointment of the WFP External Auditor was introduced by the Board during its Third Regular Session in 1997 (WFP/EB.3/97/13, p 9). Such a requirement, however, has not been documented with a change to Rule 14.2.

<sup>2</sup> WFP/EB.3/2001/14, decision 2001/EB.3/6

<sup>3</sup> WFP/EB.2/2005/15, paras 47-49



## TREND IN THE UNITED NATIONS SYSTEM

7. While there is not yet an agreed uniform policy across the United Nations system concerning the terms of appointment and the process for reappointment of External Auditors, there is an emerging common view among the Funds and Programmes and the United Nations Secretariat.
8. At FAO, the External Auditor receives an initial mandate for two biennia, with the possibility of an extension for one further biennium. No formal policy has been agreed for a renegotiation of the fee upon extension. After this period of four or six years, the contract must be re-tendered; bids are invited from national audit agencies from all Member Nations.<sup>4</sup> There are currently no limits on the number of terms for which an External Auditor may be reappointed, even though the matter has been under discussion since 1998.<sup>5</sup>
9. What the different appointment methods have in common is that they seek to maintain a balance between the benefits of continuity and the benefits of change and reasonable rotation. The trend is that where there is no bar to the renewal of an External Auditor's appointment, reappointment in most cases involves a competitive process, in the course of which a quotation for fees is also submitted.
10. The Joint Inspection Unit (JIU) has recommended to the various organizations to which it provides reports that they may wish to institute limits on the terms of office of External Auditors.<sup>6</sup>
11. The Board of Auditors of the United Nations, which is also the Auditor of Funds and Programmes in New York, i.e. United Nations Development Programme (UNDP), the United Nations Population Fund (UNFPA) and the United Nations Children's Fund (UNICEF), is composed of the Auditors General of three member states, appointed for a non-renewable term of office of six years' duration, starting on 1 July of the given year. A candidate may be appointed again after a break of one term (i.e. six years).
12. As part of the move towards a harmonized United Nations, the Comptrollers of the United Nations, UNDP, UNFPA, UNICEF and WFP are currently discussing the harmonization of their Financial Regulations; the discussions began at the end of May 2007 and are ongoing. Harmonized Financial Regulations are expected to be approved by the General Assembly of the United Nations and participating Executive Boards by June 2009 to come into effect on 1 January 2010.

---

<sup>4</sup> Finance Committee Decision, 107<sup>th</sup> Session, May 2004.

<sup>5</sup> 90<sup>th</sup> Session of the Finance Committee of FAO held from 21 to 25 September 1998, documents reference FC89/7 and FC 90/12.

<sup>6</sup> See for instance JIU Report JIU/REP/2002/08 on the review of management and administration in FAO; see also JIU Report JIU/REP/2001/5 on the review of management and administration of World Health Organization (WHO), in which the JIU recommended that the organization "...consider limiting the External Auditor's term of office to a non-consecutive term covering several financial periods in order to allow reasonable rotation while preserving some needed continuity...".



13. The following language is being discussed regarding the tenure of members of the Board of Auditors/External Auditor:

*Proposed Regulation 8.2: The Members of the Board of Auditors/External Auditor shall be elected for a non-renewable term of office of six years duration. The term of office shall commence on 1 July and expire on 30 June six years subsequent thereto. The term of office of one of the members shall expire every other year. Consequently the General Assembly shall elect every two years a member to take office from 1 July of the following year.*

## RECOMMENDATION

14. In the spirit of harmonizing across the United Nations, a non-renewable term of office of six years' duration, with the possibility of another appointment after a break of one term (six years) is recommended for approval by the Board. This option is currently favoured by the United Nations in its discussions on harmonization of the Financial Regulations. Accordingly, the Executive Board Bureau recommends the following revision to the Financial Regulations.

## PROPOSED CHANGE TO FINANCIAL REGULATION 14.2

15. Financial Regulation 14.2 should be amended to reflect the Board's decision and to document the Board's 1997 decision to require a competitive process for the appointment of the WFP External Auditor.<sup>1</sup>
16. Currently, Financial Regulation 14.2 reads:

*“The External Auditor shall be appointed for a four-year period covering four financial periods. He or she may be reappointed for only one further four-year term.”*

17. It is proposed that this Regulation be amended to read as follows:

*“The External Auditor shall be appointed through a competitive selection process for a non-renewable six-year term. Another appointment may be possible after a break of at least one term.”*

18. This amendment may be made by the Board only after receiving advice from the United Nations Advisory Committee on Administrative and Budgetary Questions (ACABQ) and the FAO Finance Committee, as provided by General Regulation XIV.4:

*“In all matters relating to the financial administration of WFP, the Board shall draw on the advice of the United Nations Advisory Committee on Administrative and Budgetary Questions (ACABQ) and the Finance Committee of FAO.”*



---

## ACRONYMS USED IN THE DOCUMENT

ACABQ	Advisory Committee on Administrative and Budgetary Questions
FAO	Food and Agriculture Organization of the United Nations
JIU	Joint Inspection Unit
NAO	National Audit Office (United Kingdom)
UNDP	United Nations Development Programme
UNFPA	United Nations Population Fund
UNICEF	United Nations Children's Fund
WHO	World Health Organization