

Executive Board Third Regular Session

Rome, 23 - 26 October 2000

FINANCIAL AND BUDGETARY MATTERS

Agenda item 4

For information



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REPORT OF THE FAO FINANCE COMMITTEE

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

- Item 4-A—Report on Budgetary Performance, 1998–99
- Item 4-B—Audited Biennial Accounts (1998–99)
- Item 4-D—Strengthening the Management Capacity of the World Food Programme

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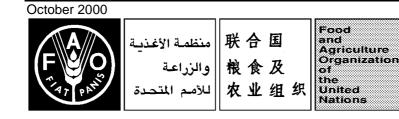
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FINANCE COMMITTEE

Ninety-fifth Session

Rome, 25 - 29 September 2000

Final Report - World Food Programme

A. WFP REPORT ON BUDGETARY PERFORMANCE 1998-1999

1. The Committee reviewed and took note of the Budgetary Performance Report, 1998-99 (WFP/EB.3/2000/4-A) submitted to it for discussion and recommendations to the Executive Board and expressed its appreciation for the clear, transparent and well-focused report. The Committee welcomed the report, taking note of the usefulness of the data presented and the improvements in the format, particularly, the Executive Summary.

2. The Committee recommended that future Budgetary Performance Reports include references in the Executive Summary to related WFP reports.

B. WFP AUDITED BIENNIAL ACCOUNTS 1998-1999

3. The Committee reviewed the Audited Biennial Accounts for the biennium 1998-99 (WFP/EB.3/2000/4-B/1), which included the Report of the External Auditor and the Secretariat's responses and actions taken on the External Auditor's recommendations on the 1998-99 and 1996-97 reports.

4. The Committee requested the External Auditor to introduce the audit report. The External Auditor explained that the report consisted of the audit opinion and the long form report containing the detailed findings and recommendations on financial, management, and other matters. The External Auditor stated that a clean opinion without reservation had been given and that the financial statements did properly reflect the results of operations, were reliable and in line with standards.



5. The Committee considered the possibility of having private sessions with the External Auditor to discuss plans on how audit was conducted and how conclusions were presented. The Secretariat confirmed that it had no difficulty with such a proposal, which it considered to be a matter between the External Auditor and the Committee.

6. The Committee sought and received clarifications from both the External Auditor and the WFP secretariat on the following matters arising from the financial statements and audit report:

- The number and names of investment managers;
- Definition of Multilateral and Directed Multilateral contributions;
- Cost and sustainability of the new financial systems and mechanisms to handle future capital expenditures;
- Developments in the Special Account Kosovo Flight KSV 3275 Disaster;
- The replenishment of the Operational Reserve;
- Reprogramming and refund of unused fund balances;
- Standard procedures of reporting cases of fraud; and
- Decentralization, financial management and bank accounts.

7. In providing the responses, the WFP secretariat highlighted the ongoing process of decentralization, which had many positive results for WFP operations and assured the Committee that an evaluation would be conducted and its outcome presented to the Board in October next year. However, the decentralization process was not yet complete and improvements were expected with the installation of the new systems, in communications, and in financial management. The secretariat assured the Committee that steps were being taken to strengthen WFP's field financial management including the monitoring and control of field bank accounts.

8. The External Auditor informed the Committee that the WFP secretariat had undertaken a comprehensive review of the Prior 1996 fund balance resulting in the reprogramming and refund of unused fund balances in consultation with concerned donors. It also led in the identification of US\$86.8 million in unused balances for which the secretariat sought approval of the Board to use for operations and to fund the Immediate Response Account (IRA). The External Auditor also noted that the secretariat had sought Executive Board approval on the replenishment of the Operational Reserve and had indicated its intention to propose relevant amendments to the Financial Regulations.

9. In addition, the Committee requested the External Auditor to comment on recommendations contained in the report and on the responses and follow-up actions taken by the WFP secretariat. The External Auditor responded that the secretariat had been reactive and had demonstrated willingness to take action but had not always had the administrative capacity to do so immediately. The Committee also asked the External Auditor to identify the emerging issues facing WFP. The External Auditor identified four issues:

- whether WFP, as a voluntarily funded organization could continue to attract resources on the scale required;
- the security of its staff operating in dangerous locations across the world;
- the high turnover of staff, particularly those in finance; and
- the priority given to administrative and financial matters by WFP management.

10. The Committee noted that the External Auditor rendered an unqualified opinion on the financial statements of the Programme and expressed satisfaction on the responses and actions taken to date on the audit recommendations.

11. The Committee expressed appreciation for the frank responses of the External Auditor and the transparency in the report.



12. The External Auditor acknowledged the collaboration of the secretariat in their work.

13. The Committee decided to recommend to the Executive Board the approval of the recommendations contained in the Executive Summary as detailed in paragraph 45 of the Statement of the Executive Director.

C. STRENGTHENING THE MANAGEMENT CAPACITY OF THE WORLD FOOD PROGRAMME

14. The Committee reviewed the proposal of the WFP Executive Director to strengthen the management capacity of the Programme (WFP/EB.3/2000/4-D/1) by creating nine new senior-level posts and by upgrading selected posts within the points approved by the Executive Board. The Committee sought and received clarification on WFP's decentralization initiatives to date; the functions and tasks to be performed by the new posts; the geographical distribution of posts; the rationale for grading WFP Country Director posts at the minimum P-5 level; and whether WFP's grading process was in conformance with prescribed standards. Information was also sought and reply received on the evaluation of the decentralization and the reporting of it to the Executive Board, as recommended in the External Auditor's Report.

15. The Committee took note of, and appreciated, the table included as an annex which provided useful data on the staffing levels of various UN agencies. The Committee noted that, compared to those UN agencies, WFP had the lowest ratio of senior managers vis-à-vis total budgeted posts and that even after the implementation of these proposals, WFP would remain at the bottom of the range in terms of this ratio. It reiterated the position that the main criterion for judging the proposal should be the increasing scope and complexity of the work of the Programme. The Committee agreed to send the proposal forward to the Executive Board, based upon the case made for the additional posts and upgrades as presented in paragraph 7 of the document.

