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Work Plan of the External Auditor

For the period July 2016 to June 2017

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FRANCE



**EXTERNAL AUDIT OF THE WORLD
FOOD PROGRAMME**



World Food Programme

WORK PLAN OF THE EXTERNAL AUDITOR

For the period July 2016 to June 2017

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I. Mandate and Objectives

1. This document, submitted to the World Food Programme (WFP) Executive Board for information, is the External Auditor's annual work plan of audit activities for July 2016 to June 2017.
2. Pursuant to an Executive Board decision of 10 November 2015, WFP External Audit was entrusted to the First President of the Cour des Comptes of France for the period 1 July 2016 to 30 June 2022, in accordance with Article 14.1 of the WFP Financial Regulations.
3. The External Auditor's mandate is contained in Article XIV of the WFP Financial Regulations and its annex, and in the call for applications for the appointment of the External Auditor. Its terms of reference comprise the call for applications, together with the offer of services of the External Auditor – particularly his detailed technical offer, which was approved by the Board.
4. The responsibilities of the External Auditor consist of auditing the financial statements of WFP (Article 14.1 of the Financial Regulations) and making observations, if he sees fit, regarding the effectiveness of the financial procedures, the accounting system, internal financial controls and the administration and management of WFP, in general (Article 14.4 of the Financial Regulations).
5. The mandate given to the External Auditor in the terms of reference approved by the Board covers both the audit of the financial statements and a review of the performance and regularity of the management of WFP.
6. Pursuant to Article XIV.6 (b) of the General Regulations and by virtue of Articles 13.1 and 13.3 of the Financial Regulations of WFP, the Executive Director of WFP is responsible for the preparation and submission of the financial statements. In conformity with Article 3.1 of the Financial Regulations, the Executive Director is also responsible for the financial management of the activities of WFP, for which she is accountable to the Board.
7. A letter of engagement will be drawn up in the first months of the work with the Executive Director in order to ensure that, in accordance with the International Standards on Auditing (ISA) 210 standard, the respective obligations of WFP management and the External Auditor are clearly understood.
8. The objective of the audit of the financial statements will be to obtain reasonable assurance about whether the financial statements give a true and fair view, in all material respects, of the financial position of WFP as at 31 December 2016 and of the results of the operations recorded during the financial year, in accordance with International Public Sector Accounting Standards; whether the financial statements have been prepared in compliance with the Financial Regulations and the stated accounting policies; whether the accounting policies applied are consistent with those of the previous financial year; and, finally, whether the transactions have been performed in compliance with the Financial Regulations and legislative authority.
9. Within the framework of the financial audit, the External Auditor will review and, if necessary, test certain internal control mechanisms that have a material impact on preparation of the financial statements. Although this work primarily aims to determine the financial audit strategy, it may also help to highlight opportunities for enhancing internal control, which will be shared with WFP.
10. With regard to the review of the performance and regularity of the management of WFP, the audits will aim to determine whether, in the areas reviewed, the activities are carried out in accordance with the principles of economy, efficiency and effectiveness, and whether there is scope for improvement.
11. The performance audits will also aim to ensure that the activities, financial transactions and information are, in all material respects, compliant with the provisions of the WFP basic texts, standards of sound financial management and the Standards of Conduct for the International Civil Service.

II. Audits and Reports

12. In accordance with the terms of reference, each year the External Auditor must produce an audit report on the financial statements of WFP (to be submitted to the Board for approval), accompanied by an opinion on the accounts, two reports on the performance and regularity of the management of WFP, otherwise referred to as "Performance Audit Reports" (to be submitted to the Board for consideration) and ten management letters prepared following visits to field offices (regional bureaux, country offices and sub-offices). The External Auditor will also validate the draft annual report on implementation of the External Auditor's recommendations submitted by the Secretariat to the Board for consideration.
13. As a rule, management letters on the management of field offices will be sent only to the Secretariat. However, the External Auditor reserves the right to address in his reports to the Board any matters observed at the field offices that should be brought to the attention of the Board.
14. The audit of the financial statements will take place in two stages at WFP Headquarters: an interim audit, in the autumn of the financial year under review (from 5 to 16 December 2016 for the 2016 financial year), to understand and test the internal control mechanisms; and a final audit, in the first quarter after closing of the accounts (from 20 February to 10 March 2017 for the 2016 financial year), to examine a certain volume of transactions.
15. The performance audits, consisting of two audit engagements at Headquarters, and one engagement for the review of the draft report on implementation of the previous recommendations of the External Auditor prepared by the Secretariat will be carried out between September 2016 and February 2017.
16. Each year, the External Auditor will undertake ten field visits, mainly to country offices and regional bureaux. These audits, which will address the regularity of management at the offices, will also contribute to the performance audits according to the themes selected. They may also involve the checking of samples selected according to risks in areas affecting the financial statements. For the period from July 2016 to June 2017, field audits will take place between October 2016 and February 2017.
17. While the terms of reference stipulate seven country office visits and three regional bureau audits, the External Auditor may suggest adapting this distribution if necessary.
18. For the period from 1 July 2016 to 30 June 2017, the dates for submission of the final reports to the Board Secretariat are 31 March 2017 for performance audit reports and 20 April 2017 for the audit report on the financial statements and the opinion on the accounts.

III. Standards and Methods

19. As provided for in Article 14.3 of the Financial Regulations, the audit of the financial statements will take place in accordance with ISA, the WFP Financial Regulations and the additional terms of reference annexed thereto. These standards are part of the International Standards of Supreme Audit Institutions (ISSAI), which also govern the method followed by the External Auditor for the performance and regularity audits.
20. All of these standards require the External Auditor to comply with the applicable rules of professional conduct, exercise professional judgement and demonstrate critical thinking and independence throughout the audit. Neither the legislative bodies nor the governing bodies of an organization may interfere in the selection of matters to be audited, the planning, scheduling or execution of work, the reporting of results or the monitoring of audits.
21. For audit planning purposes, work on both the financial audits and the performance audits will be structured around three core objectives: understanding the entity, evaluating the internal control system, and identifying important risks.

22. The External Auditor will plan his work in order to:
 - address the main concerns of WFP and its governing bodies with regard to the objectives of efficiency, effectiveness and economy in the governance and use of the resources provided by donors. Therefore, the audits should address significant issues, particularly those of financial or strategic importance;
 - cross this approach with first an analysis of the risks of any kind that could compromise WFP's capacity to achieve the results expected by the Member States, and second the internal audit and evaluation programme. The areas selected for control should bring added value to WFP, particularly because the related risks are high and because the areas have not been thoroughly examined by recent audits performed by other oversight bodies.
23. In his planning, the External Auditor will also take into consideration his capacity to perform the audit of the area concerned, taking into account the information available and the resources and timeframe provided.
24. In order to establish the work plan for the period from July 2016 to June 2017, and the multi-year audit strategy, the External Auditor undertook a prior risk analysis from 4 to 22 July 2016.
25. This special task – performed by a team of eight auditors, including the Cour des Comptes auditors responsible for WFP audits – entailed significant additional effort on top of the audits to be performed in the course of a normal year. The auditors took into account the fact that in the first year in the role, the External Auditor is exposed to a particular audit risk: that of selecting subjects that are not sufficiently relevant. Indeed, having been appointed on 1 July, the External Auditor was required to submit a work plan and commence the audit tasks in the following weeks, given first the need to stagger audits so as not to overburden management, and second the deadlines set for submission of final reports to the Executive Board Secretariat (31 March and 20 April 2017).
26. In endeavouring to understand how WFP operates and to analyse the corresponding risks, the External Auditor took into consideration the observations made by the outgoing External Auditor, the Comptroller and Auditor General of India. The transfer of the WFP external audit mandate between the two auditors took place in accordance with guidelines for the hand-over of functions produced by the United Nations Panel of External Auditors, as recommended by the ISSAI 5010 standard. An official hand-over statement, which lists the information transferred by the outgoing External Auditor to his successor was drawn up and signed by the two parties.
27. After completing the risk analysis, the External Auditor was able to prepare a list of areas of control likely to require a performance audit because of their importance for WFP and the added value of the corresponding audits.
28. The number of potential audit areas obviously exceeds the number of audits to be performed between July 2016 and June 2017 (two).
29. Annex 1 presents not only the two subjects selected for the first period, from July 2016 to June 2017, but also a reserve list of priority areas prepared from a multi-year perspective, with a view to enhancing the predictability and coherence of audit planning from one year to the next. This expanded list will also help inform subsequent discussions with management, the other oversight bodies and the Board, particularly to avoid duplication of work.
30. The subjects mentioned for subsequent periods are merely indicative. The External Auditor is obliged to audit only the subjects selected for the first period. The multi-year strategy will be revised each year during preparation of the annual work plan.
31. Also from a multi-year perspective (three biennia), Annex 2 contains a list of field audits to be carried out. The same reservations apply as for Annex 1 concerning adaptability in the years after the first period.
32. During the operational planning stage of each audit, the annual work plan should be supplemented by a preliminary assessment that makes it possible to define more precisely the scope of the theme of the audit, prepare terms of reference to be submitted to management, and draw up an engagement plan for the audit teams.

33. In order to carry out this operational planning work, the External Auditor will organize working meetings with WFP management before the start of each audit assignment.

IV. Audit Areas

A. Performance Audits

I. Review of decentralization

34. The nature of its operations, which are carried out mainly in emergency situations, gives WFP a highly decentralized structure. Thus, its regional bureaux and country offices account for 60 percent of WFP procurement and employ 87 percent of its staff (13,395 of a total of 15,305 employees). This decentralized structure leaves great autonomy to country managers. Decentralization has increased in recent years, following the administrative reforms introduced from 2012 by the new Executive Director.
35. The highly decentralized nature of WFP, combined with other characteristics (such as cooperation with third parties and the distribution of cash), risks generating situations that could lead to an increase in fraud, given that WFP works in unstable regions marked by war, climate disasters or extreme poverty.
36. The Fit for Purpose initiative, aimed at adapting the structure of WFP to its role, was launched by the Executive Director in 2012. The reforms adopted include an overhaul of the organizational architecture in order to increase the responsibilities delegated to field staff. Studies carried out prior to the launch of this initiative observed that WFP's centre of gravity had gradually shifted from the field to Headquarters, resulting in delegated decision-making powers and responsibilities becoming insufficiently clear, work often being duplicated and the regional bureaux becoming weakened.¹ WFP's organizational structure needed to be realigned in order to place country offices at the centre of the system, and consequently to implement the Strategic Plan more efficiently. The organizational adjustment consisted of inverting the structure; from now on, teams at Headquarters in Rome and the regional bureaux will support the decisions and commitments of country offices, in line with the Strategic Plan and policies of WFP.
37. This decentralization is an illustration of the principle of subsidiarity, which consists of entrusting each level with the powers that it is best able to manage. This involves giving the country offices the maximum possible powers; only the obvious inability of country offices to manage certain tasks, owing to their size, should impede this decentralization.
38. The Fit for Purpose initiative is due to be completed by the Secretariat in 2016.
39. The purpose of the decentralization audit would be to:
 - review the reform of the decentralized organizational structure that commenced in 2012, particularly the new distribution of powers among Headquarters, regional bureaux and country offices, and the functioning of the delegations of authority;
 - examine whether the objectives of the reform in terms of achievements have been fulfilled, particularly application of the principle of subsidiarity, which consists of placing operational decision-making power as close as possible to the place where the decisions are to be implemented, and ensuring that support services are provided by the country offices where this is feasible at an affordable price;
 - analyse how the new organizational architecture has led to improvements in the effectiveness and efficiency of WFP's actions, particularly from the point of view of the services delivered to beneficiaries, the allocation and mobilization of resources, staffing levels and the development of staff in the field;

¹ WFP. 2012. Strengthening WFP - A Framework for Action.

- ascertain the cost of the reform, particularly the terms and costs of any resultant office closures and openings;
 - verify that the strengthening of decentralization has not weakened the coherence of WFP's work, particularly regarding implementation of the Strategic Plan;
 - examine how management exercises overall supervision of the work of WFP and retains control over decisions taken by field offices, particularly whether monitoring, internal control and reporting tools are appropriate for the decentralization.
40. The WFP response model is currently undergoing a major overhaul, and preparation of the Integrated Road Map for the coming 15 years and beyond is under way. The planned reform, which will be presented to the Board for approval in November 2016, should have a significant impact on the organization of future work and mark a new stage in decentralization. Although the External Auditor will not examine these developments in the decentralization audit, he may subsequently study the impact of the reforms within the framework of other audits, such as those of budget planning and resource allocation.

2. Changes in and structure of human resources

41. The human resources of WFP have changed dramatically since the start of the century and the adoption of the Millennium Development Goals. First, staff numbers have increased by 60 percent in less than 15 years (since 2002), with two major peaks in 2004 and 2008. WFP currently employs more than 15,000 staff members.
42. WFP has embarked on a process of rationalization and modernization of the management of human resources (online training, harmonization of staff appraisals, etc.).
43. Due to its decentralized structure, WFP depends largely on the work of locally recruited staff. Management is unsure of the right balance to strike in the distribution of responsibilities between local field staff (particularly officers recruited at the national level) and staff recruited at the international level. The organization is currently implementing a policy for the development of locally recruited staff members who occupy positions similar to those of international status. Three pilot country offices have already implemented this reform (Ethiopia, Honduras and Somalia).
44. As WFP has decided not only to modernize but also to rationalize and harmonize the management of employment statuses and human resources, the supporting function could be a source of significant new expenditure.
45. Moreover, the nature of WFP's activities, centred on emergencies, means that it must constantly adapt its staffing to its needs. For example, approximately 3,000 people work in the logistics sector, 80 percent of whom are technicians (working mainly in warehouse management), out of which 70 percent are recruited on a short-term basis. This preponderance of short-term contracts enables the workforce to evolve according to needs, including by being significantly reduced if cash-based transfers outstrip food distributions. However, this situation could lead to risks regarding employee relations within WFP, potentially generating rifts between staff with stable employment status and those recruited on a short-term basis. According to the Annual Performance Report for 2015, only 57 percent of the staff members surveyed had a positive opinion of their career development at WFP (Management Result 1.1).
46. The outgoing External Auditor performed an audit of WFP's management of human resources, the corresponding report of which was released in May 2012. This audit concentrated on human resource processes, recruitment, training and forecasts, but did not address the overall evolution of the workforce, its breakdown by category, or the respective roles of Headquarters and country directors, who have broad powers in this area.
47. The purpose of the planned audit would be to:
- verify whether changes in the WFP wage bill and human resource management costs are under control;
 - examine whether the level and structure of human resources are adapted to WFP's operating methods;

- analyse in particular whether WFP has developed and recruited skill sets that enable it to handle all the components of its mandate, including both emergency management and development activities;
- examine the composition of staff categories, particularly to determine whether the balance between locally recruited and international staff, and between staff with stable employment status and short-term staff, is appropriate to the functions of WFP and is not causing adverse effects.

B. Field Audits

48. The terms of reference of the External Auditor state that he will audit ten field offices each year, including a number of regional bureaux and country offices.
49. In establishing the schedule, we took into account our analysis of the risks, and how recently the latest audits were carried out by one of the oversight bodies. For example, for this year, the External Auditor has excluded the regional bureaux that were audited in 2015–2016, namely Johannesburg, Nairobi and Panama.
50. For each year, we have also selected – with a few exceptions – country offices located in the zones covered by the regional bureaux due to be examined that year.
51. Most WFP interventions are currently carried out within the context of Level 3 emergencies in zones with very high security risks and involving considerable sums (in excess of USD 200 million each). Given the limited experience we have at the start of the mandate, the obvious difficulties involved in operating in such environments and the training that may be needed to ensure security, we have reservations concerning the possibility of targeting these countries in the initial period, that is, in the coming months.
52. While we have taken into account the large sums involved, our professional judgement has led us to depart from a strictly financial approach in certain cases. It would seem that several sites have never been audited (or at least not recently) because they do not fall within the category of either regional bureau or country office; they constitute a blind spot in terms of coverage by audits of WFP functions. The sites in question are:
 - the WFP representative offices at the United Nations (New York and Geneva) and the African Union (Addis Ababa). These offices are under the direct authority of the Deputy Executive Director;
 - the WFP offices in certain states (Copenhagen/6 employees, Brussels/15, London/5, Tokyo/11, Dubai, Washington/55, Beijing, Berlin/15, Madrid/9, Paris/7 and Seoul). These offices could be covered by grouped audit visits, with a view to optimizing resources.
53. Annex 2 contains the list of sites selected. Periods 2 (2017–2018) and 3 (2018–2019) are only indicative, with a view to improving coordination with the other oversight bodies.
54. The audits will systematically examine the regularity and compliance of management from the perspectives of finance, human resources, asset management, and coordination with other bodies.
55. The field audits will also enable the collection of information that will be useful for the two performance audits to be carried out during the year, and for completion of the additional checks required within the framework of the audit of the WFP financial statements.
56. The development of centres of excellence, designed as a means of strengthening South-South cooperation, is a key element of the WFP Strategic Plan. In due course, the External Auditor may schedule an examination of one or more of these centres in the framework of field visits. If necessary, an overview of this theme would then be included in one of the External Auditor's reports submitted to the Board.

C. Audit of the Financial Statements

57. WFP's internal control environment is characterized by high inherent risk linked to the nature and location of the main WFP operations, and the highly decentralized structure, which gives significant autonomy to country managers.

58. In view of this context, the External Auditor will need to step up checks in the following areas.

1. Work relating to the impact of decentralization

59. The highly decentralized nature of WFP's operational and administrative processes means that much of the work is handled by field offices, with considerable delegation to the managers of country offices for procurement and the corresponding accounting, inventory and fixed asset management, management of some human resources and local partners, and administration of some bank accounts. Some of these local entities are evolving in a weak institutional environment, which could generate risks in terms of internal oversight and fraud, especially given that WFP's culture is geared towards emergency operations.
60. The measures taken by WFP to limit this risk include the implementation of a software programme integrated with the SAP architecture (WFP Information Network and Global System [WINGS]) and the control, detection and supervision activities performed by the regional bureaux and the teams in charge of financial matters at Headquarters. Despite these measures, the risk for the financial statements must be considered as high.
61. In order to detect better any significant misstatements in the financial statements resulting from this risk, the audit strategy provides for the performance of certification work at the local level for the ten sites to be audited each year.

2. Work relating to cash-based transfers

62. WFP is adapting its business model by distributing fewer foodstuffs and favouring monetary assistance (cash or vouchers) so that recipients can obtain their supplies locally. Although this change has the benefit of simplifying the logistics of WFP, it is perceived as a high-risk area in a context where systemic fraud in this field would weaken WFP vis-à-vis the Member States.
63. In this regard, WFP has organized a number of internal audits and the preparation of a new accounting procedures manual, which was introduced in July 2016. Despite these measures, the risk for the various components of the financial statements must be considered as high.
64. The audit strategy includes assigning an experienced member of the audit team to study the new procedures manual and test the key controls that have an impact on the financial statements.

ANNEX 1**List of Audit Subjects Selected for Performance Audits in the 2016–2017 Period, and Indicative List of Possible Subjects for Subsequent Periods**

| 2016–2017 | 2017–2018 2018–2019 | 2019–2020 2020–2021 2021–2022 |
|---|---|--|
| Review of decentralization | Financial resource mobilization strategy | Review of a Level 3 emergency response |
| Changes in and structure of human resources | Review of a Level 2 emergency response | National capacity development |
| | Asset creation activities and construction projects | Supply chain |
| | Cash-based transfers | Performance measurement |
| | | Budget planning and resource allocation |
| | | Cooperating partners |
| | | Inter-agency coordination |

ANNEX 2

List of Sites Selected for Field Audits in the 2016–2017 Period, and Indicative List of Possible Field Audits in the Following Two Periods

| | 2016–2017 | 2017–2018 | 2018–2019 |
|-----------------------------------|--|---|---------------------|
| Regional bureaux | Dakar | Cairo | Nairobi |
| | Bangkok | Johannesburg | Panama |
| Country offices | Cameroon | Jordan–Syrian Arab Republic | Ethiopia |
| | Central African Republic | Lebanon | Uganda |
| | Burkina Faso | State of Palestine | Rwanda |
| | Myanmar | Malawi | Haiti |
| | Lao People's Democratic Republic-Cambodia* | Democratic Republic of the Congo/Congo | Honduras |
| | Pakistan | United Republic of Tanzania or Zimbabwe | Guatemala |
| WFP representative offices | Addis Ababa** | Geneva, New York | / |
| Liaison offices | Copenhagen/Brussels/London*** | Washington | Paris/Berlin/Madrid |

* Joint assignment on the two country offices during the same audit.

** Assignment on the WFP representative office at the African Union and on the country office during the same audit.

*** Assignment on the three liaison offices during the same audit.

ANNEX 3**Analysis of the Indicative List of Performance Audit Subjects for the Coming Periods****1. Financial Resource Mobilization Strategy**

1. The WFP strategy for mobilizing financial resources is extremely important.
2. The WFP financing model is fragile, given that WFP's resources come solely from voluntary contributions. The amount of these resources was estimated at USD 4.9 billion for 2016. The ten largest donors account for 80 percent of contributions, and 92 percent of contributions are earmarked for specific purposes.
3. The challenge for WFP is to diversify its sources of funding and obtain (multi-year) contributions that are more predictable from one year to the next and lend themselves to more flexible usage.
4. In 2014, donor funding totalled USD 5.38 billion. Contributions have increased by an average of 5 percent per annum since 2012. Nonetheless, they are still insufficient in relation to estimated needs: between 2012 and 2014, they covered 60 percent of estimated annual needs, which were in the order of USD 8 billion (USD 8.6 billion in 2016).
5. As the last internal audit of voluntary contributions was undertaken in 2015 (Internal Audit of WFP Management of Donor Funding), the audit of the financial resource mobilization strategy will probably take place during the External Auditor's second (2017–2018) or third (2018–2019) work period.
6. The purpose of this audit would be to:
 - examine the appropriateness of the resource mobilization strategy, including the communication strategy that has been launched recently, in view of the objectives and constraints of WFP;
 - analyse the role of the liaison offices and country offices in terms of resource mobilization, particularly under the new geographical organization;
 - compare WFP's methods with those of other United Nations agencies (benchmarking approach);
 - examine humanitarian coordination through this prism.

2. Asset Creation Activities and Construction Projects

7. The upgrading and renovation of local infrastructure is one of the central themes of WFP's programme of work for 2016.
8. WFP's construction projects have the dual objective of providing infrastructure suited to humanitarian operations and contributing to sustainable development.
9. Addressing the underlying structural causes of food insecurity has long been at the heart of programme categories such as protracted relief and recovery operations (46 percent of the 2016 budget) and country programmes; WFP is now keen to ensure that this approach is also applied in emergency operations.
10. It should also be possible to address the subject of asset creation within the framework of special operations for rehabilitating and strengthening the infrastructure necessary for transport and logistics, or of specific micro-construction programmes such as food assistance for assets (FFA).
11. As construction projects (with the exception of those linked to FFA activities and special operations) were audited by the External Auditor in 2015, the planned audit could be performed during 2017–2018 (period 2), 2018–2019 (period 3) or even later.

12. This theme is linked to numerous Strategic Objectives and intended outcomes of the Strategic Results Framework and Management Results Framework for 2014–2017: Strategic Objective 2 (Support or restore food security and nutrition and establish or rebuild livelihoods in fragile settings and following emergencies), Strategic Objective 3 (Reduce risk and enable people, communities and countries to meet their own food and nutrition needs), etc.
13. According to the Annual Performance Report for 2015, while the number of assets restored or created is impressive, the correlation between asset creation and increased community resilience has been limited.
14. The possible adverse effects on the autonomy of local stakeholders and the risks of large-scale fraud in the local public construction sector should also be studied.
15. The purpose of this audit would be to:
 - review the amount of WFP funding allocated to asset creation, which comes under several programme categories;
 - examine the degree of achievement of the intended outcomes of this activity and the link between these outcomes and WFP's central objective of combating hunger, via the measurement system put in place by WFP;
 - examine the internal controls set up to manage the asset creation policy, particularly with regard to local procurement.

3. National Capacity Development

16. Strengthening national, regional or local operators and building the institutional capacity of beneficiary countries to prepare for and respond to emergencies is linked to several Strategic Objectives of WFP.
17. This theme is linked to Strategic Objective 1 (Save lives and protect livelihoods in emergencies), 2 (Support or restore food security and nutrition and establish or rebuild livelihoods in fragile settings and following emergencies) and 3 (Reduce risk and enable people, communities and countries to meet their own food and nutrition needs).
18. It addresses the central concerns of the Sustainable Development Goals (SDGs), namely to increase the autonomy of local stakeholders – particularly national institutions (governments, regions and cities), but also communities and humanitarian actors – and develop partnerships with local stakeholders.
19. WFP has long striven to involve beneficiaries in processes for combating hunger, particularly since adoption of its Strategic Plan (2014–2017). The 2016 Prioritized Plan of Work (Management Plan 2016–2018) provided for the allocation of USD 89 million to technical assistance for capacity development and USD 250 million for capacity augmentation.
20. However, according to the 2015 Annual Performance Report, the development of national actors' capacity to prepare for emergencies is considered low (Outcome 1.4.1). Opinion is split regarding the reliability of the national capacity index, which theoretically makes it possible to evaluate the robustness of institutional capacities (Outcome 2.4.1).
21. As the Office of Internal Audit examined and reported on this theme in 2016, it will not be included in our work plan before the 2018–2019 period.
22. The purpose of this audit would be to:
 - review the policies implemented with the aim of developing institutional capacities to plan for and respond to emergencies, as this activity comes under several programme categories;
 - examine the extent to which development of countries' institutional capacities is evaluated, particularly via the national capacity index;
 - examine coordination among all local stakeholders in the framework of institutional capacity strengthening, focusing mainly on the role of governments.

4. Cash-Based Transfers

23. Cash-based transfers (CBTs) represent substantial amounts in the operations of WFP (USD 1.4 billion, or 29 percent of the total budget of USD 4.6 billion for operations in 2016). Their use is growing rapidly, with CBTs having been used in 26 operations and 19 country offices in 2009 and 71 operations and 52 country offices in 2014. The number of beneficiaries increased from 1 million to 8.9 million over the same period (Management Plan for 2016–2018).
24. Despite the stringent controls implemented by WFP management, the involvement of management, and prevention, supervision (risk register) and risk detection (investigations) activities, the likelihood of the occurrence of risks concerning CBTs is high, and the External Auditor must be attentive to this.
25. Cash payments are a sensitive subject, as any misappropriation or loss of cash would pose a particularly high risk to the reputation of WFP.
26. Several audits of this area have been undertaken: in 2013 by the External Auditor, and in 2013, 2014 and 2015 by the Office of Internal Audit; in addition an evaluation of CBTs took place in 2014.
27. However, WFP needs to deploy a new tool for managing CBTs. For this reason, the corresponding audit could be included in the work plan of the External Auditor for 2017–2018 (period 2) or 2018–2019 (period 3).

5. Review of an Emergency Response

28. Emergency operations are at the heart of WFP's mandate. Responding to emergencies (Strategic Objective 1 of the Strategic Plan for 2014–2017) accounts for 66 percent of WFP expenditure, and the emergency operation (EMOP) category accounts for 39 percent (Management Plan for 2016–2017).
29. If feasible, particularly from the point of view of security, the External Auditor plans to examine the implementation of a complete EMOP, focusing during one period on a Level 2 emergency response (Nepal) and during another period on a Level 3 emergency response (Syrian Arab Republic or another).
30. This approach would enable a response-wide examination of the coordination of all the actors mobilized in an EMOP, from the start to the end of the operation (in the case of Nepal), and of the complementarity of activities in the EMOP programme category with those in other programme categories (development operations, special operations, protracted relief and recovery operations, etc.) likely to be carried out in the country.

6. Other Subjects

31. Several subjects are considered priorities by the External Auditor but can only be included in the work plan in the medium term (periods 3 and 4, or after) in view of the reforms commenced by WFP (particularly the Integrated Road Map) and of how recently the latest audits were carried out in these areas.

a) Budget planning and resource allocation

32. Examining the assessment of needs and the allocation of resources is an essential process for the External Auditor. In particular, this would allow for a review of the implementation of Country Strategic Plans and the new financial framework.
33. This area should be audited only after implementation of the reform of the financial framework and country strategic planning, in 2017 (audit period 2), for the 16 pilot offices where the reform is being tested, or more probably in 2018 or 2019 (audit periods 3 or 4).
34. The External Auditor will also have to take into account the intentions expressed in this area by the Office of Evaluation in its work plan for 2017–2019, in order to avoid carrying out the same work twice.

b) Supply chain

35. The Supply Chain Division was created in late 2015. It would be premature to audit the supply chain in 2016 as it was audited in 2014 by the External Auditor and in 2016 by the Internal Auditor, and is undergoing a substantial reform in 2016 (rolling out of the Logistics Execution Support System). Furthermore, WFP management is still developing an overall indicator of the efficiency of the supply chain (Annual Performance Report for 2015, Management Result 3.2).
36. This area should be examined in 2018 (period 3) or 2019 (period 4). This timing would also make it possible to address the issue of the loss rate and the tracking of food aid, which are a concern of the Member States (despite a post-delivery food loss rate of 0.36 percent, which is well below the target of 2 percent; Annual Performance Report for 2015, Management Result 5.4). It should be noted that in 2015, WFP met only 46 percent of the outcome targets set in the Strategic Results Framework (Annual Performance Report for 2015, Management Result 4.1).

c) Performance measurement

37. Measurement of results and accountability are crucial themes given the financial profile of WFP, which relies entirely on voluntary contributions, but the indicator system and assessment methodology are complex.
38. Certain actions, such as beneficiary capacity development, are difficult to measure, as WFP itself acknowledged in its Annual Performance Report for 2015, particularly with regard to Outcomes 2.4 and 3.3.
39. The overall quality of data collection is considered to be variable, either because WFP has limited control over the data collection carried out by other actors or because it operates in difficult environments.
40. There is also the question of determining whether the existing measurement frameworks (Strategic Results Framework and Management Results Framework) and the future framework (Corporate Results Framework) effectively address the concerns of Member States and whether the indicators are appropriate or suitable.
41. This area should be audited only after implementation of the new Corporate Results Framework, in 2018 (period 3) or 2019 (period 4). This would make it possible to include the question of the reliability of the COMET monitoring and evaluation tool and other IT applications (SCOPE, etc.) used for the collection and analysis of data.
42. The External Auditor will also have to take into account the intentions expressed in this area by the Office of Evaluation in its work plan for 2017–2019, in order to avoid duplication of work.

d) Cooperating partners

43. Cooperating partners are a vital cog in an organization such as WFP, which has a highly decentralized operational approach and works in difficult situations that call for flexibility and local knowledge. WFP works with almost 3,000 cooperating partners, which are involved in 93 percent of its programmes.
44. Cooperating partners are at the heart of the partnership system developed by WFP. Partnerships are set to grow even further, as foreseen by SDG 17.
45. As in other United Nations agencies, the nature of this cooperation involves a high inherent risk.
46. In addition to the risks of losses of cash, or even fraud, management of collaboration with cooperating partners does not yet appear to be optimal. For example, WFP's compliance with the principles that must govern partnerships (particularly equity and transparency) is measured in Management Result 2.2 of the Annual Performance Report for 2015, showing that only 57.5 percent of the non-governmental organizations (NGOs) surveyed considered that WFP abides by these principles.
47. As the management of cooperating partners was examined in 2014 by the External Auditor and in 2016 by the Office of Internal Audit, another audit will not be scheduled until 2018 (period 3), 2019 (period 4) or even later.

e) ***Inter-agency coordination***

48. Coordination among the United Nations agencies based in Rome is a constant concern of the Member States, which is heightened by the emphasis placed, in the future Strategic Plan for 2017–2021, on actions to promote development.
49. In his Annual Report to the Board, the External Auditor will compile a summary of observations made on the ground regarding coordination among the field offices of the United Nations agencies, focusing as a priority on the offices of institutions headquartered in Rome.
50. Taking into account the observations made on the ground, an audit of coordination among the headquarters of institutions based in Rome could be planned in due course. However, in order to add real value, this audit should be carried out only with the cooperation of the auditors of the Food and Agriculture Organization of the United Nations and the International Fund for Agricultural Development.

Acronyms Used in the document

| | |
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| CBT | cash-based transfer |
| EMOP | emergency operation |
| FFA | food assistance for assets |
| ISA | International Standards on Auditing |
| ISSAI | International Standards of Supreme Audit Institutions |
| SDG | Sustainable Development Goals |