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**Executive Board
Second Regular Session**

Rome, 10–13 November 2014

RESOURCE, FINANCIAL AND BUDGETARY MATTERS

Agenda item 5

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INCREASED FEE FOR THE EXTERNAL AUDITOR



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NOTE TO THE EXECUTIVE BOARD

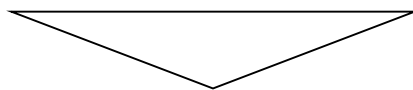
This document is submitted to the Executive Board for approval.

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.

Director of External Audit: Mr S. Hongray tel.: 066513-2392

Should you have any questions regarding availability of documentation for the Executive Board, please contact the Conference Servicing Unit (tel.: 066513-2645).

DRAFT DECISION*



The Board approves a second increase of 4 percent of the original annual remuneration of USD 385,000 payable to the External Auditor, involving a total increase of USD 15,400, on grounds of an increase in daily subsistence allowance, staff costs and airfare. As a result, the total annual fee is increased to USD 415,800, applicable from April 2014.

* 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.

The Comptroller and Auditor General of India (CAG) provides an external audit service to the World Food Programme (WFP).

CAG's audit aims to provide independent assurance to the World Food Programme and to add value to WFP's management by making constructive recommendations.

For further information please contact:

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Increased Fee for the External Auditor

World Food Programme



COMPTROLLER AND AUDITOR GENERAL OF INDIA

Introduction

1. This document presents the External Auditor's proposal for the increase in audit fee amounting to USD 15,400 per annum from April 2014 onwards.

Background

2. The Comptroller and Auditor General of India has been appointed by the Executive Board as the External Auditor for WFP for the term 1 July 2010 to 30 June 2016 at a total annual remuneration of USD 385,000.
3. In view of net increase of 13 percent in the cost of audit under components of daily subsistence allowance (DSA), staff costs and airfare since November 2009 (time of bid), the Executive Board had allowed the External Auditor an increase of 4 percent in audit fee amounting to USD 15,400 per annum from April 2012 (WFP/EB.2/2012/5-B/1). Accordingly, the annual fee is currently USD 400,400 per annum from April 2012.

Proposal

4. The Comptroller and Auditor General of India has proposed further increase of 4 percent of its original annual remuneration of USD 385,000 with effect from April 2014, i.e., a total increase of 8 percent over the original annual remuneration of USD 385,000 in view of the following:
 - There has been a net increase of 27 percent in the audit cost under components of DSA, staff costs and airfare at Rome over the last four years. The DSA rates used were the United Nations rates set by the International Civil Service Commission, airfare costs were standard economy class tickets of various European airlines, and the staff costs were the salaries and allowances of visiting audit team members and the Director of External Audit, Rome. The percent increase in the various costs is detailed in Table 1 of Annexure A. The increase in USD amounts under the various heads is also depicted in Table 2 of the Annexure A.
 - The agreement with WFP under Article 6 (d) – Remuneration, and the Board Document WFP/EB.A/2010/6-B/1 para 16 enumerate that the External Auditor may request limited increases in relation to services to be provided after the first year of the term of the agreement, due to variations in the cost of air travel, staff costs and rates of daily subsistence allowance, which shall not, over the terms of its office, exceed a cumulative total of 8 percent of the total annual remuneration.
 - The increase is not for any additional tasks or work outside the original scope, which as per the contract/Board document would be the object of discussion with WFP.
5. In view of the above justifications, we seek the Executive Board's approval for a 4 percent increase in audit fee for the External Auditor, involving an increase of USD 15,400 from April 2014 onwards. The total annual fee will be increased to USD 415,800 from USD 400,400, being claimed from April 2012.

Annexure A

TABLE 1: DETAILS OF COST INCREASE (IN PERCENTAGE) BETWEEN NOVEMBER 2009 (AS IN BID) AND MARCH 2014			
Cost component	Weightage in total cost (%)	Increase (%)	Net increase in audit cost (%)
DSA at Rome	48.3	6.8	3.3
Airfare for Rome (to and from)	17.9	21.7	3.9
Staff cost	33.8	60.0	20.2
Net increase in cost			27.4

TABLE 2: DETAILS OF COST INCREASE IN USD AMOUNTS			
Cost component	Cost as provided in financial bid in November 2009 (USD)	Cost as on March 2014 (USD)	Increase since bid 2014 (in percent)
DSA	185 693.20	198 320.34	6.8
Travel cost	68 971.94	83 951.13	21.7
Staff cost	130 171.67	208 274.67	60.0
Total	384 836.81 or 385 000	490 546.14	27.4