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Programme  
Alimentaire  
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World  
Food  
Programme

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Mundial  
de Alimentos

Executive Board  
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# INTERIM REVISED FINANCIAL REGULATIONS

Agenda Item 7

**E**

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## **INTERIM REVISED FINANCIAL REGULATIONS**

1. At its Fortieth Session the Committee on Food Aid Policies and Programmes (CFA) approved a new financing model for the World Food Programme (WFP). The present Financial Regulations of the Programme have therefore been revised by the Secretariat to bring them in line with the new financing model. These are set out in the attached document which shows the present Financial Regulations and the proposed revisions.
2. Section 29(e) of the General Regulations of the Programme empowers the Executive Board to establish Financial Regulations. These Financial Regulations shall be proposed by the Executive Director and approved by the Board after receiving advice from the Advisory Committee on Administrative Budgetary Questions (ACABQ) and the FAO Finance Committee. The draft new Financial Regulations have been sent to the ACABQ and to the FAO Finance Committee for their advice.
3. In preparing for the presentation to the FAO Finance Committee the WFP Secretariat has had the opportunity to work closely with the FAO Secretariat, especially on the legal aspects. As a result of these consultations, the WFP Secretariat is making a limited number of further proposals with respect to the revised Financial Regulations. Importantly, it is now proposed that these be termed Interim Revised Financial Regulations. This change is designed to make explicit that the Regulations that the Board is being invited to approve are not in any sense final. They are to enable the Secretariat to implement the decisions of the CFA as quickly as possible for the trial period. The revised wording reflects more completely the decision of the CFA that the new financing model be introduced on a trial basis; and that the Secretariat review its working and the associated policies at the conclusion of the first biennium of operation and submit a report to the Executive Board on the effectiveness and efficiency of the new model, together with any recommendations for improvement or changes. At that time, the final revised Financial Regulations will come back to the Executive Board, with advice from the ACABQ and the FAO Finance Committee. The remaining changes have been proposed to simplify or clarify the text. These are highlighted in the attached document.



Legend: \_\_\_\_\_ (underlined) - changes from current  
**BOLD** - changes from draft revision of December 1995

**Current Financial Regulations**

**I. DEFINITIONS**

*Regulation 1.1* For the purpose of these Regulations, the following definitions shall apply:

"ACABQ" shall mean the United Nations Advisory Committee on Administrative and Budgetary Questions.

"Administrative budget" shall mean the biennial budget for programme support and administrative services.

"Allocation" shall mean a financial authorization issued by the Executive Director to an official to enter into obligations and incur expenditures within specified limits and during a specified time, in respect of Programme activities other than those funded by the administrative budget.

"Allotment" shall mean a financial authorization issued by the Executive Director, pursuant to appropriations voted, to an official to incur obligations for specific purposes within the administrative budget, within specified limits and during a specified time.

"Appropriation" shall mean an amount approved by the Committee for specified purposes within the administrative budget.

"Committee" shall mean, wherever not otherwise specified, the Committee on Food Aid Policies and Programmes.

"Contribution" shall mean a donation of appropriate commodities, related non-food items, acceptable services or cash made in accordance with procedures set out in these Regulations.

**Interim Revised Financial Regulations**

**I. DEFINITIONS**

1.1 No change

"ACABQ" - No change

"Administrative budget" - No change

"Allocation" shall mean **the assignment by the Board of financial resources among the different Programme categories.**

"Allotment" shall mean **a financial authorization issued by or on behalf of the Executive Director to an official or a unit to incur obligations for specific purposes, and within specified limits, during a definite period.**

"Appeal Process" shall mean **the regular consultation process with the Donors to be established by the Executive Director to supplement the biennial pledging conference.**

"Appropriations" shall mean the amounts approved by the **Board** for specified purposes **for a financial period** within the administrative budget, **against which obligations may be incurred for those purposes up to the amounts so approved.**

"Bilateral contribution" shall mean **that contribution which the donor directs be used to support a project/operation which is not initiated by WFP.**

**"Board" shall mean the Executive Board of WFP.**

"Committee" **to be deleted.**

"Contribution" - No change

### Current Financial Regulations

"Executive Director" shall mean the Executive Director of the World Food Programme, or the official to whom the Executive Director has delegated authority and responsibility for the matter in question.

"*Ex gratia* payment" shall mean a payment made when there is no legal liability, but the moral obligation is such as to make payment desirable.

"Finance Committee" shall mean the Finance Committee of FAO.

"Financial period" shall mean a two-year period starting on 1 January of each even-numbered year.

"FAO" shall mean the Food and Agriculture Organization of the United Nations.

"Fund" shall mean the World Food Programme Trust Fund which was established by the Director-General of FAO under FAO Financial Regulation 6.7.

### Interim Revised Financial Regulations

"Country Programme" shall mean the whole of those WFP assisted activities which are directly linked to programmes, policies and priorities of a country, as established by the country itself.

"Directed Multilateral Contribution" shall mean that contribution which the donor requests be directed to a specific activity initiated by WFP.

"Direct Operational Costs" shall mean those costs such as food; ocean transport and related costs; Landside Transport, Storage and Handling (LTSH) and other food-related costs; and infrastructure or project costs directly attributable to the operations of WFP-assisted programmes or projects.

"Direct Support Costs" shall mean those costs such as monitoring, accounting and auditing, non-food items, and other project related expenditure that are in direct support of WFP assisted programmes or projects.

"Executive Director" - No change

"*Ex-gratia* payment" - No change

"Finance Committee" - No change

"Financial period" - No change

"FAO" - No change

"Full Cost Recovery" shall mean the principle, applicable to all programme categories, whereby all costs sustained by WFP should be met from Donors' contributions.

"Fund" - no change

"Fund accounting" shall mean the method of accounting under which each of the separate funds established by the Board or the Executive Director is maintained as a distinct financial and accounting entity, with a separate self-balancing double-entry group of accounts.

"Funding Windows" shall mean the categories to register the contributions from various donor budgets and shall comprise the following: Multilateral; Direct Multilateral; and Bilateral.

### Current Financial Regulations

"General Regulations" shall mean the revised General Regulations of the World Food Programme, as approved by the General Assembly of the United Nations and the Conference of FAO.

"IEFR" shall mean the International Emergency Food Reserve.

"Obligation" shall mean a written commitment of funds resulting in a liability against approved allocations or allotments.

"Pledge" shall mean a promise to make a contribution.

"Programme" shall mean the World Food Programme.

### Interim Revised Financial Regulations

"General Fund" shall mean the fund established for the purpose of accounting contributions received for a general purpose not otherwise specified.

"General Regulations" - No change

"IDA" shall mean the International Development Association.

"IEFR" - No change

"Indirect Support Costs" shall mean those costs associated with supporting WFP activities in general but not directly linked to a specific project.

"Indirect Support Cost Account" shall mean the account established for the purpose of accounting the income generated by the application of percentage recovery rates as approved by the Board, and the expenditure incurred.

"IRA" shall mean the Immediate Response Account.

"Obligations" shall mean amounts of orders placed, contracts awarded, value of services received and other transactions which involve a charge against the resources of the current financial period and which will require payment during the same or a future financial period.

"Pledge" - No change

"PRO" shall mean Protracted Relief Operations.

"Programme" - to be deleted

"Programme Categories" shall comprise the following: Development/Rehabilitation/Disaster Preparedness; Protracted Relief Operations; Emergencies; and Special Operations.

"Programme Category Fund" shall mean the fund established by the Board or by the Executive Director for the purpose of accounting for income and expenditure for each programme category.

"Programme or Project Agreement" shall mean a document executed in accordance with the provisions of General Regulation 22.

### Current Financial Regulations

"Programme support and administrative services" shall mean the activities undertaken by the Programme to provide management, technical, administrative, financial and logistic support to its activities.

"Project" shall mean a separately identified undertaking executed with the assistance of the Programme.

"Project agreement" shall mean a document, which may also be termed "letter of understanding" or "plan of operations", executed in accordance with the provisions of General Regulation 22.

"Special account" shall mean an identifiable subdivision of the Fund, established by the Executive Director in order to account for a special contribution or for funds especially earmarked.

"Trust Fund" shall mean an identifiable subdivision of the Fund, established by the Executive Director in order to account for a special contribution of which the purpose, scope and reporting procedures have been agreed with the donor.

### Interim Revised Financial Regulations

"Programme support and administrative services" - no change

"Project" - shall mean a separately identified undertaking executed with the assistance of WFP.

"Project agreement" - To be deleted

"Replenishable Fund" shall mean a fund established with a fixed pre-determined level to be attained by means of specific contributions to it.

"Resourcing Model" shall mean the model approved by the Board.

"Revolving Fund" shall mean a fund established for the purpose of carrying on specific activities or attaining certain objectives which result in repayment to the fund.

"Special account" - To be deleted

"Special Operations" shall refer to those operations relative to logistics and infrastructure works intended to facilitate the movement of food, whether or not such food is provided by WFP.

"Strategic and Financial Plan" shall mean the four-year WFP Strategic and Financial plan to be prepared every two years on a rolling basis.

"Trust Fund" shall mean an account established with specific terms of reference or under specific agreements to record receipts and expenditures of voluntary contributions for the purpose of financing wholly or in part the cost of activities specified by the Donor, provided such activities are consistent with WFP's aims and policies.

"WFP" shall mean the World Food Programme.

"Write-off" shall mean an adjustment to the accounts or inventories in order to record the loss of or reduction in the value of an asset.

## Current Financial Regulations

### II. APPLICABILITY

*Regulation 2.1* These Regulations shall govern the financial management of the Programme. They are enacted pursuant to General Regulation 29(e), in terms of which the Committee shall establish Financial Regulations to govern the management of the Fund.

*Regulation 2.2* The Executive Director shall establish Financial Rules, consistent with these Regulations, to ensure effective financial administration and the exercise of economy. He/she shall circulate those Rules for information to the Committee, the ACABQ and the Finance Committee.

### III. ACCOUNTABILITY

*Regulation 3.1* The Executive Director shall be fully responsible and accountable to the Committee for the financial management of the activities of the Programme.

### IV. RESOURCES

*Regulation 4.1* All contributions to the Programme shall be on a voluntary basis. They shall generally be pledged at conferences convened jointly by the Secretary-General of the United Nations and the Director-General of FAO before the commencement of the pledging period to which they relate and shall aim at such total as may from time to time be set by the General Assembly of the United Nations and the FAO Conference, based on the recommendation of the Committee, for such pledging periods as may be determined by those bodies.

*Regulation 4.2* Contributions may be pledged by countries in the form of appropriate commodities, acceptable services (including transport and other services) and cash, aiming at a cash-and-services component amounting in the aggregate to at least one third of the total contributions.

## Interim Revised Financial Regulations

### II. APPLICABILITY

2.1 These Regulations shall govern the financial management of WFP. They are enacted pursuant to General Regulation 29(e), in terms of which the Board shall establish Financial Regulations to govern the management of the Fund.

2.2 The Executive Director shall establish Financial rules, consistent with these Regulations, to ensure effective financial administration and the exercise of economy. He/she shall circulate those Rules for information to the Board, the ACABQ and the Finance Committee.

### III. ACCOUNTABILITY

3.1 The Executive Director shall be fully responsible and accountable to the Board for the financial management of the activities of WFP.

### IV. RESOURCES

4.1 All contributions to WFP shall be on a voluntary basis. They shall generally be pledged at conferences convened jointly by the Secretary-General of the United Nations and the Director-General of FAO before the commencement of the pledging period to which they relate and shall aim at such total as may from time to time be set by the General Assembly of the United Nations and the FAO Conference, based on the recommendation of the Board, for such pledging periods as may be determined by those bodies, as reflected and amplified in the Strategic and Financial Plan.

4.2 The Executive Director shall establish regular consultation and appeal processes to supplement the biennial pledging conference. These consultations will take place on an annual basis. Information on availability of resources will be provided on a quarterly basis, giving details of the resourcing status and unmet needs of WFP operations. When possible, these appeals will be presented at meetings held in conjunction with sessions of the Board. In addition, individual appeals may be made by WFP and/or in conjunction with UN for new complex emergencies as necessary.

4.3 Contributions may be pledged by countries in the form of appropriate commodities, acceptable services (including transport and other services) and cash. In applying the principle of full cost recovery, the cash component of contributions should cover the Direct Operational Costs; the Direct Support Costs; and the Indirect Support Costs.

### Current Financial Regulations

**Regulation 4.3** The Executive Director may also accept contributions in commodities, services and cash from intergovernmental bodies, other public sources and appropriate non-governmental sources.

**Regulation 4.4** In addition to regular pledges,

- (a) Contributions may be made for the purpose of emergency food assistance to the IEFR. Countries participating in the IEFR should indicate to the Programme, over and above their regular pledges to the Programme, availabilities of primarily food commodities or of cash contributions which might be called upon for emergency food aid purposes, in accordance with United Nations General Assembly resolution 3362 (S-VII). Developing countries not in a position to make contributions in cash or in kind to the IEFR should, where possible, indicate their willingness to make interest-free loans of commodities to be used by the Programme.
- (b) Contributions may also be made for such other purposes, including assistance to refugees and displaced persons, as may be identified by the Committee.

**Regulation 4.5** Donors shall be responsible for all costs of their commodity contribution up to and including delivery free on board at the export port or, where appropriate, free on rail at a recognized exit point of the country concerned.

**Regulation 4.6** In addition to the costs referred to in Regulation 4.5, donors contributing commodities or non-food items to protracted refugee or IEFR operations shall normally be responsible for related transportation costs, including the cost of internal transportation, storage and handling in the country of destination.

### Interim Revised Financial Regulations

**4.4** WFP will accept contributions in the form of commodity-only from developing countries, provided that another donor meets all related non-food costs; WFP will, when possible, assist in identifying donors interested in meeting such costs. The non-food requirements associated with commodity contributions made by IDA-eligible countries may be met, in exceptional circumstances, from the General Fund.

**4.5** No change

**4.6** Contributions should be pledged from various Donor budgets on the basis of the WFP's Resourcing Model consisting of three elements: funding windows; programme categories and costs. The funding windows will be known as multilateral, directed multilateral and bilateral.

**4.7** Contributions to the Programme Category of Emergencies will consist of:

- (a) Contributions to the IEFR. Countries participating in the IEFR should indicate to WFP availabilities of food commodities and cash contributions which might be called upon for emergency food aid purposes, in accordance with United Nations General Assembly resolution 3362 (S-VII). Developing countries not in a position to make contributions in cash or in kind to the IEFR should, where possible, indicate their willingness to make interest-free loans of commodities to be used by WFP.
- (b) Cash Contributions to the IRA which will be both a revolving and a replenishable fund with a target level established by the Board. The Executive Director should distinguish contributions for food and food-related costs from contributions for non-food related costs to enable reporting to the Food Aid Committee of the International Grains Council.

**4.8** No change

**4.9** In addition to the costs referred to in Regulation 4.8, donors shall be responsible for all Direct Operational Costs; Direct Support Costs; Indirect Support Costs; and any Incremental Service Costs for those donors requesting services beyond the standard agreed ones.



### Current Financial Regulations

Regulation 4.7 Cash contributions to the Programme shall be made in convertible currencies. In exceptional circumstances, however, developing countries may, with the agreement of the Executive Director, make cash contributions in non-convertible currencies.

Regulation 4.8 Having regard to the circumstances of the project or projects concerned, the Executive Director, under guidelines established by the Committee and in consultation with the donor and the recipient country, may sell commodities for cash if in his/her opinion such cash will contribute more effectively to the objectives of the project or projects in question. The Executive Director shall retain responsibility for the financial management of the resources so generated.

Regulation 4.9 Governments of recipient countries are expected to contribute a substantial portion of the costs of the Programme's country offices, in kind and in cash. The extent of this contribution shall be set out in an agreement between the Programme and the government concerned. On the recommendation of the Executive Director, the Committee may exempt specific countries from this Regulation.

### V. PROJECT ACTIVITIES

*Regulation 5.1* Food aid projects shall be requested by governments, and reviewed by the Executive Director, in accordance with the procedures set out in General Regulation 20.

*Regulation 5.2* The Committee shall from time to time determine the level up to which the Executive Director is authorized to approve projects.

### Interim Revised Financial Regulations

4.10 Cash contributions to WFP shall be made in convertible currencies. In exceptional circumstances, however, developing countries may, with the agreement of the Executive Director, make cash contributions in non-convertible currencies.

4.11 Having regard to the circumstances of the programmes or projects concerned, the Executive Director, under guidelines established by the Board and in consultation with the donor and the recipient country, may sell commodities for cash if in his/her opinion such cash will contribute more effectively to the objectives of the country programmes or projects in question. The Executive Director shall retain responsibility for the financial management of the resources so generated.

4.12 Governments of recipient countries are expected to contribute a substantial portion of the costs of WFP's country offices, in kind and in cash. The extent of this contribution shall be set out in an agreement between WFP and the government concerned. On the recommendation of the Executive Director, the Board may exempt specific countries from this Regulation.

### V. COUNTRY PROGRAMMES OR PROJECT ACTIVITIES

5.1 Food aid country programmes or projects shall be requested by governments, and reviewed by the Executive Director, in accordance with the procedures set out in General Regulation 20.

5.2 The Executive Director will present to the Board a Country Programme which shows both the activities that would be undertaken with the resources likely to be available and those supplementary activities that would be undertaken if additional resources were to become available.

5.3 The Board will review the Country Programme proposed by the Executive Director and will approve, approve with modifications or not approve that Country Programme.

5.4 In situations where formally approved Country Programmes do not exist, the Board will continue to review and approve individual projects.

5.5 The Board shall from time to time determine the level up to which the Executive Director is authorized to approve projects in situations where formally approved Country Programmes do not exist.

### Current Financial Regulations

**Regulation 5.3** After review, and bearing in mind the level referred to in Regulation 5.2, the Executive Director shall either decide on the project or submit project proposals, together with a recommendation, to the Committee. The Executive Director shall ensure that projects approved, or submitted for approval, can be implemented within available resources. Resource availability for this purpose shall take into account pledges and contributions that can be applied to the current financial period, as well as resources reasonably expected to be contributed during the two subsequent financial periods.

**Regulation 5.4** Approval of a project constitutes authority for the Executive Director to incur obligations and expend funds for the project, subject to the preparation and signature of the project agreement referred to in Regulation 5.5.

**Regulation 5.5** Upon approval of a project by the Committee, or by the Executive Director on its behalf, the Executive Director shall prepare a project agreement, in consultation with the government concerned, and in accordance with the procedures set out in General Regulation 22.

**Regulation 5.6** The primary responsibility for project execution shall rest with the recipient country, in accordance with the provisions of the project agreement. The Executive Director shall, however, be responsible for supervision and assistance in execution, shall take the necessary measures for this purpose and shall utilize the services of the United Nations and FAO and, where appropriate, other organizations, under such arrangements as may be agreed upon.

**Regulation 5.7** Emergency operations shall be initiated, approved and implemented in accordance with the procedures set out in General Regulations 21, 23 and 25. All such operations shall be reported to the Committee at the earliest possible time after they have been approved.

**Regulation 5.8** Transfers between project budgets may be effected by the Executive Director, who will report thereon to the Committee.

**Regulation 5.9** Except as may be specifically agreed with the donors, these financial administration of activities funded by special accounts or trust funds shall *mutatis mutandis* be governed by the provisions of this chapter of the Regulations and Rules.

**Regulation 5.10** The Executive Director shall make arrangements for the evaluation of projects.

### Interim Revised Financial Regulations

**5.6** After review, and bearing in mind the level referred to in Regulation 5.2, the Executive Director shall either decide on the project or submit project proposals, together with a recommendation, to the Board. The Executive Director shall ensure that projects approved, or submitted for approval, can be implemented within available resources. Resource availability for this purpose shall take into account pledges and contributions that can be applied to the current financial period, as well as resources reasonably expected to be contributed during the two subsequent financial periods.

**5.7** Approval of a Country Programme or project constitutes authority for the Executive Director to issue allotments and incur obligations and expend funds for the programme or project, subject to the preparation and signature of the programme or project agreement referred to in Regulation 5.8.

**5.8** Upon approval of a programme or project by the Board, or approval by the Executive Director of a project on its behalf, the Executive Director shall prepare a programme or project agreement, in consultation with the government concerned, and in accordance with the procedures set out in General Regulation 22.

**5.9** The primary responsibility for programme or project execution shall rest with the recipient country, in accordance with the provisions of the programme or project agreement. The Executive Director shall, however, be responsible for supervision and assistance in execution, shall take the necessary measures for this purpose and shall utilize the services of the United Nations and FAO and, where appropriate, other organizations, under such arrangements as may be agreed upon.

**5.10** Emergency operations shall be initiated, approved and implemented in accordance with the procedures set out in General Regulations 21, 23 and 25. All such operations shall be reported to the Board at the earliest possible time after they have been approved.

**5.11** Transfers within country programmes and between project budgets may be effected by the Executive Director, who will report thereon to the Board.

**5.12** Except as may be specifically agreed with the donors, the financial administration of activities funded by trust funds shall *mutatis mutandis* be governed by the provisions of this chapter of the Regulations and Rules.

**5.13** The Executive Director shall make arrangements for the evaluation of programmes or projects.

### Current Financial Regulations

#### VI. THE PROGRAMME SUPPORT AND ADMINISTRATIVE BUDGET

*Regulation 6.1* The Executive Director shall prepare proposed biennial budgets for programme support and administrative services.

*Regulation 6.2* The Executive Director shall submit to the Committee, at its first regular session in the second year of each financial period, a Strategic Financial Plan that will highlight such main features of the proposed programme of work for the ensuing financial period as are likely to have a significant impact upon the related resources required for that period. He/she shall forward copies of the Strategic Financial Plan to the ACABQ and the Finance Committee for their review and comment and shall submit to the Committee any such comments.

*Regulation 6.3* The Executive Director shall submit to the Committee, at its second regular session in the second year of each financial period, the proposed biennial budget for the following financial period. The budget document shall be circulated to members of the Committee not later than 60 days before the session. He/she shall forward copies of the proposed budget to the ACABQ and the Finance Committee for their review and comment.

*Regulation 6.4* The proposed budget shall show the estimated costs of the Programme in such separate main appropriation lines as may be decided by the Committee.

*Regulation 6.5* The proposed budget will contain:

- (a) comparative tables showing appropriations approved for the current financial period and estimates proposed for the following period;
- (b) such statistical data, information annexes and explanatory statements, including staffing tables, as may be requested by the Committee or considered appropriate by the Executive Director.

*Regulation 6.6* The Committee shall consider the proposed budget and the related reports of the ACABQ and the Finance Committee, and shall adopt the budget prior to the financial period covered by the budget.

*Regulation 6.7* Approval of the budget by the Committee shall constitute an authorization to the Executive Director to incur obligations and make payments for the purposes for which the appropriations were approved and up to the amounts so approved.

### Interim Revised Financial Regulations

#### VI. THE PROGRAMME SUPPORT AND ADMINISTRATIVE BUDGET

6.1 No change

6.2 The Executive Director shall submit to the Board, at its annual meeting in odd-numbered years of each financial period, a Strategic and Financial Plan that will highlight such main features of the proposed programme of work for the ensuing financial period as are likely to have a significant impact upon the related resources required for that period. He/she shall forward copies of the Strategic and Financial Plan to the ACABQ and the Finance Committee for their review and comment and shall submit to the Board any such comments.

6.3 The Executive Director shall submit to the Board, at its last regular meeting in odd-numbered years of each financial period, the proposed biennial budget for the following financial period. The budget document shall be circulated to members of the Board not later than 60 days before the session. He/she shall forward copies of the proposed budget to the ACABQ and the Finance Committee for their review and comment.

6.4 The proposed budget shall show the estimated costs of WFP in such separate main appropriation lines as may be decided by the Board.

6.5 No change

(a) No change

(b) such statistical data, information annexes and explanatory statements, including staffing tables, as may be requested by the Board or considered appropriate by the Executive Director.

6.6 The Board shall consider the proposed budget and the related reports of the ACABQ and the Finance Committee, and shall adopt the budget prior to the financial period covered by the budget.

6.7 Approval of the budget by the Board shall constitute an authorization to the Executive Director to issue allotments, and incur obligations and make payments for the purposes for which the appropriations were approved and up to the amounts so approved.

### Current Financial Regulations

*Regulation 6.8* The Executive Director may make transfers within each of the main appropriation lines of the approved budget, as defined by the Committee pursuant to Regulation 6.4. He/she may also make transfers between such appropriation lines up to limits the Committee may specifically set.

*Regulation 6.9* The Executive Director may prepare supplementary estimates in a form consistent with the budget for the financial period. Such estimates shall be submitted to the Committee with the related comments of the ACABQ and the Finance Committee.

*Regulation 6.10* Appropriations shall remain available for twelve months following the end of the biennium to which they relate, to the extent that they are required to discharge any outstanding legal obligation of the biennium. At the end of that twelve-month period, the remaining balance of any appropriation shall revert to the Fund. Any unliquidated obligations shall at that time be cancelled or, where the obligation remains a valid charge, transferred as an obligation against current appropriations.

#### VII. THE FUND

*Regulation 7.1* All contributions and pledges to the Programme shall be credited to the Fund, and all expenditures of the Programme shall be charged to the Fund.

*Regulation 7.2* Pledges and contributions shall normally be made without limitation as to their purpose or use. The Executive Director may, however, accept contributions in cash or in kind for special purposes, provided these are consistent with the objectives and policies of the Programme, and provided further that any related additional costs to the Programme are paid for by the donor. He/she shall report all such contributions to the Committee.

*Regulation 7.3* In respect of each special contribution accepted under Regulation 7.2, the Executive Director shall establish, as appropriate, a trust fund or special account within the Fund.

*Regulation 7.4* Within the Fund, there shall be maintained an operational reserve at a level to be determined from time to time by the Committee, on the recommendation of the Executive Director after consultation with the ACABQ and the Finance Committee. The purpose of the operational reserve shall be to ensure continuity of operations in the event of a temporary shortfall of cash. The Committee shall establish guidelines for the use of the operational reserve.

### Interim Revised Financial Regulations

6.8 The Executive Director may make transfers within each of the main appropriation lines of the approved budget, as defined by the Board pursuant to Regulation 6.4. He/she may also make transfers between such appropriation lines up to limits the Board may specifically set.

6.9 The Executive Director may prepare supplementary estimates in a form consistent with the budget for the financial period. Such estimates shall be submitted to the Board with the related comments of the ACABQ and the Finance Committee.

6.10 **No change**

#### VII. THE FUND

**7.1(a) The Executive Director shall establish such funds and accounts within the Fund as shall be necessary to implement these Regulations.**

**7.1(b) All contributions to WFP shall be credited to the respective Programme Category Fund or to the General Fund, and all expenditures shall be charged to the respective Programme Category Fund.**

**7.2 On the basis of the Resourcing Model, all contributions will be classified as Multilateral or Directed Multilateral and will be made for the relevant Programme Categories. The Executive Director may, however, accept bilateral contributions in support of a project or operation which is not initiated by WFP, provided such project or operation is consistent with the mission statement of WFP. The principle of full cost recovery shall also apply to Bilateral contributions. The Executive Director shall report all such contributions to the Board.**

**7.3 In respect of each bilateral contribution accepted under Regulation 7.2, the Executive Director shall establish, as appropriate, a trust fund.**

**7.4 Within each Programme Category Fund for multilateral contributions, there shall be maintained an operational reserve at a level to be determined from time to time by the Board, on the recommendations of the Executive Director after consultation with the ACABQ and the Finance Committee. The purpose of the operational reserves shall be to ensure continuity of operations in the event of a temporary shortfall of resources. The Board shall establish guidelines for the use of the operational reserves.**

### Current Financial Regulations

*Regulation 7.5* Drawdowns from the operational reserve shall be restored from cash contributions as soon as possible.

*Regulation 7.6* The Committee may establish other reserve funds as required.

*Regulation 7.7* The resources of the Fund shall be used exclusively for the operational and administrative expenses of the Programme. A portion of the resources of the Fund shall be reserved each year for meeting emergency food needs in accordance with the procedures set out in General Regulation 5(a).

*Regulation 7.8* The cash portion of the resources of the Fund shall be used for:

- (a) the transport and related expenses necessary for project and emergency operations;
- (b) programme support and administrative costs;
- (c) the purchase of commodities, to the maximum extent possible from developing countries; and
- (d) any other purpose authorized by the Committee.

*Regulation 7.9* Except for contributions, direct refunds of expenditure, and investment return credited to the related special account under Regulation 8.3, all income shall be credited to the Fund as miscellaneous income.

#### VIII. MANAGEMENT OF FUNDS

*Regulation 8.1* The Executive Director shall designate the bank or banks in which the monies of the Fund will be kept.

*Regulation 8.2* Monies not required immediately may be invested by the Executive Director, bearing in mind the need for safety, liquidity and profitability. Any resulting income shall accrue to the Fund.

### Interim Revised Financial Regulations

7.5 Drawdowns from the operational reserves shall be restored from cash contributions as soon as possible.

7.6 The Board may establish other reserve funds as required.

7.7 The resources of the Fund shall be used exclusively for the operational and direct and indirect support expenses of WFP. A portion of the resources of the General Fund shall be reserved each year for meeting emergency food needs in accordance with the procedures set out in General Regulation 5(a).

7.8 The cash portion of the resources of the Fund shall be used for:

- (a) Direct Operational Costs, with the purchase of commodities, to the maximum extent possible from developing countries;
- (b) Direct Support Costs;
- (c) Indirect Support Costs; and
- (d) any other purpose authorized by the Board.

7.9 **No change**

#### VIII. MANAGEMENT OF FUNDS

8.1 **No change**

8.2 Monies not required immediately may be invested by the Executive Director, bearing in mind the need for safety, liquidity and profitability. Any resulting income shall accrue to the General Fund.

### Current Financial Regulations

**Regulation 8.3** Income from investments shall, where applicable, be credited to the related special account, and in all other cases to miscellaneous income. Unless otherwise authorized by the Executive Director, interest accrued on donor funds administered by the Programme for bilateral services shall also be credited to miscellaneous income.

#### IX. INTERNAL CONTROL

**Regulation 9.1** The Executive Director shall establish internal controls, including internal audit, to ensure the effective and efficient use of the resources of the Programme and the safeguarding of its assets. Such internal controls shall take into account best prevailing practices of governmental and commercial management and shall, inter alia, ensure:

- (a) that all payments are made on the basis of supporting vouchers or other documents which ensure that the services or goods have been received and that payments have not previously been made;
- (b) the regularity of the receipt, custody and disposal of all resources of the Programme;
- (c) the conformity of expenditures and obligations with the appropriations, allocations or other authorizations approved as the case may be by the Committee, or by the Executive Director.

**Regulation 9.2** Obligations and commitments, regardless of the source of funds, shall be incurred only after the relevant allocations, allotments, staffing authorizations or other authorizations have been made in writing by or under the authority of the Executive Director. (See also Rules 105.3 and 106.1.)

**Regulation 9.3** The Executive Director may make such *ex gratia* payments as he/she deems necessary in the interest of the Programme. He/she shall report all such payments to the Committee with the accounts.

**Regulation 9.4** The Executive Director may, after full investigation, authorize the writing-off of losses of cash, commodities and other assets, provided that a statement of all amounts written off shall be submitted to the External Auditor with the accounts.

### Interim Revised Financial Regulations

**8.3** Income from investments shall, where applicable, be credited to the related trust fund, and in all other cases to miscellaneous income. The interest earned on contributions through the bilateral window shall be used to replenish the IRA, with the agreement of the donors concerned.

**8.4** Insurance recoveries from WFP's Insurance Fund/Insurers for all activities will be used to replenish the IRA, with the agreement of the donors concerned.

#### IX. INTERNAL CONTROL

**9.1** The Executive Director shall establish internal controls, including internal audit, to ensure the effective and efficient use of the resources of WFP and the safeguarding of its assets. Such internal controls shall take into account best prevailing practices of governmental and commercial management and shall, inter alia, ensure:

- (a) No change
- (b) the regularity of the receipt, custody and disposal of all resources of WFP;
- (c) the conformity of expenditure and obligations with the appropriations, allotments or other authorizations approved as the case may be by the Board, or by the Executive Director.

**9.2** Obligations, regardless of the source of funds, shall be incurred only after the relevant allotments, staffing authorizations or other authorizations have been made in writing by or under the authority of the Executive Director.

**9.3** The Executive Director may make such *ex gratia* payments as he/she deems necessary in the interest of WFP. He/she shall report all such payments to the Board with the accounts.

**9.4** No change

### Current Financial Regulations

*Regulation 9.5* Competitive tenders for commodities, transport, equipment, supplies and other requirements shall be invited by means of formal invitations to bid, advertisements or requests for proposals, except where the Executive Director takes a documented decision that a departure from this Regulation is necessary in the interest of the Programme.

#### X. THE ACCOUNTS

*Regulation 10.1* The Executive Director shall submit to the Committee biennial accounts in respect of the Fund, including all trust funds and special accounts established under Regulation 7.3. These accounts shall be prepared in accordance with generally accepted international accounting standards. The format of the accounts shall be such as may be appropriate to clearly show the financial position of the Programme and meet the managerial requirements of the Committee and of the Executive Director.

*Regulation 10.2* The accounts shall be presented in United States dollars. Accounting records may also be kept in such other currencies as the Executive Director may deem necessary.

*Regulation 10.3* The accounts of the Programme shall be certified by the Executive Director, and submitted by him/her, not later than 31 March following the end of each financial period, to the External Auditor for examination and opinion.

#### XI. EXTERNAL AUDIT

*Regulation 11.1* The Committee shall appoint an External Auditor to perform the audit of the accounts of the Programme. The External Auditor shall be the Auditor-General (or official holding the equivalent title) of a State Member of the United Nations or FAO.

*Regulation 11.2* The External Auditor shall be appointed for a four-year term which shall commence on 1 July of the first year of a financial period. He or she may be reappointed for only one further four-year term.

*Regulation 11.3* The audit shall be conducted in accordance with generally accepted auditing standards and in accordance with the additional terms of reference set out in the Annex to these Regulations.

*Regulation 11.4* The External Auditor may make observations with respect to the efficiency of the financial procedures, the accounting system, the internal financial controls and, in general, the administration and management of the Programme.

*Regulation 11.5* The External Auditor shall be completely independent and solely responsible for the conduct of the audit.

*Regulation 11.6* The Committee may request the External Auditor to perform specific examinations and issue separate reports thereon.

### Interim Revised Financial Regulations

9.5 Competitive tenders for commodities, transport, equipment, supplies and other requirements shall be invited by means of formal invitations to bid, advertisements or requests for proposals, except where the Executive Director takes a documented decision that a departure from this Regulation is necessary in the interest of WFP.

#### X. THE ACCOUNTS

10.1 The Executive Director shall submit to the Board biennial accounts in respect of the Fund, including all trust funds established under Regulations 7.1 and 7.3. These accounts shall be prepared in accordance with generally accepted international accounting standards. The format of the accounts shall be such as may be appropriate to clearly show the financial position of WFP and meet the managerial requirements of the Board and of the Executive Director.

10.2 No change

10.3 The accounts of WFP shall be certified by the Executive Director, and submitted by him/her, not later than 31 March following the end of each financial period, to the External Auditor for examination and opinion.

#### XI. EXTERNAL AUDIT

11.1 The Board shall appoint an External Auditor to perform the audit of the accounts of WFP. The External Auditor shall be the Auditor-General (or official holding the equivalent title) of a State Member of the United Nations or FAO.

11.2 No change

11.3 No change

11.4 The External Auditor may make observations with respect to the efficiency of the financial procedures, the accounting system, the internal financial controls and, in general, the administration and management of WFP.

11.5 No change

11.6 The Board may request the External Auditor to perform specific examinations and issue separate reports thereon.

### Current Financial Regulations

*Regulation 11.7* The Executive Director shall provide the External Auditor with the facilities he or she may require in the performance of the audit.

*Regulation 11.8* The External Auditor shall issue a report on the audit of the financial statements and relevant schedules relating to the accounts of the financial period, which shall include such information as the External Auditor deems necessary with regard to the matters referred to in Regulation 11.4 and in the Additional Terms of Reference.

*Regulation 11.9* The Executive Director shall transmit the report of the External Auditor together with the audited financial statements, to the Committee through the ACABQ and the FAO Finance Committee, and in accordance with any directions given by the Committee. The Executive Director shall also forward to the Committee the related comments of the ACABQ and the FAO Finance Committee.

*Regulation 11.10* After its review, the Committee shall forward the report of the External Auditor and the audited financial statements to the United Nations General Assembly and the FAO Conference, together with the comments thereon of the ACABQ, the Finance Committee and the Committee itself.

#### ANNEX

#### ADDITIONAL TERMS OF REFERENCE GOVERNING EXTERNAL AUDIT

1. The External Auditor shall perform such audit of the accounts of the Programme, including all trust funds and special accounts, as he/she deems necessary in order to satisfy himself/herself:

- (a) that the financial statements are in accordance with the books and records of the Programme;
- (b) that the financial transactions reflected in the statements have been in accordance with the Rules and Regulations, the budgetary provisions and other applicable directives;
- (c) that the securities and monies on deposit and on hand have been verified by certificate received direct from the Programme's depositaries or by actual count;
- (d) that the internal controls, including the internal audit, are adequate in the light of the extent of reliance placed thereon; and
- (e) that procedures satisfactory to the External Auditor have been applied to the recording of all assets, liabilities, surpluses and deficits.

### Interim Revised Financial Regulations

11.7 No change

11.8 No change

11.9 The Executive Director shall transmit the report of the External Auditor together with the audited financial statements, to the Board through the ACABQ and the FAO Finance Committee, and in accordance with any directions given by the Board. The Executive Director shall also forward to the Board the related comments of the ACABQ and the FAO Finance Committee.

11.10 After its approval, the Board shall forward the report of the External Auditor and the audited financial statements to the United Nations General Assembly and the FAO Conference, together with the comments thereon of the ACABQ, the Finance Committee and the Board itself.

#### ANNEX

#### ADDITIONAL TERMS OF REFERENCE GOVERNING EXTERNAL AUDIT

1. The External Auditor shall perform such audit of the accounts of WFP, including all trust funds, as he/she deems necessary in order to satisfy himself/herself:

- (a) that the financial statements are in accordance with the books and records of WFP;
- (b) No change
- (c) that the securities and monies on deposit and on hand have been verified by certificate received direct from WFP's depositaries or by actual count;
- (d) No change
- (e) No change



<b>Current Financial Regulations</b>	<b>Interim Revised Financial Regulations</b>
<p>2. The External Auditor shall be the sole judge as to the acceptance in whole or in part of certifications and representations by the Executive Director and may proceed to such detailed examination and verification as he/she chooses of all financial records including those relating to supplies and equipment.</p> <p>3. The External Auditor and his/her staff shall have free access at all convenient times to all books, records and other documentation which are, in the opinion of the External Auditor, necessary for the performance of the audit. Information classified as privileged and which the Executive Director (or his/her designated senior official) agrees is required by the External Auditor for the purposes of the audit and information classified confidential shall be made available on application. The External Auditor and his/her staff shall respect the privileged and confidential nature of any information so classified which has been made available and shall not make use of it except in direct connection with the performance of the audit. The External Auditor may draw the attention of the Committee to any denial of information classified as privileged which, in his/her opinion, was required for the purpose of the audit.</p> <p>4. The External Auditor shall have no power to disallow items in the accounts but shall draw to the attention of the Executive Director for appropriate action any transaction concerning which he/she entertains doubt as to legality or propriety. Audit objections to these or any other transactions arising during the examination of the accounts shall be immediately communicated to the Executive Director.</p> <p>5. The External Auditor shall express and sign an opinion on the financial statements in the following terms: "I have examined the following appended financial statements, numbered ... to ... properly identified, and relevant schedules of the Programme for the financial period ended 31 December .... My examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as I considered necessary in the circumstances."</p> <p>6. The opinion shall state, as appropriate, whether:</p> <p style="margin-left: 20px;">(a) the financial statements present fairly the financial position as at the end of the period and the results of its operations for the period then ended;</p> <p style="margin-left: 20px;">(b) the financial statements were prepared in accordance with the stated accounting principles;</p> <p style="margin-left: 20px;">(c) the accounting principles were applied on a basis consistent with that of the preceding financial period; and</p> <p style="margin-left: 20px;">(d) transactions were in accordance with the Financial Regulations and legislative authority.</p>	<p>2. No change</p> <p>3. The External Auditor and his/her staff shall have free access at all convenient times to all books, records and other documentation which are, in the opinion of the External Auditor, necessary for the performance of the audit. Information classified as privileged and which the Executive Director (or his/her designated senior official) agrees is required by the External Auditor for the purposes of the audit and information classified confidential shall be made available on application. The External Auditor and his/her staff shall respect the privileged and confidential nature of any information so classified which has been made available and shall not make use of it except in direct connection with the performance of the audit. The External Auditor may draw the attention of the <u>Board</u> to any denial of information classified as privileged which, in his/her opinion, was required for the purpose of the audit.</p> <p>4. No change</p> <p>5. The External Auditor shall express and sign an opinion on the financial statements in the following terms: "I have examined the following appended financial statements, numbered ... to ... properly identified, and relevant schedules of <u>WFP</u> for the financial period ended 31 December .... My examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as I considered necessary in the circumstances."</p> <p>6. No change</p> <p style="margin-left: 20px;">(a) No change</p> <p style="margin-left: 20px;">(b) No change</p> <p style="margin-left: 20px;">(c) No change</p> <p style="margin-left: 20px;">(d) No change</p>

<b>Current Financial Regulations</b>	<b>Interim Revised Financial Regulations</b>
<p>7. The report of the External Auditor to the Committee on the financial operations of the period should mention:</p> <p>(a) the type and scope of the examination;</p> <p>(b) matters affecting the completeness or accuracy of the accounts, including where appropriate:</p> <p style="padding-left: 20px;">(i) information necessary to the correct interpretation of the accounts;</p> <p style="padding-left: 20px;">(ii) any amounts which ought to have been received, but which have not been brought to account;</p> <p style="padding-left: 20px;">(iii) any amounts for which a legal or contingent obligation exists and which have not been recorded or reflected in the financial statements;</p> <p style="padding-left: 20px;">(iv) expenditures not properly substantiated; and</p> <p style="padding-left: 20px;">(v) whether proper books of accounts have been kept; where in the presentation of statements there are deviations of material nature from the generally accepted accounting principles applied on a consistent basis, these should be disclosed;</p> <p>(c) other matters which should be brought to the notice of the Committee, such as:</p> <p style="padding-left: 20px;">(i) case of fraud or presumptive fraud;</p> <p style="padding-left: 20px;">(ii) wasteful or improper expenditure of the Programme's money or other assets (notwithstanding that the accounting for the transaction may be correct);</p> <p style="padding-left: 20px;">(iii) expenditure likely to commit the Programme to further outlay on a large scale;</p> <p style="padding-left: 20px;">(iv) any defect in the general system of detailed regulations governing the control of receipts and disbursements or of supplies and equipment;</p> <p style="padding-left: 20px;">(v) expenditure not in accordance with the intention of the Committee after making allowance for duly authorized transfers within the budget;</p>	<p>7. The report of the External Auditor to the <u>Board</u> on the financial operations of the period should mention:</p> <p>(a) No change</p> <p>(b) No change</p> <p style="padding-left: 20px;">(i) No change</p> <p style="padding-left: 20px;">(ii) No change</p> <p style="padding-left: 20px;">(iii) No change</p> <p style="padding-left: 20px;">(iv) No change</p> <p style="padding-left: 20px;">(v) No change</p> <p>(c) other matters which should be brought to the notice of the <u>Board</u>, such as:</p> <p style="padding-left: 20px;">(i) No change</p> <p style="padding-left: 20px;">(ii) wasteful or improper expenditure of <u>WFP's</u> money or other assets (notwithstanding that the accounting for the transaction may be correct);</p> <p style="padding-left: 20px;">(iii) expenditure likely to commit <u>WFP</u> to further outlay on a large scale;</p> <p style="padding-left: 20px;">(iv) No change</p> <p style="padding-left: 20px;">(v) expenditure not in accordance with the intention of the <u>Board</u> after making allowance for duly authorized transfers within the budget;</p>

Current Financial Regulations	Interim Revised Financial Regulations
<p>(vi) expenditure in excess of appropriations as amended by duly authorized transfers within the budget; and</p> <p>(vii) expenditure not in conformity with the authority which governs it;</p> <p>(d) the accuracy or otherwise of the supplies and equipment records as determined by stock-taking and examination of the records.</p> <p>(e) In addition, the reports may contain reference to transactions accounted for in a previous financial period concerning which further information has been obtained or transactions in a later financial period concerning which it seems desirable that the Committee should have early knowledge.</p> <p>8. The External Auditor may make such observations with respect to his/her findings resulting from audit and such comments on the Executive Director's financial report as he/she deems appropriate to the Committee or to the Executive Director.</p> <p>9. Whenever the External Auditor's scope of audit is restricted, or whenever he/she is unable to obtain sufficient evidence, the External Auditor shall refer to the matter in his/her opinion and report, making clear in the report the reasons for his/her comments, and the effect on the financial position and the financial transactions as recorded.</p> <p>10. In no case shall the External Auditor include criticism in his/her report without first affording the Executive Director an adequate opportunity to explain the matter under observation.</p> <p>11. The External Auditor is not required to mention any matter referred to in the foregoing which, in his/her opinion, is insignificant in all respects.</p>	<p>(vi) No change</p> <p>(vii) No change</p> <p>(d) No change</p> <p>(e) In addition, the reports may contain reference to transactions accounted for in a previous financial period concerning which further information has been obtained or transactions in a later financial period concerning which it seems desirable that the <u>Board</u> should have early knowledge.</p> <p>8. The External Auditor may make such observations with respect to his/her findings resulting from audit and such comments on the Executive Director's financial report as he/she deems appropriate to the <u>Board</u> or to the Executive Director.</p> <p>9. No change</p> <p>10. No change</p> <p>11. No change</p>

