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## **Workplan of the External Auditor**

### **For the period from July 2021 to June 2022**

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Cour des comptes  
FRANCE



# EXTERNAL AUDIT OF THE WORLD FOOD PROGRAMME

Workplan of the External Auditor  
For the period from July 2021 to June 2022



**TABLE OF CONTENTS**

<b>I. MANDATE AND OBJECTIVES .....</b>	<b>4</b>
<b>II. AUDITS AND REPORTS .....</b>	<b>5</b>
<b>III. STANDARDS AND METHODS.....</b>	<b>5</b>
<b>IV. AUDIT AREAS.....</b>	<b>6</b>
<b>A. Performance audits .....</b>	<b>6</b>
<b>B. Field audits.....</b>	<b>8</b>
<b>C. Audit of the financial statements .....</b>	<b>9</b>
<b>ANNEX 1 .....</b>	<b>11</b>
<b>List of audit subjects selected for performance audits for the     2021–2022 financial year .....</b>	<b>11</b>
<b>ANNEX 2 .....</b>	<b>12</b>
<b>List of sites selected for field audits for the 2021–2022 financial year.....</b>	<b>12</b>

## **I. Mandate and objectives**

1. This document, submitted to the World Food Programme (WFP) Executive Board for information, is the External Auditor's annual workplan of audit activities between 1 July 2021 and 30 June 2022.
2. Through an Executive Board decision of 10 November 2015, WFP external auditing 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 set out in Article XIV of the WFP Financial Regulations and their annex and in the call for applications for the appointment of the External Auditor. The External Auditor's terms of reference comprise the call for applications, together with the offer of services of the External Auditor – in particular 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, in general, the administration and management of WFP (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 auditing 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 WFP's activities, for which he is accountable to the Board.
7. A letter of engagement was signed on 12 December 2016 in order to ensure that, in accordance with the 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 is 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 and of the results of the operations recorded during the financial year, in accordance with International Public Sector Accounting Standards (IPSAS); 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 is to review and, if necessary, test certain internal control mechanisms that have a material impact on preparation of the financial statements. The External Auditor takes into account the internal controls applicable to the preparation of financial statements with the aim of developing audit procedures appropriate to the subject and with no aim of expressing an opinion on the effectiveness of those controls. This work primarily aims to determine the financial audit strategy but it may also help to highlight opportunities for enhancing internal control, which will be shared with WFP.
10. With regard to the review of performance, the audits will aim to determine whether, in the areas reviewed, 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 activities, financial transactions and information are, in all material respects, in conformity with the provisions of WFP's basic texts.

## **II. Audits and reports**

12. In accordance with the terms of reference, each year the External Auditor must issue an audit report on the financial statements of WFP (to be submitted to the Board for approval), accompanied by an opinion on the accounts, and 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). It also reports on its visits to field offices (regional bureaux, country offices and other offices) in the management letters addressed to the Executive Director. Finally, the External Auditor validates 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 related to 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 field offices that should be brought to the attention of the Board.
14. The audit of the financial statements will be carried out in two stages at WFP headquarters: an interim audit in the autumn of the financial year under review (from 4 to 15 October 2021 for the 2021 financial year) to understand and test the internal control mechanisms, and a final audit in the first quarter after the closing of the accounts (from 14 February to 4 March 2022 for the 2021 financial year), to examine a certain volume of transactions.
15. Each of the two performance audits will involve two missions at headquarters between July 2021 and February 2022: a preparatory mission to finalize the audit planning and identify key processes, and a final mission to test controls, collect evidence and draw conclusions.
16. The External Auditor will make a number of field visits to country offices, depending on ease of movement and the health situation. These missions will focus on the regularity of the offices' management but will also contribute to the performance audits on the selected topics. They may also include audits of samples selected on the basis of risks affecting items associated with the financial statements. For the period from July 2021 to June 2022, field audit missions will take place in October and December 2021.
17. For the period from 1 July 2021 to 30 June 2022, the dates for submission to the Board Secretariat are 25 March 2022 for the performance audit reports and 22 April 2022 for the audit report on the financial statements and the opinion on the accounts.

## **III. Standards and methods**

18. As provided for in Article 14.3 of the Financial Regulations, the audit of the financial statements will take place in accordance with the International Standards on Auditing (ISA) and 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.
19. 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.

20. 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.
21. 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 programmes. 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 in recent audits performed by other oversight bodies.
22. In his planning, the External Auditor will take into account his capacity to perform the audit of the area concerned, based on the information available and the resources and timeframe provided.
23. In order to define his workplan for the period from July 2021 to June 2022 and his multi-year audit strategy, the External Auditor updated his risk analysis, which enabled him to identify a list of areas of control likely to require performance audits because of their importance to WFP and the added value of auditing them. Annex 2 sets out a list of field audits to be carried out this year.
24. During the operational planning stage of each audit, the present annual workplan should be supplemented by a preliminary assessment that makes it possible to define more precisely the scope of the audit, to prepare terms of reference to be submitted to management and to draw up an engagement plan for the audit teams.
25. 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**

#### **1. Cooperating partners**

26. By cooperating partner, WFP means a non-profit entity (including a government entity, a non-governmental organization or a United Nations organization) that has entered into a contractual relationship with WFP for the purpose of assisting in the performance of WFP's work.<sup>1</sup>
27. Cooperating partners are major players in WFP's work, as, according to as-yet unaudited figures, WFP transfers the equivalent of nearly USD 4 billion through them to beneficiaries.<sup>2</sup> The last external audit on cooperating partners was in 2014. Their responsibilities have increased in recent years in parallel with those of WFP.

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<sup>1</sup> "Revised anti-fraud and anti-corruption policy" (WFP/EB.A/2021/5-B/1).

<sup>2</sup> Internal WFP document. *Regional bureaux and headquarters NGO Partnerships Unit working together on cooperating partners management.*

28. The objective of this audit will be to examine whether WFP's cooperating partners are optimally managed by the Secretariat in accordance with the principles of effectiveness, economy and efficiency.
29. The key audit questions will be as follows:
- Selection of cooperating partners. How are country offices' needs in terms of implementing partners estimated? What knowledge do country offices have of entities operating in the humanitarian sphere within their geographical perimeter? How are calls for partnerships managed by country offices? What support is provided by headquarters or regional bureaux with regard to partner selection? What are the selection criteria?
  - Management of cooperating partners. What legal mechanisms are used for contracting with partners, including public ones, and do they allow for a clear delineation of responsibilities between WFP and partners? What control mechanisms are in place to monitor the implementation of agreements? Are the mechanisms for remunerating partners appropriate?
  - Assessment of cooperating partner performance. How is partner performance assessed and what criteria are used? How are the risks inherent in entrusting management to cooperating partners analysed and controlled? How is the information obtained during performance assessment synthesized, processed and used? What kind of reporting to the Secretariat, the Board and donors is undertaken? What conclusions are drawn when performance is deemed inadequate?

## **2. Oversight structures and mechanisms available to management**

30. According to WFP, oversight<sup>3</sup> is a component of the governance system that aims to provide assurance that: a) activities carried out are fully in accordance with the mandate; b) allocated resources are fully accounted for; c) activities are conducted in the most effective and efficient manner possible; and d) staff and all other officials adhere to the highest standards of professionalism, integrity and ethics.
31. This definition views oversight from the perspective of the objectives pursued and not that of its modalities and thus tends to equate it with internal control in general. For the External Auditor, oversight can be defined as the set of mechanisms and structures used by agents not directly involved in an activity, in this case management staff, to verify the everyday conduct of that activity.
32. The objective of the audit will be to examine the effectiveness and efficiency of the means and methods used by WFP management to obtain sufficient assurance regarding the actions taken and outcomes achieved and to inform decision making. The audit will examine in particular how decisions are made by management in the light of the information obtained through the oversight mechanisms.
33. The audit's key questions will be:
- Effectiveness of the oversight mechanisms available to management. This part, specifically focused on the functioning of the second line of defence, will include a review of the arrangements implemented by management to ensure oversight. These include the Enterprise Risk Management Division, the network of risk management and compliance officers, the checks made by regional bureaux and the means for doing likewise available to department, division and country directors at their levels. The effectiveness of these mechanisms will be verified, considering the extent to which the reporting tools effectively provide correct and accurate

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<sup>3</sup> "WFP Oversight Framework" (WFP/EB.A/2018/5-C), para. 2.

information to decision makers (internal control statement, annual performance report, financial statements) and whether management lacks any important information.

- Adequacy of the oversight mechanisms available to management. Are the composition and distribution of functions among the various mechanisms optimal? Are the objectives that management seeks to achieve through these mechanisms rationally designed? Could they be simplified or supplemented? The question will consider complementarity and coherence between second-line control measures and the activities of third-line oversight bodies and functions such as internal audit and evaluation. This part will also address the clarity of roles and mandates of second-line structures, including the Enterprise Risk Management Division and the regional bureaux, and the delineation of responsibilities and roles between the regional bureaux and headquarters.
- Efficiency of the oversight mechanisms. Are oversight activities adequately resourced in relation to the scale of the operations and the risks they pose? The question will consider the cost of this oversight, the adaptation of resources to the tasks to be carried out and the justification of the amounts spent. This question can be extended to the existence of technological tools appropriate for oversight. In other words, does technology effectively support oversight practices across WFP as a whole or are more up-to-date digital solutions available?

## **B. Field audits**

34. The terms of reference of the External Auditor state that he will audit a number of regional bureaux and country offices each year.
35. In selecting field offices, the External Auditor took into account his risk analysis, the relevance of the offices concerned to the performance audits and how recently an audit had been carried out by one of the oversight bodies.
36. The bulk of WFP's activities are currently undertaken in emergency situations, in areas where security risks are high. Given the difficulties of operating in inherently unstable environments, the External Auditor does not rule out the possibility of declining to visit one or more countries to which visits are scheduled in the programme.
37. The impact of the health and food crisis triggered by the COVID-19 pandemic on the availability of the offices concerned was also taken into account. Field trips have been planned to take place as late as possible, between October and December 2021, but are subject to possible cancellation depending on health constraints and travel restrictions. However, given its accountability to the Board, it will be difficult for the External Auditor to further delay these missions. The offices will therefore be expected to make an effort.
38. The External Auditor has taken into account the magnitude of the amounts concerned, but our professional judgement may lead us, in some cases, to depart from purely financial criteria. A list of planned sites is presented in annex 2.
39. The audit work will systematically examine the regularity of management with regard to finances, personnel, administration and operations.
40. The field audits will also provide inputs for the two performance audits to be conducted during the year, as well as the additional checks necessary for the audit of WFP's financial statements. Indeed, country offices play a key role in the management of cooperating partners and are a crucial component of the mechanisms for the oversight of activities.

**C. Audit of the financial statements**

41. Preliminary analysis carried out at the beginning of its mandate led the External Auditor to the view that WFP's internal control environment was characterized by a high level of inherent risk owing to the nature and location of WFP's main operations, as well as to its highly decentralized structure, which gives managers at the country level a large degree of autonomy.
42. Experience gained during the financial audits for the financial years 2016–2020 confirmed this initial assessment and resulted in a strengthening of coordination between the audit teams for the external field, performance and financial audits to ensure that issues revealed during the performance and regularity audits are appropriately taken into consideration for financial audit purposes.
43. In addition, WFP is highly dependent on information systems, with the enterprise resource planning system, WINGS II, playing a key role in the maintenance of accounting records and the preparation of financial statements. Given the importance of this issue, between 2016 and 2020 the External Auditor conducted reviews of the general information technology controls in WINGS II and the application controls in the procurement process, leading to recommendations for improvements in system security. Corrective actions were taken by the Secretariat to remedy anomalies identified during the audit tests, but the latest tests have shown that some have not been completely eliminated.
44. In this regard, WFP's Technology Division has recognized that some risks will never disappear completely due to the nature of WFP's operations; these risks are accepted by WFP and the procedures necessary to limit them are in place. These risks are associated in particular with high staff turnover, which results in access rights remaining in place for some time after an employee has left, as well as with the impossibility of strictly observing the separation of duties in offices where staffing is limited. In view of these factors, the External Auditor considered that his recommendations in this area should be closed because it might be difficult for WFP to go much further. The controls implemented give reasonable assurance of the reliability of the accounting data produced. During the 2021 audit, the External Auditor will nevertheless continue his work in this area in order to assess whether the risks remain limited.
45. Moreover, based on the first five years of experience, the External Auditor identified two areas of significant risk in the financial statements:
  - a) Revenue recognition in respect of contributions is the first area of particular vigilance because of the importance of this subject for an organization entirely financed by voluntary contributions. For the 2021 financial audit, the External Auditor will continue to entrust the examination of revenue recognition to an experienced auditor and will rely in particular on in-depth direct confirmation procedures.
  - b) In previous years, the External Auditor has identified WFP's fast-growing cash-based transfers as a high-risk activity, which led him to appoint an experienced auditor to conduct in-depth audits in this area, resulting in the observations and recommendations made in the financial audit reports for the 2016 and 2017 financial years. For the 2018 and 2020 financial years, the External Auditor drew on this experience to examine both how his recommendations had been followed up and how this activity was carried out in the field. The same approach is being followed for the 2021 financial year.
46. In addition to the two major risks mentioned above and the risk of fraud, which remains significant and to which a performance report was devoted in 2019, the External Auditor concluded that the following accounting items were exposed to a high inherent risk and

control risk. These risks are liable to be exacerbated by the impacts of the COVID-19 pandemic on staff availability:

- a) cash and cash equivalents;
  - b) inventory;
  - c) vendor accounts, accrued charges, purchases.
47. For these important accounting items with a high combined risk, the External Auditor will thoroughly test the internal control mechanisms during the interim mission and conduct extensive validation tests during the final mission. He will also draw on external direct confirmation procedures and, where appropriate, take into account issues raised by performance audit teams and field audit teams.
  48. During his field audits, the External Auditor will examine whether the disruption to the day-to-day running of offices caused by the COVID-19 pandemic may have led to delays in settling accrued liabilities and receivables or difficulties in carrying out mandatory physical checks of stocks and other assets.
  49. Finally, significant estimates were made for the item concerning long-term personnel commitments given the hypotheses and actuarial method used to estimate those liabilities. During the 2021 audit, the External Auditor will continue to pay special attention to this area, which will require direct communication with the actuary employed by WFP.

**ANNEX 1****List of audit subjects selected for performance audits for the 2021–2022 financial year**

<b>2016–2017–2018–2019–2020 (recap)</b>	<b>2021 financial year</b>
Review of decentralization Changes in human resources Losses related to food supplies Scaling up resources during emergency responses Country portfolio budgets Prevention, detection and punishment of fraud Air transport services Real estate portfolio Critical corporate initiatives Management of information on beneficiaries	Management oversight Cooperating partners

**ANNEX 2****List of sites selected for field audits for the 2021–2022 financial year<sup>1</sup>**

	<b>2021-2022 financial year</b>
<b>Country offices</b>	Algeria
	Armenia
	Central African Republic
	Cuba
	Democratic Republic of the Congo
	Dominican Republic
	Namibia
	Pakistan

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<sup>1</sup> This list is indicative and subject to change as required by the health situation.