Executive Summary

At its 158th Session, the Committee considered a number of financial, budgetary and oversight matters relating to the World Food Programme (WFP), prior to their consideration by the Annual Session of the WFP Executive Board in May 2015.

Suggested action by the Council

The Council is invited to note the views and recommendations of the Finance Committee in respect of matters considered by the Annual Session of the WFP Executive Board in May 2015.

Queries on this document may be addressed to:

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Introduction

1. The Committee submitted to the Council the following report of its Hundred and Fifty-eighth Session.

2. In addition to the Chairperson, Mr Moungui Médi, the following representatives of Members were present:
   - Ms Kristina Gill (Australia)
   - Mr Márcio José Alonso Bezerra dos Santos (Brazil)
   - Mr Khaled M.S.H. Eltaweel (Egypt)
   - Mr Manuel Furtwaengler (Germany)
   - Mr Abdoulaye Traoré (Guinea)
   - Mr Osamu Kubota (Japan)
   - Mr Benito Santiago Jiménez Sauma (Mexico)
   - Mr Mohamed Lemghari (Morocco)
   - Mr Khalid Mehboob (Pakistan)
   - Mr Vladimir V. Kuznetsov (Russian Federation)
   - Ms Abla Malik Osman Malik (Sudan)
   - Ms Elizabeth Petrovski (USA)

3. The Chairperson informed the Committee that:
   - Ms Kristina Gill (Australia) had been designated to replace Mr Matthew Worrell for this session;
   - Mr Marcio José Alonso Bezerra dos Santos (Brazil) had been designated to replace Mr Olyntho Vieira for this session;
   - Mr Heiner Thofern had been designated to replace Mr Georg Friedel Cramer as the representative of Germany for the remainder of its term of office;
   - Mr Manuel Furtwaengler (Germany) had been designated to replace Mr Heiner Thofern for this session;
   - Mr Benito Jiménez Sauma (Mexico) had been designated to replace Her Excellency Perla Carvalho Soto for this session;
   - Mr Mohamed Lemghari (Morocco) had been designated to replace Mr Fouzi Lekjaa for this session; and
   - Ms Elizabeth Petrovski (USA) had been designated to replace Ms Natalie Brown for this session.


5. In addition, silent observers from the following Member Nations attended the 158th Session of the Committee:
   - European Union

World Food Programme Matters

Audited Annual Accounts, 2014

6. The Committee discussed WFP’s Audited Annual Accounts 2014, supported by a briefing by the WFP Secretariat which detailed the key elements within the Audited Financial Statements. The Committee also received a briefing from the External Auditor on the unqualified audit opinion issued, together with the associated audit report.
7. The Committee was informed of the timing factors which had contributed to the surplus in 2014 of USD 236 million reported in Financial Statement II compared with USD 21 million in 2013. This was mainly due to the increase in contribution revenue (USD 5.5 billion against USD 4.5 billion in 2013) which, in accordance with International Public Sector Accounting Standards (IPSAS), was recognized when confirmed in writing by donors and the increase in total expenses (USD 5.2 billion against USD 4.5 billion in 2013) which were recognized when goods and services are delivered.

8. The Committee was informed of the main reasons behind movements in the key elements of Statement I: the increase in the cash and short-term investments (USD 1.7 billion against USD 1.4 billion in 2013); the increase in the contribution receivable balance (USD 2.2 billion against USD 1.9 billion in 2013); the decrease in inventories (USD 579 million against USD 665 million in 2013); and the increase in employee benefit liabilities (USD 566 million against USD 422 million in 2013). The Committee was informed that the overall budgetary utilization in 2014 was 59 percent of the final needs-based budget in Financial Statement V and that additional information would be presented in 2015 to reflect utilization of actual resources made available to WFP.

9. The Committee was informed that in 2014 the Secretariat had included for the fourth consecutive year a Statement on Internal Control, signed by the Executive Director, to provide additional assurance on the effectiveness of internal control in WFP. The Secretariat was pleased to inform the Committee that a 100 percent submission rate by all directors had been achieved.

10. The External Auditor was pleased to inform the Committee that it had completed the audit of the Annual Accounts 2014 in accordance with the International Standards of Auditing and stated that the Annual Accounts presented fairly, in all material aspects, the financial position of WFP as at 31 December 2014, its financial performance and the performance of its cash flows for the year ended 31 December 2014, in accordance with IPSAS. The External Auditor also outlined the two 2014 audit recommendations.

11. The Committee requested clarification on several technical aspects of the 2014 Annual Accounts:

   1) **Expense trends.** The Committee inquired as to the reason why the assistance expense lines (food and C&V distribution) represented a slightly lower weighting relative to total expenses in 2014 compared to 2013. The Committee was informed that expenses had increased overall due to increased operations and that the relative weighting of some key expense lines was impacted, in large part, by two other main expense items. The first item was the increase in the salary cost line which included the increase of a one-time event in 2014 regarding the incremental expense related to employee benefits valuation of locally recruited staff. The second item was the increase in contracted services related mainly to increased air operations in emergencies. Additionally, the Committee was informed that the almost 100% utilization of the Programme Support and Administrative (PSA) budget, which was established in the Management Plan approved in November 2013, was a positive result especially in light of increased operations and revenues.

   2) **Controls over cash transfers.** The Committee was informed about the control procedures in place over cash transfers to beneficiaries and the work done by oversight bodies such as the Inspector General and the Office of Evaluation in the area of Cash and Vouchers.

   3) **Internal Control issue raised in the 2014 Statement on Internal Control.** The Committee was provided clarification on the issue of the number of Level 3 emergencies that the Programme was currently facing. The increased level required the Programme to adapt its organizational planning while actively monitoring the impact on internal control and taking remedial action, as required.

12. The Committee:

   a) welcomed the presentation of the audited annual accounts which included the report of the External Auditor and the Statement of Internal Control by the Executive Director;
b) acknowledged that major challenges were faced by WFP in 2014 due to the increased number of Level 2 and Level 3 emergencies and that these challenges had an impact on resources available for the implementation of WFP’s operations and also on the availability of human resources;

c) acknowledged the emphasis that WFP placed on the improvement of transparency as applied to management, the efficiency of internal controls, and enterprise risk management;

d) welcomed the continued initiative taken with internal assurance statements submitted by all directors in the organization including the Deputy Executive Director and Assistant Executive Directors, and expected that this initiative would provide a basis for greater confidence to the governing bodies in terms of internal control;

e) welcomed the envisaged efforts by the Secretariat to enhance the budget presentation with a view to achieving a balance between the needs-based budget and actual resources available;

f) appreciated the two recommendations by the External Auditor and took note of the status of the recommendations, accepted by management. On External Auditor recommendations from previous years, the Committee requested that they be implemented as soon as possible subject to available resources;

g) noted the unqualified audit opinion from the External Auditor; and

h) recommended that the Executive Board approve the Audited Annual Accounts, 2014.

Appointment of Three Members to the Audit Committee

13. The Committee reviewed the Executive Director’s recommendations for appointment to the Audit Committee and commended the WFP Secretariat for having implemented an independent and transparent selection process.

14. The Committee:

a) noted the competence of the three candidates recommended by the Executive Director; and

b) recommended that their appointment be approved by the Executive Board.

Progress on the Financial Framework Review, including Indirect Support Costs

15. The Committee reviewed the document Progress on the Financial Framework Review, including Indirect Support Costs, which outlined the work envisioned over the course of 2015 and 2016 for the Financial Framework Review in Part I, and summarized the conclusions of the Indirect Support Cost review in Part II. Recognizing the link between the cost drivers of the PSA budget and WFP’s overall cost structure, the remaining analysis of indirect support costs (ISC) were addressed within the context of the Financial Framework Review. This was in line with the guidance provided by the Committee at its 153rd Session1 in May 2014.

16. The Financial Framework Review would be carried forward in the work streams identified within the document, namely: developing standardized resource-based planning at country level, optimizing WFP’s advance financing tools and reviewing the operational budget structure at country level while further developing the supporting accountability structures required to support these work streams.

17. In response to the Committee’s question, the Secretariat emphasized that three underlying principles of the financial architecture would not change as a result of the review. These included the voluntary funded nature of WFP, the principle of full cost recovery, and contribution-specific expenditure tracking. The review would examine how the last two principles were applied but their fundamental nature would not be altered.

1 WFP/EB.A/2014/6(A,B,C,D,E,F,G,H,I,J,K)/3
The ISC component of the document represented the third paper presented as part of the ISC review. It addressed the remaining analysis requested as part of the ISC review, including a detailed analysis of the PSA Equalization Account (PSAEA), its target level, and considerations on the continued use of multiple sources of funding for costs related to support and administration such as security and non-recurring investment.

The Committee noted that the analysis of the PSA cost drivers was not as extensive as previously envisaged, but acknowledged the difficulties in completing such an exercise within WFP’s current financial systems architecture. As a result of the broad analysis of the PSA cost drivers presented within the document, the WFP Secretariat proposed criteria for the use of WFP’s PSA Equalization Account and un-earmarked portion of the General Fund.

The Committee recognized the need to establish a policy framework on uses of the PSA Equalization Account, including its governance. It requested that WFP align Conclusion 2 with the Draft Decision point iii to emphasize that the WFP Executive Board would continue to approve all uses of the PSAEA. The Secretariat agreed to amend the decision accordingly.

The Committee was informed of the rationale for reviewing the target level of the PSA Equalization Account, building on the work undertaken in 2006 and the significant variation in WFP’s funding and increasingly complex operations in the past decade. The Committee was informed that financial implications and other considerations needed to be analysed and presented to the Board before proposing changes, if any, in this regard.

The Committee obtained additional clarification on Conclusions 6 and 7 related to Security and Staff Wellness respectively, and received confirmation that most of these expenditures could be attributed, and therefore charged to projects, in most instances. Where charges could not be attributed to or recovered from a single project, the PSA may be a suitable funding source. The Secretariat reaffirmed that the PSAEA may be used to cover a portion of these costs on an exceptional basis and with the Executive Board’s approval. The Committee was informed that the use of thematic funds would be for support purposes only and that the creation of any such future thematic funds would be submitted to the Executive Board for approval.

The Committee:

a) analysed the document on the Progress on the Financial Framework Review, Including Indirect Support Costs;

b) was satisfied with the areas of work envisioned over the course of 2015 and 2016 with respect to the Financial Framework Review, with a view to improve the Programme’s efficiency, effectiveness and transparency;

c) endorsed the seven conclusions recommended by the Secretariat in Part II of the document in connection with the Finalization of the Indirect Support Cost Review;

23. The Committee:

d) requested that the wording reflected in Conclusion 2, which emphasized that Board approval would continue to be required for all uses of the PSA Equalization Account balance, be explicitly included in the draft decision; and

e) encouraged the Secretariat to develop a revised financial architecture that would facilitate greater insight of WFP’s PSA and operational cost drivers.

Strategic Utilization of the WFP PSA Equalization Account

The Committee analysed the document Strategic Utilisation of the WFP PSA Equalisation Account (WFP/EB.A/2015/6-D-1).

It acknowledged that due to unprecedented income in 2014, the level of the PSA Equalization Account at the end of 2014 was USD 189.8 million, which exceeded the current target level of 4 months PSA expenditure by USD 95.9 million.

The Committee took note of the proposed transfers from the PSAEA for: i) Immediate Response Account (IRA) of USD 50 million; ii) creation of a Wellness Programme Fund of USD 10 million; and, iii.) Critical Corporate Initiatives of USD 18 million for 2015.
27. The Committee noted that the Secretariat was drawing down the entire excess balance of the PSA Equalization Account at a time when the target level of the PSAEA was proposed to be reviewed. However, it acknowledged that additional PSAEA surpluses were expected to accumulate in 2015 and 2016 due to income forecasts generating more ISC income than planned PSA expenditures.

28. The Committee discussed how, for IRA utilization, the Secretariat would distinguish between the grant-making functionality versus the loan functionality and acknowledged the need for clear guidance on when loans were converted to a grant.

29. Recognizing the benefits of the IRA and the low available balance, the Committee supported the transfer of funds to the IRA recognizing the need, in light of the level of demand, to try to maintain a minimum loan capacity of USD 50 million. It questioned whether the USD 50 million transfer was sufficient, and was informed that further increases needed also to be supported via donor contributions to the IRA, which currently amounted to approximately USD 50 million per year.

30. Noting that the IRA target was increased to USD 200 million in the Management Plan 2015-17, the Committee inquired on the meaning of the term “target level”. The Committee was informed that over the course of time, the target level had been subject to different interpretations, sometimes referring to the desirable annual level of donor contributions to the IRA and also being interpreted as the desired available balance in the Account. The Committee’s attention was drawn to Financial Regulation 4.3, which referred to the target level of the IRA, and acknowledged that the definition could be clarified in the Financial Regulations.

31. The Committee appreciated that the Wellness Programme Fund was a priority to ensure that WFP could provide adequate wellness facilities and services for employees in the field. The Committee was informed that the proposed USD 10 million transfer was initial funding for a backlog of necessary improvements to facilities that would be undertaken over several years. Consistent with the funding model of the Security Emergency Fund, the Wellness Programme Fund would also be sustained through a provision within the standard cost of positions, which would be further quantified in the Management Plan. The Committee was informed that the detailed proposals for the use of funds would be management’s responsibility, through the review of Investment Case proposals received and approved by the Strategic Resource Allocation Committee (SRAC).

32. The Committee welcomed the additional level of detail provided on the Critical Corporate Initiatives and recommended that the Board be periodically informed on the progress of these initiatives.

33. The Committee:

a) analysed the document on the Strategic Utilization of WFP’s PSA Equalization Account;

b) supported the proposed transfers from the PSA Equalization Account outlined in the paper in three strategic domains, namely: the IRA (USD 50 million), creation of a Wellness Programme Fund (USD 10 million), and the funding of Critical Corporate Initiatives (USD 18 million for 2015);

c) acknowledged that the size of proposed transfers seemed prudent when seen in light of the projections of ISC income and PSA expenditure in 2015; and

d) requested the Secretariat to clarify the meaning of the target level of the IRA.

34. The Committee reviewed the document Report on the Utilization of WFP's Advance Financing Mechanisms (1 January - 31 December 2014), which provided details on the use of advance financing tools in 2014 and on improvements to be made in implementation during 2015.

35. The Committee was informed that the scope of the paper had increased in 2014 to reflect the changes in the financial architecture of WFP approved by the Executive Board. The paper contained for the first time details of advances for corporate services, in addition to the analysis of advances
made through the Internal Project Lending Facility (IPL), the Immediate Response Account (IRA) and the Global Commodity Management Facility (GCMF), which were continued from previous years.

36. The Committee reviewed the increasing volume of loans advanced through the IPL, which exceeded USD 1 billion in 2014 for the first time, and was informed that this was becoming a mainstream working practice of WFP. The Committee was also provided details of loans made from the IRA, with loans made and contributions revolved also being at record high levels in 2014. The GCMF and Corporate Services advances were also reviewed, with GCMF bringing the lead-time down to 27 days (a further 2% improvement on 2013 being achieved).

37. In response to a question raised by the Committee regarding details of grants made in 2014, the Committee was informed that the total amount granted from the IRA in 2014 was USD 30.46 million, attributable to WFP’s regional response to the Syria crisis. Responding to observations concerning the ability of IPL to advance being dependent upon contributions being received with few or no restrictions, the Committee was informed that the IPL could indeed have advanced more than it already had in 2014 had there been fewer donor restrictions on contributions. The Committee noted that WFP was working to reduce such restrictions, but the IPL nevertheless made very positive contributions to WFP’s operational responsiveness.

38. The Committee noted the similarities between the IPL, which was undertaken on the basis of forecasted donor contributions to projects or multilateral contributions, and IRA lending, which was undertaken on the basis of the available balance in the IRA. The Committee inquired whether all project lending could be consolidated into a single “one-stop shop” advance financing facility and was informed that the matter could be reviewed within one of the planned work streams of the Financial Framework Review, and might be a fruitful area of discussion with the Members in due course.

39. The Committee:
   a) welcomed the Report on the Utilization of WFP’s Advance Financing Facilities (1 January – 31 December 2014);
   b) noted with satisfaction the comprehensive presentation of information on the performance of the instruments during 2014;
   c) looked forward to continued discussions in the Financial Framework Review on the similarities between Internal Project Lending and lending through the IRA, as well as any opportunities for consolidation of WFP’s project lending tools into a single “one-stop shop” advance financing facility; and
   d) invited the Executive Board to analyse and take note of the report.

Annual Report of the Audit Committee

40. The Audit Committee Chairperson presented the Annual Report of the Audit Committee, covering the period from 1 April 2014 to 31 March 2015, during which the Audit Committee had met three times. Topics discussed at open sessions with WFP management, the Inspector General and the External Auditor covered the full scope of Audit Committee responsibilities set out in its terms of reference. Sessions with the Executive Director and the Executive Board Bureau had helped the Audit Committee identify the most important issues for its consideration.

41. The Committee considered the highlights of the report presented by the Audit Committee Chairperson including the field visits made by two Audit Committee members, new developments made with regards to risk management, the review of the anti-fraud and anti-corruption policy, the assessment of positive assurance approaches, the statement of internal control, the financial statements, the two performance audits and the internal justice process review.

42. In response to questions on how the selection of the locations of field visits was carried out and on the type of subsequent reporting that was made, the Committee was informed that the decision on where to travel were made on the basis of the suggestions provided by WFP management, taking into account travel cost efficiencies on where Audit Committee members were based, and that a field visit report was submitted to the Executive Board Bureau and to WFP Management. The Committee
also received confirmation that the findings of other oversight bodies were considered prior to participating in the field visits.

43. On the Information Technology and Communication area of work, the Committee was informed that further review was being undertaken and that this item would be discussed again during a later session of the Audit Committee; more information would be made available in the report of the Audit Committee in 2016.

44. On behalf of the Audit Committee, the Audit Committee Chairperson thanked the Executive Director, other WFP senior management and the Executive Board Bureau for their collaboration, and commended the work of WFP’s other oversight bodies.

45. The Committee expressed appreciation for the Audit Committee’s work, and noted the Audit Committee’s positive opinion of WFP’s work. The Audit Committee was requested to reconsider the level of details provided in its annual report and to assess how to rebalance the content of the report with the minutes that were submitted to the Executive Board Bureau and to WFP Management after each Audit Committee session. The Committee expressed its appreciation for the work of the outgoing Chairperson of the Audit Committee, Mr Antoine Antoun.

46. The Committee:
   a) considered the Annual Report of the Audit Committee for the period 1 April 2014 - 31 March 2015, and commended the work of the Audit Committee as a management and oversight tool;
   b) took note of all recommendations relevant to the work of the Audit Committee, including its analysis of financial statements, accounting, and audit activities;
   c) requested the Audit Committee to revisit the current format of its Annual Report with a view to possibly providing more detailed analysis on the issues reviewed; and
   d) approved the submission of the report to the Executive Board at its Annual Session 2015 for its consideration.

Annual Report of the Inspector General and Note by the Executive Director on the Annual Report


48. The Inspector General highlighted the opportunities for enhanced accountability provided by the public disclosure of internal audit and inspection reports with over 40 reports publicly disclosed in 2014; the revision of the internal audit report formats to allow for a more effective communication of the key messages; the enhanced focus on the identification of vendor fraud; and the strengthened provision of advisory services to WFP Management.

49. The Committee discussed Cash and Vouchers, which continued to grow in volume and importance to WFP. Audits conducted in 2014, in multiple countries, noted positive developments and highlighted opportunities for enhancing internal control.

50. The Committee was informed by the Inspector General of the implications of the fraud loss in 2014 which had increased by two fold compared to 2013, but still accounted for only 0.015% of WFP resource allocation, and identified that the increased loss resulted from the shift of investigative focus rather than a deterioration of WFP’s systematic control framework.

51. The Committee appreciated that the Inspector General, in collaboration with the Secretariat, the Audit Committee, and supported by a technical review from a major accountancy firm, had analyzed the opportunity for an overall positive assurance opinion. The Committee noted the conclusion that an overall positive assurance opinion was not appropriate at this time for WFP and that further steps would need to be identified by WFP Management taking into account resource allocation.
52. The Committee was informed by the Inspector General of challenges in Information and Communications Technology (ICT) control areas, addressed through multiple Information Technology (IT) security audits; a comprehensive risk assessment performed with the support of a specialized external consultant; and the implementation of a three-year audit plan.

53. The Committee requested clarification on the closure of high and medium risk audit recommendations and in particular on the status of the implementation of a vendor management officer as per 2013 procurement audit results. The Committee was informed that the Secretariat proactively managed risks and significant progress had been made in closing a number of recommendations in the previous year. At year end results showed a significant reduction in open agreed actions, despite an increase in audit coverage. The Committee was also informed that WFP intended to recruit a vendor management officer to design and implement an appropriate system by December 2015.

54. The Committee was provided with additional information on the risk identified of the fragmentation of budget management. This risk was being addressed through the current review of the financial architecture and regulations by WFP management.

55. The Committee raised questions with regard to the deployment of personnel with particular regards to the needs of managing multiple Level 3 emergencies and was informed that there was no audit evidence of a negative impact on the internal control environment.

56. Overall, the Committee welcomed the presentation by the Inspector General and the Chief of Staff (representing the Executive Director), and expressed its satisfaction for the constructive working relationship between the Office of Inspector General (OIG) and WFP Management in addressing Governance, risk management and control challenges.

57. The Committee:
   a) considered the Annual Report of the Inspector General along with the Note by the Executive Director on this annual report;
   b) welcomed the independence of the Office of Inspector General and positively recognized the high level of business partnership and cooperation with WFP Management;
   c) noted the favourable assurance opinion issued by the Inspector General on internal governance issues and on risk management by WFP; and
   d) requested the Board to take note of the Committee’s comments and the report submitted for its consideration.


58. The Committee discussed the Report of the External Auditor on the Management of Corporate Emergencies by WFP supported by a briefing from the External Auditor, who explained that the main objective of the performance audit was to broadly seek an assurance that WFP had been able to manage these multiple corporate emergencies economically, efficiently and effectively with the ultimate objective of maximizing prompt humanitarian assistance to the intended beneficiaries. The audit covered the WFP Rome headquarters, the Cairo, Dakar and Bangkok Regional Bureaux, the Cameroon, Philippines, and South Sudan Country Offices and the Office of the Regional Emergency Coordinator in Amman and involved all the level-three (L3) emergencies activated from January 2010 to September 2014.

59. The Committee was informed by the External Auditor that seven recommendations had been submitted to the Secretariat and that they were related to: documentation of the decision to declare L3 emergencies; follow-up of Strategic Task Force decisions; preparation of post-emergency lessons learned reports; maintenance of the OPWeb information platform; reporting financial information related to corporate emergencies; resource mobilization; and risk management. The Committee was informed that six recommendations had been accepted and one recommendation partially accepted,
and that implementation of the accepted recommendations was expected to enhance the effectiveness of the management of corporate emergencies.

60. The Committee requested and received clarification on specific issues related to how the decision to declare an L3 emergency was documented, on the follow-up of Strategic Task Force decisions, and on the criteria used to downgrade an L3 emergency. The Committee heard that the decision to declare and to downgrade an L3 emergency was directly linked to the need for a surge capacity, and that there was a distinction between a WFP-declared L3 emergency, and a system-wide L3 emergency. The Committee discussed the complementary roles of the Strategic Task Force and the Operational Task Force in managing corporate emergencies.

61. The Committee:
   a) considered the External Auditor’s report on the management of corporate emergencies and the management response;
   b) expressed its appreciation for the seven recommendations of the External Auditor, six of which were accepted and one partially accepted by the Secretariat; and
   c) encouraged WFP management to implement the recommendations within the timeline outlined in the document


62. The Committee discussed the Report of the External Auditor on Warehouse Management by WFP supported by a briefing from the External Auditor, who explained that the main objective of the performance audit was to seek assurance that WFP was economical, efficient and effective in managing its warehouses and the management of food commodities stored therein was in line with its manuals and existing guidelines. The audit covered the WFP Rome Headquarters, three selected Regional Bureaux, five Country Offices and Office of the Regional Emergency Coordinator, Amman for the period January 2012 to June 2014.

63. The Committee was informed by the External Auditor that ten recommendations had been submitted to the Secretariat and that they were related to: global guidance on warehouse management; work plan/sub-plan for warehouse management; revision of various manuals adopted by WFP; warehouse planning for space management; quality management of food commodities in warehouses; fire safety and insurance; disposal of spoiled/damaged commodities; monitoring of stocks held by cooperating partners; training of manpower for warehouse management; and lack of centralized data. The Committee was informed that all recommendations had been accepted and that their implementation was expected to enhance the efficiency and effectiveness of warehouse management.

64. The Committee requested and received clarification on specific issues related to the sampling methodology used during the audit; the frequency with which the Secretariat updated various manuals; monitoring of cooperating partner distributions and losses; reconciliation of stocks reported in the Commodity Movement Processing and Analysis System (COMPAS) and WFP Information Network and Global System (WINGS) systems; and separation of food and non-food items stored in the same warehouse facilities.

65. The Committee:
   a) considered the External Auditor's report on warehouse management and the management response and took note of its recommendations;
   b) noted with satisfaction the External Auditor’s findings and the fact that all recommendations had been accepted by the Secretariat; and
   c) encouraged WFP Management to implement the recommendations in line with the timeframes presented in the document.

66. The Committee discussed the Report on the Implementation of the External Audit Recommendations following a briefing by the Secretariat highlighting the recommendations that had been implemented and those which remained outstanding. Of the 51 outstanding recommendations brought forward from the previous report, 19 were closed by April 2015.

67. The Committee noted that the External Auditor had given views on all recommendations that the Secretariat deemed complete. The External Auditor reaffirmed that implemented recommendations were thoroughly verified and discussed with WFP management.

68. The Committee:
   a) noted the Report on the Implementation of the External Auditor Recommendations; and
   b) encouraged the Secretariat to proactively pursue the implementation of the External Audit recommendations.

Anti-Fraud and Anti-Corruption Policy

69. The Committee was briefed by the Inspector General and the Director of Inspections and Investigations on the revised Anti-Fraud and Anti-Corruption (AFAC) Policy, who explained the rationale for its revision.

70. The Committee requested clarifications on a number of points, including the consultation process, scope of application, challenges in implementation, prevention activities, reporting mechanism, judicial prosecution of perpetrators of fraud and corruption, accuracy of translation of the policy in other UN languages and proactive integrity review.

71. The Committee requested that consideration be given to additional resources that might be required by OIG for policy implementation and emphasized the need and the importance for effective prevention and training as indicated in the policy in order to enhance the prevention of fraud and corruption.

72. The Committee welcomed and appreciated WFP’s initiative to revise the current AFAC policy, agreed that the revised policy covered required elements of fraud control, and would strengthen WFP’s capability to prevent and to detect fraud and corruption.

73. The Committee:
   a) reviewed the revised Anti-Fraud and Anti-Corruption Policy; and
   b) recommended the Board to approve the Policy at the 2015 Annual session.

Other Matters

Working Methods of the Finance Committee

74. The Committee noted the importance of continually reviewing its methods of work in order to achieve its overarching goals and objectives.

75. In this regard, the Committee:
   a) recalled the importance of receiving documents from the Secretariat in accordance with the established time limits in order that the Committee has sufficient time to review documentation prior to the session;
   b) encouraged the Secretariat to explore the possibility of exchanging experiences between the Finance Committee and the Advisory Committee on Administrative and Budgetary Questions (ACABQ) on their respective review of WFP matters; and
   c) recognizing the extensive agenda and attendant workload of the Committee, encouraged the Secretariat to consider options that might alleviate that workload.
Date and Place of the Hundred and Fifty-ninth Session

76. The Committee was informed that the 159th Session was scheduled to be held in Rome from 2 to 6 November 2015.
Documents for information

- Report of the Executive Director on the Utilization of Contributions and Waivers of Costs (General Rules XII.4 and XIII.4 (h))