

May 2013

	منظمة الأغذية والزراعة للأمم المتحدة	联合国 粮食及 农业组织	Food and Agriculture Organization of the United Nations	Organisation des Nations Unies pour l'alimentation et l'agriculture	Продовольственная и сельскохозяйственная организация Объединенных Наций	Organización de las Naciones Unidas para la Alimentación y la Agricultura
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## FINANCE COMMITTEE

**Hundred and Forty-ninth Session**

**Rome, 27 - 28 May 2013**

**Financial Rules Update**

Queries on the substantive content of this document may be addressed to:

**Mr Robert Opp**

**Director, Office of Business Innovation and Support**

**World Food Programme**

**Tel: +3906 6513 2146**

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### EXECUTIVE SUMMARY

- The Executive Director has established and issued new Financial Rules with effect from 1 June 2013. The primary reasons for amending the Financial Rules were to reflect:
  - changes to WFP processes since the Rules were last issued in full in 1999;
  - the application of International Public Sector Accounting Standards (IPSAS), changes to budget processes, and the introduction of a new statement on internal control;
  - changes to procurement processes and delegated procurement authorities.
- The Legal Office and the Oversight Office reviewed the proposed Financial Rules, and their comments and suggestions were taken into account.

### GUIDANCE SOUGHT FROM THE FINANCE COMMITTEE

- The Finance Committee is invited to take note of this information document.

#### Draft Advice

- **In accordance with Financial Regulation 2.2 of WFP, the Finance Committee takes note of the “Financial Rules Update”.**

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de Alimentos

**Executive Board  
Annual Session**

**Rome, 3–6 June 2013**

# RESOURCE, FINANCIAL AND BUDGETARY MATTERS

Agenda item 6

*For information\**

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## FINANCIAL RULES UPDATE

\* In accordance with the Executive Board's decisions on governance, approved at the Annual and Third Regular Sessions, 2000, items for information should not be discussed unless a Board member specifically requests it, well in advance of the meeting, and the Chair accepts the request on the grounds that it is a proper use of the Board's time.

This document is printed in a limited number of copies. Executive Board documents are available on WFP's Website (<http://executiveboard.wfp.org>).

## NOTE TO THE EXECUTIVE BOARD

**This document is submitted to the Executive Board for information.**

The Secretariat invites members of the Board who may have questions of a technical nature with regard to this document to contact the WFP staff focal points indicated below, preferably well in advance of the Board's meeting.

Assistant Executive Director RM\*      Mr M. Juneja      tel.: 066513-2885  
and Chief Financial Officer:

Director, RMI\*\*:

Mr R. Opp      tel.: 066513-2146

Should you have any questions regarding availability of documentation for the Executive Board, please contact the Conference Servicing Unit (tel.: 066513-2645/2558).

\* Resource Management and Accountability Department

\*\* Business Innovation and Support

## EXPLANATORY NOTE ON FINANCIAL RULES

1. In accordance with Financial Regulation 2.2, the Executive Director establishes Financial Rules consistent with the General Regulations and the Financial Regulations, and circulates these Rules for information to the Executive Board, the United Nations Advisory Committee on Administrative and Budgetary Questions (ACABQ) and the Finance Committee of the Food and Agriculture Organization of the United Nations (FAO).
2. The Executive Director has established and issued new Financial Rules with effect from 1 June 2013.
3. The primary reasons for amending the Financial Rules are to reflect:
  - changes to WFP processes since the Rules were last issued in full in 1999;
  - the application of International Public Sector Accounting Standards (IPSAS), changes to budget processes, and the introduction of a new statement on internal control;
  - changes to procurement processes and delegated procurement authorities.
4. The Financial Rules also include – for the first time – a Charter of the Oversight Office promulgated by an Executive Director Circular in March 2012. The Charter is reproduced as an Annex to the Financial Rules.
5. Changes to the Financial Rules were made through consultation among the concerned offices in WFP. The Legal Office and the Oversight Office reviewed the proposed Financial Rules, and their comments and suggestions were taken into account.
6. Minor editorial changes were made to enhance consistency and clarity and improve the language or format. Numbering changes were also made to reflect the amendments.

FINANCIAL REGULATIONS	FINANCIAL RULES
<p><b>I. Definitions</b></p> <p><b>Financial Regulation 1.1:</b> For the purposes of these Regulations, and the Rules promulgated thereto, the following definitions shall apply:</p> <p><b>ACABQ</b> shall mean the United Nations Advisory Committee on Administrative and Budgetary Questions.</p> <p><b>Account</b> shall mean a formal record of an asset, liability, revenue or expense for which the effects of transactions are indicated in terms of money or other unit of measurement.</p> <p><b>Allotment</b> shall mean a financial authorization issued by the Executive Director to an official to incur obligations for specific purposes within approved budgets, within specified limits and during a specified time.</p> <p><b>Appropriation</b> shall mean the amount approved by the Board for specified purposes in the Programme Support and Administrative budget for a financial period, against which obligations up to the amount approved may be incurred for those purposes.</p> <p><b>Appropriation line</b> shall mean the largest subdivision of the programme support and administrative budget within which the Executive Director is authorized to make transfers without prior approval of the Board.</p> <p><b>Biennium</b> shall mean two financial periods starting on 1 January of each even-numbered year.</p> <p><b>Bilateral contribution</b> shall mean a contribution directed by the donor to be used to support an activity not initiated by WFP.</p> <p><b>Board</b> shall mean the Executive Board of WFP and its predecessors.</p> <p><b>Broad-based appeal</b> shall mean an appeal made by WFP or by WFP jointly with other programmes, funds or agencies for a regional project or for a number of separate country programmes, projects, or activities.</p>	<p><b>I. Definitions</b></p> <p><b>(FINANCIAL REGULATION 1.1)</b></p> <p><b>Rule 101.1:</b> The definitions set out in Financial Regulation 1.1 shall apply for the purposes of these Rules.</p>

FINANCIAL REGULATIONS	FINANCIAL RULES
<p><b>Contribution</b> shall mean a donation of appropriate commodities, non-food items, acceptable services or cash made in accordance with procedures set out in these Regulations. A contribution may be multilateral, directed multilateral or bilateral.</p> <p><b>Country Programme</b> shall mean a Country Programme approved by the Board in accordance with General Regulation VI.2 (c).</p> <p><b>Directed Multilateral Contribution</b> shall mean a contribution, other than a response to an appeal made by WFP for a specific emergency operation, which a donor requests WFP to direct to a specific activity or activities initiated by WFP or to a specific Country Programme or Country Programmes.</p> <p><b>Direct support cost</b> shall mean a cost which can be directly linked with the provision of support to an operation and which would not be incurred should that activity cease.</p> <p><b>Executive Director</b> 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.</p> <p><b>Ex gratia payment</b> shall mean a payment made when there is no legal liability, but the moral obligation is such as to make payment desirable.</p> <p><b>Finance Committee</b> shall mean the Finance Committee of FAO.</p> <p><b>Financial period</b> shall mean one calendar year starting on 1 January.</p> <p><b>Financial Rules</b> shall mean the Rules established under Financial Regulation 2.2.</p> <p><b>Financial Statements</b> shall mean formal presentation of financial information showing the income and expenditure for a given period and assets and liabilities at the end of that period, including notes, which form an integral part thereof.</p> <p><b>FAO</b> shall mean the Food and Agriculture Organization of the United Nations.</p>	

FINANCIAL REGULATIONS	FINANCIAL RULES
<p><b>Full-cost recovery</b> shall mean the recovery of operational costs, direct support costs and indirect support costs in full.</p> <p><b>Fund</b> shall mean an accounting entity with a self-balancing set of accounts recording cash and other financial and non-financial resources, together with related liabilities and residual equities or balances, and changes therein. Funds are segregated for the purpose of conducting specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.</p> <p><b>General Fund</b> shall mean the accounting entity established for recording, under separate accounts, indirect support cost recoveries, miscellaneous income, operational reserve and contributions received which are not designated to a specific programme category, project or a bilateral project.</p> <p><b>General Regulations</b> shall mean the General Regulations of the World Food Programme, as approved by the General Assembly of the United Nations and the Conference of FAO.</p> <p><b>General Rules</b> shall mean the General Rules of the World Food Programme, as approved by its Executive Board.</p> <p><b>IEFR</b> shall mean the International Emergency Food Reserve.</p> <p><b>Indirect support cost</b> shall mean a cost which supports the execution of projects and activities but cannot be directly linked with their implementation.</p> <p><b>IRA</b> shall mean the Immediate Response Account of the IEFR.</p> <p><b>Management Plan</b> shall mean the three-year comprehensive plan of work approved each year on a rolling basis by the Board, inclusive of planned outcomes and indicators of achievement, together with the annual WFP Budget.</p>	

FINANCIAL REGULATIONS	FINANCIAL RULES
<p><b>Multilateral contribution</b> shall mean a contribution, for which WFP determines the Country Programme or WFP activities in which the contribution will be used and how it will be used, or a contribution made in response to a broad-based appeal for which WFP determines, within the scope of the broad-based appeal, the Country Programme or WFP activities in which the contribution will be used and how it will be used, and for which the donor will accept reports submitted to the Board as sufficient to meet the requirements of the donor.</p> <p><b>Obligation</b> shall mean a written commitment of monies resulting in a liability against an allotment.</p> <p><b>Operational costs</b> shall mean any costs, other than direct support costs or indirect support costs, of WFP projects and activities.</p> <p><b>Operational reserve</b> shall mean monies maintained as an account within the General Fund to be used to ensure continuity of operations in the event of a temporary shortfall of resources.</p> <p><b>Programme category</b> shall mean a classification of WFP activities as established in accordance with the General Rules.</p> <p><b>Programme category fund</b> shall mean an accounting entity established by the Board for the purposes of accounting for contributions, income and expenditures for each programme category.</p> <p><b>Programme support and administrative budget</b> shall mean the portion of the WFP Budget that pertains to providing indirect support to WFP's activities.</p> <p><b>Project</b> shall mean a separately identified undertaking within a programme category.</p> <p><b>Project agreement</b> shall mean a document, howsoever designated, executed in accordance with the provisions of General Regulation XI.</p>	

FINANCIAL REGULATIONS	FINANCIAL RULES
<p><b>Special account</b> shall mean an account established by the Executive Director for a special contribution, or for monies earmarked for specific activities, the balance of which may be brought forward to the succeeding financial period.</p> <p><b>Trust fund</b> shall mean an identifiable subdivision of the WFP Fund, established by the Executive Director in order to account for a special contribution, the purpose, scope and reporting procedures of which have been agreed with the donor.</p> <p><b>WFP Budget</b> shall mean the annual budget component of the Management Plan approved each year by the Board indicating estimated resources and expenditures for programmes, projects and activities and shall include a Programme Support and Administrative budget.</p> <p><b>WFP Fund</b> shall mean the World Food Programme fund established in accordance with General Regulation XIV.1, comprised of the General Fund, the programme category funds, trust funds and special accounts.</p>	
<p><b>II. Applicability</b></p>	<p><b>II. Applicability (FINANCIAL REGULATIONS 2.1 AND 2.2)</b></p>
<p><b>Financial Regulation 2.1:</b> These Financial Regulations, adopted pursuant to General Regulation XIV.5, shall govern the financial management of the WFP Fund. The Board may, in exceptional circumstances, grant exemptions from these Financial Regulations.</p>	<p><b>No rule issued</b></p>
<p><b>Financial Regulation 2.2:</b> The Executive Director shall establish Financial Rules, consistent with the General Regulations and these Financial Regulations, to ensure effective financial administration and the exercise of economy. The Executive Director shall circulate the Financial Rules for information to the Board, the ACABQ and the Finance Committee.</p>	<p><b>Rule 102.1:</b> These Rules are established by the Executive Director pursuant to the Financial Regulations and under the authority given in Financial Regulation 2.2 for the effective financial administration of and the exercise of economy in WFP.</p>
	<p><b>Rule 102.2:</b> The Executive Director may make documented exceptions to these Rules. A record of those exceptions shall be made available to the External Auditor as stipulated in Rule 113.7 (c).</p>
	<p><b>Rule 102.3:</b> The Executive Director shall issue such administrative instruments or instructions and establish such procedures as he or she may deem necessary for the proper and detailed administration of these Rules.</p>

FINANCIAL REGULATIONS	FINANCIAL RULES
<p><b>III. Accountability</b></p> <p><b>Financial Regulation 3.1:</b> The Executive Director shall be fully responsible and accountable to the Board for the financial management of the activities of WFP.</p>	<p><b>III. Accountability (FINANCIAL REGULATION 3.1)</b></p> <p><b>Rule 103.1:</b> All officials are accountable to the Executive Director for the regularity of the actions taken by them in the course of their official duties. Any official who takes any action contrary to the Financial Regulations or these Rules, or to instructions issued pursuant to the Financial Regulations or these Rules, may be held personally responsible and financially liable for the consequences of such action.</p>
<p><b>IV. Resources</b></p> <p><b>Financial Regulation 4.1:</b> The resources of WFP shall consist of:</p> <p>(a) contributions made pursuant to Article XIII of the General Regulations;</p> <p>(b) miscellaneous income, including interest on investments; and</p> <p>(c) contributions received in trust as set forth in Financial Regulation V.</p>	<p><b>IV. Resources (FINANCIAL REGULATIONS 4.1–4.7)</b></p> <p><b>No rule issued</b></p>
<p><b>Financial Regulation 4.2:</b> Contributions to support the purposes of WFP shall be recorded under the following funds and accounts:</p> <p>(a) programme category funds;</p> <p>(b) the General Fund;</p> <p>(c) trust funds; or</p> <p>(d) special accounts.</p>	<p><b>Rule 104.1:</b> Contributions in cash in currencies other than United States dollars shall be recorded in the equivalent of United States dollars converted at the prevailing United Nations operational rate of exchange at the date of the confirmed contribution. Any amount resulting from the possible difference between the rate used to record the confirmed contribution and the rate of exchange used at the date the contribution is received shall be recorded against the contribution to align the confirmed contribution to the amount effectively received and converted.</p>
<p><b>Financial Regulation 4.3:</b> The Board shall establish a target level for the IRA for each financial period. The target level should be maintained by annual replenishment contributions from donors, when possible, by repayment of advances made for eligible operations or activities.</p> <p><b>Financial Regulation 4.4:</b> Each donor shall be responsible for all costs of its commodity and non-food contributions 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.</p> <p><b>Financial Regulation 4.5:</b> Except as otherwise specified in paragraph 4 of General Rule XIII, each donor contributing commodities or non-food items shall be responsible for related transportation costs as well as all associated operational and support costs. The donor shall also be responsible for the costs of unloading and internal transport and any necessary technical and administrative supervision, and all associated operational and support costs, where the responsibility of the government of the recipient country for these costs is waived by the Executive Director in accordance with General Regulation XII.3.</p>	<p><b>No rule issued</b></p>

FINANCIAL REGULATIONS	FINANCIAL RULES
<p><b>Financial Regulation 4.6:</b> The Executive Director, under guidelines established by the Board and in consultation with the donor and the recipient country, may approve the sale of commodities for cash if in the Executive Director's opinion such case will contribute more effectively to the objectives of the Country Programmes, projects or activities in question. The responsibility of managing the generated financial resources will rest with the holder of the title of commodities at the time of sale. The Executive Director shall retain in all circumstances responsibility for monitoring the management of resources so generated through audit requirements or other measures. When the Executive Director determines that it is in the best interest of the project or activity for WFP to manage the generated financial resources belonging to the recipient government, WFP will enter into a trust fund arrangement with the government. The delineation of the respective responsibilities of WFP, the donor, and the recipient government in the management of such trust fund shall be in accordance with the guidelines established by the Board.</p> <p><b>Financial Regulation 4.7:</b> Governments of recipient countries are expected to contribute a substantial portion of costs of WFP 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.</p>	
<p><b>V. Trust Funds and Special Accounts</b></p> <p><b>Financial Regulation 5.1:</b> Trust funds and special accounts may be established by the Executive Director for specified purposes consistent with the policies, aims and activities of WFP. The Executive Director shall report all such trust funds or special accounts to the Board.</p> <p><b>Financial Regulation 5.2:</b> The purpose and limits of each trust fund and special account shall be clearly defined and contributions thereto shall be on a full cost recovery basis.</p>	<p><b>V. Trust Funds and Special Accounts (FINANCIAL REGULATIONS 5.1–5.2)</b></p> <p>No rule issued</p>
<p><b>VI. Approvals of Country Programmes and Projects</b></p> <p><b>Financial Regulation 6.1:</b> To provide for continuity in the programming and implementation of WFP assistance to country programmes and projects, approvals for the purposes of the proposed utilization of resources and of the entering into commitments in respect of activities shall remain valid for the duration of each Country Programme or Project.</p>	<p><b>VI. Approvals of Country Programmes and Projects (FINANCIAL REGULATION 6.1)</b></p> <p>No rule issued</p>

FINANCIAL REGULATIONS	FINANCIAL RULES
<p><b>VII. Strategic Plan</b></p> <p><b>Financial Regulation 7.1:</b> The Executive Director shall forward the Strategic Plan to the ACABQ and the Finance Committee for their review and shall thereafter submit to the Board their comments and recommendations.</p>	<p><b>VII. Strategic Plan (FINANCIAL REGULATION 7.1)</b></p> <p>No rule issued</p>
<p><b>VIII. Country Programmes and Projects</b></p> <p><b>Financial Regulation 8.1:</b> Approval of a Country Programme, project or operation shall normally constitute authority for the Executive Director to issue allotments, incur obligations and expend resources for the Country Programme, project or operation, subject to signature of the Country Programme, project or operation agreement. However, the Executive Director may incur obligations and expend resources during project preparation, if necessary, to fill the food pipeline for the project for the first three months, not exceeding one quarter of total funding requirements.</p>	<p><b>VIII. Country Programmes and Projects (FINANCIAL REGULATIONS 8.1–8.2)</b></p> <p><b>Rule 108.1:</b> Every project proposal shall include a project budget covering the entire duration of the project, which will set out:</p> <p>(a) the expected contributions to the project, in cash or in kind, by the Government, WFP and, as appropriate, other donors; and</p> <p>(b) a phased plan of expenditure, sub-divided where applicable by calendar years.</p>
<p><b>Financial Regulation 8.2:</b> Except as may be specifically agreed with donors, the financial administration of activities financed by special accounts or trust funds shall be governed by these Regulations.</p>	<p><b>Rule 108.2:</b> In respect of approved project budgets, the Executive Director shall issue allotments which will specify the officials who will be responsible, under the authority of the Executive Director, for entering into obligations and authorizing expenditures. Such allotments may be issued on a project-by-project basis, or may combine all or part of the cash components of two or more projects.</p>
<p><b>IX. Management Plan</b></p> <p><b>Financial Regulation 9.1:</b> The Executive Director shall propose a Management Plan, including a WFP budget for the subsequent financial period, and submit it to the ACABQ and the Finance Committee in accordance with the General Regulations of WFP.</p> <p><b>Financial Regulation 9.2:</b> The Executive Director shall submit the proposed Management Plan, as well as the reports thereon of the ACABQ and Finance Committee, to the Board at its last regular session of each calendar year. The proposed Management Plan shall be circulated to members of the Board not later than 60 days before the session.</p> <p><b>Financial Regulation 9.3:</b> The proposed Management Plan shall include the estimated resources and expenditures for each programme category and shall show proposed appropriations for programme support and administrative services in such separate main appropriation lines as may be decided by the Board.</p>	<p><b>IX. Management Plan (FINANCIAL REGULATIONS 9.1–9.9)</b></p> <p>No rule issued</p>

FINANCIAL REGULATIONS	FINANCIAL RULES
<p><b>Financial Regulation 9.4:</b> The proposed Management Plan will include:</p> <ul style="list-style-type: none"> <li>(a) planned outcomes and indicators of achievement;</li> <li>(b) comparative tables setting out the proposals for the following financial period, the approved WFP Budget for the current financial period as modified in the light of actual receipts and expenditures; and</li> <li>(c) such statistical data, information, explanatory statements, and staffing tables including those with regard to the second and third years of the Management Plan period, as may be requested by the Board or considered appropriate by the Executive Director.</li> </ul> <p><b>Financial Regulation 9.5:</b> The Board shall consider the proposed Management Plan, and the related reports of the ACABQ and the Finance Committee, and shall approve the Management Plan, including the WFP Budget, prior to the beginning of the financial period covered by the WFP Budget.</p>	
<p><b>Financial Regulation 9.6:</b> The Board's approval of the Management Plan, including the Budget, shall constitute:</p> <ul style="list-style-type: none"> <li>(a) acceptance of the WFP programme of work for the following financial period and an authorization to the Executive Director to proceed with the implementation of the programme of work; and</li> <li>(b) an authorization to the Executive Director to allocate funds, issue allotments, incur obligations and make payments for the purposes for which the appropriation was approved, up to the amount so approved.</li> </ul>	<p><b>Rule 109.1:</b> After the WFP Budget has been approved by the Board, the Executive Director shall issue authorizations to designated officials to incur obligations and make payments under the authority of the Executive Director. These authorizations may take the form of:</p> <ul style="list-style-type: none"> <li>(a) authorized staffing tables indicating the number and level of posts for the organizational unit(s) concerned;</li> <li>(b) allotments of financial resources for specified expenditure purposes controlled by the official(s) so identified; or</li> <li>(c) any other authorization to commit financial resources for a specific purpose or a specified period.</li> </ul>
	<p><b>Rule 109.2:</b> The official(s) to whom an allotment or authorization has been issued pursuant to Rules 109.1 and 108.2 shall be responsible for ensuring that obligations and expenditures remain within the relevant allotment or authorization and are incurred for the purposes for which they were authorized. Any obligation or expenditure beyond the authorized level shall require the prior authorization of the Executive Director.</p> <p><b>Rule 109.3:</b> The Executive Director may exceptionally make commitments against resources anticipated for future financial periods if he or she decides it is in the interest of WFP to enter into such commitments, which shall normally be restricted to support requirements of a continuing nature or be based on other guarantee mechanisms approved by the Board.</p>

FINANCIAL REGULATIONS	FINANCIAL RULES
<p><b>Financial Regulation 9.7:</b> The Executive Director may make transfers within each of the main appropriation lines of the approved programme support and administrative budget. The Executive Director may also make transfers between appropriation lines up to limits the Board may specifically set.</p> <p><b>Financial Regulation 9.8:</b> The Executive Director may propose a revision in the Management Plan, including a supplementary budget, for the financial period in a form and manner consistent with the Management Plan.</p> <p><b>Financial Regulation 9.9:</b> Appropriations for programme support and administrative services shall remain available for twelve months following the end of the financial period to which they relate, to the extent they are required to discharge any outstanding legal obligations. At the end of that twelve-month period, the remaining balance of any appropriation shall revert to the General Fund. Any unliquidated obligations shall at that time be cancelled or, where the obligations remain a valid charge, transferred to an obligation against current appropriations.</p>	<p>No rule issued</p>
<p><b>X. The WFP Fund</b></p> <p><b>Financial Regulation 10.1:</b> The WFP Fund shall be subdivided into a General Fund, programme category funds, trust funds, and such other funds as the Board may establish from time to time. The Executive Director shall establish such accounts within the WFP Fund as are necessary to implement these Regulations.</p> <p><b>Financial Regulation 10.2:</b> All contributions to WFP shall be credited to the relevant programme category fund, trust fund, General Fund or special account and all expenditures shall be charged to the relevant fund.</p> <p><b>Financial Regulation 10.3:</b> All contributions will be classified as multilateral, directed multilateral, or bilateral. The Executive Director may accept bilateral contributions only if they are for activities consistent with the objectives and policies of WFP's mission statement and compatible with assistance provided by WFP in the recipient country. The Executive Director shall report all contributions to the Board.</p> <p><b>Financial Regulation 10.4:</b> In respect of each bilateral contribution accepted under Regulation 10.3 of these Regulations, the Executive Director shall establish a trust fund.</p>	<p><b>X. The WFP Fund (FINANCIAL REGULATIONS 10.1–10.9)</b></p> <p>No rule issued</p>

FINANCIAL REGULATIONS	FINANCIAL RULES
<p><b>Financial Regulation 10.5:</b> Within the General Fund, there shall be maintained an operational reserve at a level to be determined from time to time by the Board, on the recommendation of the Executive Director and after having considered the advice of 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 resources. The Board shall establish guidelines for the use of the operational reserve.</p> <p><b>Financial Regulation 10.6:</b> Drawdowns from the Operational Reserve shall be restored as soon as possible from the contributions made for the purpose for which the drawdown was made. At the end of each financial period, the Executive Director should determine any such forecast or confirmed contributions that are uncollectable and for which expenditure was incurred and request the Board to approve the replenishment of the Operational Reserve from the unearmarked portion of the General Fund. Such requests shall be made at the time of the presentation of the audited annual accounts.</p> <p><b>Financial Regulation 10.7:</b> The Board may establish other reserves as required.</p> <p><b>Financial Regulation 10.8:</b> The resources of the WFP Fund shall be used exclusively for the operational and support expenses of WFP. Furthermore, resources of the WFP Fund may be used to advance working capital to projects based on forecast contributions up to a ceiling which will be approved and reviewed periodically by the Board.</p> <p><b>Financial Regulation 10.9:</b> All income other than contributions received shall be classified as miscellaneous income, subject to the provisions of Financial Regulation 11.3 below.</p>	
<p><b>XI. Management of Financial resources</b></p>	<p><b>XI. Management of Financial resources (FINANCIAL REGULATIONS 11.1–11.3)</b></p>
<p><b>Financial Regulation 11.1:</b> The Executive Director shall designate the bank or banks in which the monies of the WFP Fund will be kept.</p>	<p><b>Rule 111.1:</b> The Executive Director shall establish all official bank accounts as may be required for operational purposes of WFP. The Executive Director shall designate official(s) authorized to amend the signatory panels.</p> <p><b>Rule 111.2:</b> If at an office away from WFP Headquarters it is necessary to open a bank account at such short notice that there is not time to make the necessary arrangements, the head of the office may open the account subject to the following:</p> <p>(a) wherever possible, the bank shall be a branch of one of the banks designated under Financial Regulation 11.1;</p> <p>(b) the bank shall be informed that the account is an official account of WFP, and that the bank is authorized to provide to the Executive Director any information that the Executive Director may request concerning the account; and</p>

FINANCIAL REGULATIONS	FINANCIAL RULES
	<p>(c) an immediate report shall be made to the Executive Director on the account opening, by electronic mail or fax.</p>
	<p><b>Rule 111.3:</b> All bank accounts shall be reconciled on a regular basis with the statements submitted by the banks.</p>
<p><b>Financial Regulation 11.2:</b> Monies not required immediately may be invested by the Executive Director, bearing in mind the need for safety, liquidity and profitability.</p> <p><b>Financial Regulation 11.3:</b> Income from investments shall be credited, where applicable, to the related special account, and in all other cases to the General Fund as miscellaneous income. Unless otherwise specified by the contributor, interest accrued on donor funds administered by WFP for bilateral services shall be credited to the IRA.</p>	<p><b>Rule 111.4:</b> For the purpose of investment of financial resources under Financial Regulation 11.2, the Executive Director shall issue from time to time investment policy circulars and other policy instruments, and may avail of appropriate outside expertise.</p> <p><b>No rule issued</b></p>
<p><b>XII. Internal Control</b></p>	<p><b>XII. Internal Control (FINANCIAL REGULATIONS 12.1–12.4)</b></p>
<p><b>Financial Regulation 12.1:</b> The Executive Director shall establish internal controls, including internal audit and investigation, 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 the best prevailing practices of governmental and commercial management and shall, <i>inter alia</i>, ensure:</p> <p>(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;</p> <p>(b) the regularity of the receipt, custody and disposal of all resources of WFP;</p> <p>(c) the conformity of expenditures and obligations with the appropriations, allotments or other authorizations approved, as the case may be, by the Board, or by the Executive Director.</p>	<p><b>Rule 112.1:</b> All obligations must be properly certified, and all expenditures properly approved:</p> <p>(a) certification of an obligation means that the duly designated certifying officer attests that the commitment being made can properly be recorded against the relevant project allotment or other authorization, and that financial resources are available in that allotment or other authorization to satisfy that commitment;</p> <p>(b) approval of a payment means that the duly designated approving officer is satisfied, on the basis of supporting documentation, that the goods or services for which payment is claimed have been received or rendered in accordance with the terms of the contract or related obligation; that payment has not previously been made; and that no other information which would otherwise bar the payment is available;</p> <p>(c) the Executive Director shall designate certifying officers and approving officers;</p> <p>(d) except where physically impossible in the case of small field duty stations, no certifying officer shall at the same time be an approving officer;</p> <p>(e) the authority and responsibilities of certifying and approving officers are personal, and cannot be delegated.</p>
	<p><b>Rule 112.2:</b> Independent internal audits, inspections and investigations shall be conducted in accordance with the Charter of the Oversight Office (as set out in the Appendix to these Financial Rules).</p>

FINANCIAL REGULATIONS	FINANCIAL RULES
<p><b>Financial Regulation 12.2:</b> An obligation, regardless of the source or purpose of the monies, shall be incurred only after the relevant allotment has been made in writing by or under the authority of the Executive Director.</p>	<p><b>Rule 112.3:</b> All proposed expenditures shall first be recorded as a commitment at the time the obligation legally arises.</p> <p><b>Rule 112.4:</b> The Executive Director shall have certification authority for all accounts of the WFP Fund.</p> <p><b>Rule 112.5:</b> All payments shall be made by cheque or bank transfer, except to the extent that cash payments are authorized by the Executive Director or, in offices outside Headquarters, by a duly authorized official on his/her behalf. All cheques or payment instructions shall be signed by two authorized signatories. Receipts shall be obtained for all payments.</p> <p>All payments shall be made to the beneficiaries stipulated in the contracts, purchase orders or other relevant committing documents.</p> <p>Control mechanisms shall be established to obtain confirmation of receipt of all cash payments by their beneficiaries.</p> <p><b>Rule 112.6:</b> Payments shall be recorded in the accounts on the date the cheque was issued, the bank transfer requested or the cash disbursed.</p> <p><b>Rule 112.7:</b> For financial resources received by WFP, an official pre-numbered receipt shall be issued by a duly authorized official as of the date the financial resources are received. All financial resources received shall be recorded in the accounts as of the date they are received. All financial resources received shall be deposited in an official bank account not later than the business day following the day of receipt.</p> <p><b>Rule 112.8:</b> Petty cash advances may be made to officials designated by the Executive Director, the amount thereof being held to a minimum compatible with working requirements.</p> <p><b>Rule 112.9:</b> Officials to whom petty cash advances are issued shall use them only for the purposes for which the advance was authorized, and shall be held personally responsible and financially liable for the proper management and safekeeping of the cash advanced. They shall keep all cash and negotiable instruments in safe custody.</p> <p><b>Rule 112.10:</b> Offices outside Headquarters may obtain funds through remittances from Headquarters at a level established by the Executive Director for each office.</p>
<p><b>Financial Regulation 12.3:</b> The Executive Director may make such <i>ex gratia</i> payments as the Executive Director deems necessary in the interest of WFP. The Executive Director shall report all such payments to the Board with the financial statements.</p>	<p><b>No rule issued</b></p>

FINANCIAL REGULATIONS	FINANCIAL RULES
<p><b>Financial Regulation 12.4:</b> 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 financial statements.</p>	<p><b>Rule 112.11:</b> The Executive Director may, after full investigation, authorize the writing-off of losses of cash, commodities and other assets deemed to be irrecoverable. The investigation shall, in each case, fix the responsibility, if any, attaching to any official(s) for the loss. Such official(s) may be required to reimburse the loss either partially or in full.</p>
<p><b>Financial Regulation 12.5:</b> 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 Financial Regulation is necessary.</p>	<p><b>RULES COMMON TO ALL PROCUREMENTS (FINANCIAL REGULATION 12.5)</b></p> <p><b>Rule 112.12:</b> The Executive Director shall designate a procurement authority for all procurement actions. Procurement authority shall mean an official having delegated authority to authorize the procurement action, to enter into contractual arrangements with third parties on behalf of WFP financially obligating WFP and, subsequently, to approve the relevant payments.</p>
	<p><b>Rule 112.13:</b> In cases where the advice of a procurement review committee is required and the procurement authority decides not to follow the advice of the relevant committee, the procurement authority shall record and document the reasons for such decisions.</p>
	<p><b>Rule 112.14:</b> Except as otherwise provided in Financial Regulation 12.5 and these Rules, all procurement actions shall be undertaken in line with the public procurement principles of best value for money, competition, fairness and transparency and the interests of WFP.</p>
	<p><b>Rule 112.15:</b> Each determination or decision taken by an official pursuant to Rules 112.20 to 112.28 below shall be appropriately recorded and shall be supported by the written findings of that official.</p>
	<p><b>Rule 112.16:</b> The Executive Director may authorize the use of long-term agreements or other procurement modalities when this is in the Programme's interests. Long-term agreement shall mean a contract between WFP and a supplier that is established for a definite period of time for specific goods or services at a prescribed price or pre-determined pricing mechanism and with no legal obligation for WFP to order any minimum or maximum quantity.</p>
	<p><b>Rule 112.17:</b> Procurement contracts or purchase orders shall be used, as appropriate, for every procurement action.</p>
	<p><b>Rule 112.18:</b> Except where normal commercial practice or the interests of WFP so require, no advance or progress payments shall be made in advance of the delivery of goods or performance of services contracted for. However, the Executive Director may authorize advance or progress payments, in which case the reasons thereof shall be recorded.</p>

FINANCIAL REGULATIONS	FINANCIAL RULES
	<p><b>Rule 112.19:</b> The Executive Director may cooperate with other organizations of the United Nations system to meet the procurement requirements of WFP, provided that the regulations and rules of those organizations are consistent with those of WFP. The Executive Director may, as appropriate, enter into agreements for such purposes. Such cooperation may include carrying out common procurement actions together, adopting or entering into a contract relying on a procurement decision of another United Nations organization including accepting the awards made by the contracts review committees of other organizations, participating in joint contract review committees or requesting another United Nations organization to carry out procurement activities on behalf of WFP.</p> <p><b>PROCUREMENT OF FOOD COMMODITIES AND RELATED PACKAGING</b></p> <p><b>Rule 112.20:</b> For the procurement of food commodities and related packaging, the following shall apply:</p> <ul style="list-style-type: none"> <li>(a) procurement of food commodities and related packaging will be made on the basis of competition, international or local, or a combination of these, as decided by the Executive Director in the light of availability, ease and speed of transport, and other relevant factors;</li> <li>(b) except as provided under Rule 112.20 (d) at least three bids or quotations shall be requested from recognized reputable suppliers of the commodity in question;</li> <li>(c) where competition has been initiated, the best value offer shall be selected, taking into account such factors as: price, specifications, transportation costs, timelines of delivery, packing, official or international grades or standards, where applicable and accepted in trade, and other requirements;</li> <li>(d) where prices and/or other terms of commodity sales are controlled by national legislation or by regulatory bodies, the government agency concerned will be asked to submit its lowest quotation;</li> <li>(e) where the procurement is effected from a government agency, the Executive Director shall ensure that the price offered is competitive, taking into account price indications, including transport costs, from alternative sources of supply for a comparable type and grade of commodity;</li> <li>(f) when conditions are equal, preference will be given to procuring from developing countries;</li> <li>(g) the Executive Director shall establish a structure of food purchases committees at Headquarters and offices outside Headquarters that will evaluate and analyse, in line with their delegated authorities, all offers received in relation to the procurement of food commodities and related packaging and render advice to the appropriate procurement authority.</li> </ul>

FINANCIAL REGULATIONS	FINANCIAL RULES
	<p><b>Rule 112.21:</b> In accordance with Financial Regulation 12.5, the requirements for the procurement process under Rule 112.20 may be waived by the Executive Director for specific circumstances as laid out by the Executive Director. The application of such specific circumstances established by the Executive Director as a basis for waivers, must be approved on a case-by-case basis by the relevant procurement authority before the procurement action is initiated and must be appropriately documented and recorded.</p> <p><b>PROCUREMENT OF TRANSPORTATION AND INSURANCE</b></p> <p><b>Rule 112.22:</b> For the transportation of commodities arranged by WFP, and related insurance and superintendence services, the following shall apply:</p> <p>(a) in the case of liner vessels, the rate of freight shall be as determined through negotiation with the shipping conference or line concerned, or as may be determined by applicable trade tariffs. In all cases the decision on the choice of carrier shall take into account, <i>inter alia</i>, the rate of freight, the reputation of the line and the quality of the service offered;</p> <p>(b) in the case of charter vessels, competitive proposals shall be sought through a panel of international shipbrokers appointed by the Executive Director. Selection of an offer shall be based on the rate offered, the suitability of the vessel and the reputation of the owner, and on the result of any subsequent rate negotiations;</p> <p>(c) in the case of landside transport:</p> <ul style="list-style-type: none"> <li>(i) overland transport and related logistics services: <ul style="list-style-type: none"> <li>• for consignments of up to 2,000 tons, clearing and forwarding agents shall be appointed on a competitive basis and the selection shall be made, <i>inter alia</i>, on the basis of the rate offered, corporate credentials submitted and, where applicable, prior WFP experience; and</li> <li>• for consignments of over 2,000 tons, at least three locally registered companies in the transit or recipient countries shall be invited to quote for transportation including, where applicable, bagging and stevedoring services in accordance with established delivery terms and other relevant conditions. The selection shall be made, <i>inter alia</i>, on the basis of the rate offered, capacity, adherence to delivery terms and other conditions of the contract and, where applicable, prior experience.</li> </ul> </li> <li>(ii) internal transport and other related logistics services: <ul style="list-style-type: none"> <li>• arrangements for internal transport shall be made on a competitive basis through the issuance of requests for quotation to at least three reputable transporters. Selection of an offer should be based, <i>inter alia</i>, on the rates offered, capacity, adherence to delivery terms of the contract, and where applicable, prior experience.</li> </ul> </li> </ul>

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- the Country Director shall establish a Local Transport Committee that will evaluate and analyse all the valid offers received and render advice to the procurement authority.
- (d) air transport shall require the specific authorization of the Executive Director. Competitive offers shall, where possible, be sought from suitable aircraft owners or operators and from one or more reliable airbrokers. Selection shall be made after negotiation, in the light of:
- (i) the rates quoted for freight, costs of positioning and de-positioning, daily standing charges, war risk insurance premium, if any, and other related expenses;
  - (ii) the suitability of the aircraft and reputation of its owner or operator; and
  - (iii) the immediate availability of the aircraft.
- (e) insurance arrangements in respect of transportation and other activities shall be periodically reviewed, by obtaining indications of rates from various markets for diverse types of cover, to ensure that WFP's coverage is the most suitable available in the light of cost and other relevant factors. Cover shall be placed at regular intervals on the basis of an evaluation of quotations received from reputable insurance companies or brokers. The Executive Director may authorize write-offs or waivers of insurance claims if, in his or her opinion, these are irrecoverable;
- (f) arrangements for stevedoring, warehousing, reconditioning of damaged cargo, special ad hoc insurance arrangements and other ancillary services and supplies shall be concluded as required by WFP in the light of operational needs and of the rates and quality of service offered;
- (g) forwarding agents, overland forwarders, superintendents and chartering brokers shall be appointed wherever possible after review of questionnaires or requests for offers sent to selected companies and of subsequent interviews. Selection shall be made on the basis of perceived competence and quality of services offered. Where these procedures are not practicable because of the limited number of available candidates, the limited scope of the operation, or because of urgency, the appointment shall be made on the basis of the best information available to the Executive Director. The Executive Director shall arrange for regular evaluation of the performance of agents, forwarders, superintendents and brokers referred to in this sub-paragraph.

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(h) demurrage resulting from failure by the recipient government to ensure quick berthing and unloading of a vessel shall be a charge to the government, and dispatch earned by prompt turnarounds shall be credited to the government. However, in cases where WFP has made special arrangements, for operational reasons, resulting in WFP assuming responsibility for demurrage or dispatch, neither demurrage will be charged nor dispatch credited to the recipient government;

(i) the Executive Director shall designate the procurement authority for all arrangements for transportation, insurance and related services. The procurement authority will decide, based on the advice of relevant officials who will analyse and evaluate all quotes or offers received, on the selection of the offer.

**Rule 112.23:** The Executive Director shall establish an Oversight Committee on Commodities and an Oversight Committee on Transport and Insurance, which will review on a quarterly basis the adequacy of the arrangements set out in Rules 112.20 and 112.22 and, in particular, the manner in which relevant selection procedures have been used, and will make related recommendations to the Executive Director. These Committees shall selectively review ex post facto:

- (i) contracts concluded for purchases of food commodities and related packaging;
- (ii) contracts concluded for transportation by sea, land or air;
- (iii) general rate agreements;
- (iv) insurance arrangements;
- (v) appointments of agents, forwarders, superintendents and brokers under Rule 112.22(g); and
- (vi) agreements for stevedoring, warehousing and ancillary services.

Based on this review the Committees may make recommendations to the Executive Director on:

- proposed insurance write-offs and waivers of demurrage claims against recipients with an estimated value of over US\$25,000.
- policy issues on procurement of commodities and related packaging and transportation, insurance and related services which may affect WFP's operations.

<p style="text-align: center;"><b>FINANCIAL REGULATIONS</b></p>	<p style="text-align: center;"><b>FINANCIAL RULES</b></p> <p><b>PROCUREMENT OF OTHER GOODS AND SERVICES</b></p> <p><b>Rule 112.24:</b> All procurement of goods and services (including construction and major rehabilitation of infrastructure), other than those covered by Rules 112.20 and 112.22, shall be done on a competitive basis and carried out by the issuance of solicitation documents, which are either in the form of invitations to bid, requests for quotations or requests for proposal, to be delivered to at least three reputable suppliers of the relevant goods and services.</p> <p><b>Rule 112.25:</b> Requests for quotation, invitations to bid, or requests for proposal shall be issued in accordance with procedures established by the Executive Director.</p> <p><b>Rule 112.26:</b> The Executive Director shall establish a Goods and Services Purchase and Contracts Committee at Headquarters and at offices outside of Headquarters which will review and examine all bids, quotes and proposals received and render advice to the relevant procurement authority for the following procurement of goods and services under Rule 112.24.</p> <ul style="list-style-type: none"> <li>(a) all procurement actions (competition and waivers) involving commitments either as a single request or a series of related requests with a total value of US\$500,000 or more at Headquarters or US\$100,000 or more at offices outside Headquarters;</li> <li>(b) all long term agreements including their renewals or amendments other than the exercise of an existing option to extend at the same terms and conditions;</li> <li>(c) proposed purchase orders against long-term agreements with a value exceeding the thresholds set out in Rule 112.26(a);</li> <li>(d) all renewals or amendments of existing contracts which will result in an additional cost to WFP of 10 percent or more of the accumulated cost of the original obligation plus all related amendments;</li> <li>(e) proposed purchase orders or contracts for a value of US\$100,000 or over that have been subsequently cancelled, and related reasons and justifications;</li> <li>(f) all procurement actions that are recommended for award and do not adhere to procurement policy and procedures;</li> <li>(g) such other policy issues and procurement actions resulting from the review of contracts and purchases, as it may consider appropriate to submit to the procurement authority or to the Executive Director.</li> </ul>
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<p style="text-align: center;"><b>FINANCIAL REGULATIONS</b></p>	<p style="text-align: center;"><b>FINANCIAL RULES</b></p> <p>Proposed contracts or purchase orders below the amounts specified in Rule 112.26 (a) shall not be reviewed by a Goods and Services Purchase and Contracts Committee, provided that there is a recorded assessment of competitive and responsive quotations prepared by the responsible procurement officer. All exceptions shall be documented by the responsible procurement officer for review by the appropriate procurement authority who may request the review and advice of the relevant Goods and Services Purchase and Contracts Committee.</p> <p>The Executive Director shall define a level of small value (micro) purchases and establish streamlined procedures for the purchase of such items.</p> <p><b>Rule 112.27:</b> All procurement of goods and services other than those under Rules 112.20 and 112.22, shall be awarded based on the following:</p> <p>(a) in the case of invitations to bid and requests for quotation, contracts or purchase orders shall be awarded to the best qualified supplier or contractor submitting the most technically acceptable and lowest bid or quote, provided that if the interests of WFP so require any or all bids or quotes may be rejected. In the latter instance, the reasons for rejection shall be recorded and a determination made whether to invite new competitive tenders or to enter into a negotiated contract;</p> <p>(b) in the case of requests for proposals, contracts or purchase orders shall be awarded to the qualified supplier or contractor whose bid substantially conforms to the requirements set forth in the solicitation documents and whose proposal (technical and financial) is considered to be the best value and the most responsive to the needs of WFP.</p> <p><b>Rule 112.28:</b> The requirements for the procurement process under Rule 112.27, may be waived by the Executive Director for specific circumstances as laid out by the Executive Director. The application of such specific circumstances established by the Executive Director as a basis for waivers, must be approved by the relevant procurement authority before the procurement action is initiated and must be appropriately documented and recorded.</p> <p style="text-align: center;"><b>INVENTORY AND ASSET MANAGEMENT</b></p> <p><b>Rule 112.29:</b> Physical inventories shall be taken of equipment, supplies and other assets on an annual basis, or at such shorter intervals as may be required to ensure adequate control over such equipment, supplies and other assets.</p>
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FINANCIAL REGULATIONS	FINANCIAL RULES
	<p><b>Rule 112.30:</b> All equipment, supplies or other assets received by WFP shall immediately be inspected to ensure that the items comply with the specifications of the purchase contracts and that their condition is satisfactory. On receipt of an item, a goods received note shall be raised and details of the item entered into the asset management records. No goods received notes shall be raised before the relevant asset has been received.</p>
	<p><b>Rule 112.31:</b> Equipment, supplies and other assets shall be issued only to authorized officials.</p>
	<p><b>Rule 112.32:</b> Equipment or other assets issued to individuals for their own official use, such as personal computers, calculators or tools, shall be recorded in the asset records as equipment or other assets assigned to the individual. The relevant individual is personally responsible and accountable for the return of the item in its original condition "allowing for normal wear and tear". Failure to present the item in question during the semi-annual physical count, on separation from service and after written notice is served within a reasonable time, will constitute personal liability and restitution to WFP should be made either in cash or in kind.</p>
	<p><b>Rule 112.33:</b> The Executive Director shall establish Property Survey Boards, at Headquarters and in offices outside Headquarters, for the review of:</p> <ul style="list-style-type: none"> <li>(a) shortages and overages of, and damage to, assets ascertained through inventories or by other means; and</li> <li>(b) assets that become surplus or unserviceable through obsolescence or normal wear and tear.</li> </ul>
	<p><b>Rule 112.34:</b> Reviews of assets:</p> <ul style="list-style-type: none"> <li>(a) Reviews of assets by a duly constituted Property Survey Board under Rule 112.33 shall comprise:             <ul style="list-style-type: none"> <li>(i) an investigation into the cause of any shortage or overage of and damage to assets, and recommended actions to be taken thereon;</li> <li>(ii) recommendations on disposal of assets which have become surplus or unserviceable through obsolescence or normal wear and tear.</li> </ul> </li> <li>(b) Such reviews shall in each instance indicate the degree of responsibility, if any, attaching to any official for shortage, overage or damage.</li> </ul>

FINANCIAL REGULATIONS	FINANCIAL RULES
	<p><b>Rule 112.35:</b> Disposal of assets declared surplus or unserviceable by a duly constituted Property Survey Board shall be made by competitive bidding, unless the Property Survey Board:</p> <ul style="list-style-type: none"> <li>(a) considers that the exchange of assets in partial or full payment for replacement assets is in the best interests of WFP;</li> <li>(b) determines that the destruction of the surplus or unserviceable assets will be more economical or is required by law or by the nature of the asset; or</li> <li>(c) determines that the best interests of WFP will be served by disposal, by donation or sale at nominal prices, to a government or some other non-profit organization.</li> </ul> <p>Any exception to this rule must be documented by a statement signed by the constituted Property Survey board.</p> <p><b>Rule 112.36.</b> Delivery of disposed assets shall be made only on confirmation that the consideration has been received by and is available to WFP.</p> <p><b>Rule 112.37:</b> The proceeds from the sale of assets shall be credited as miscellaneous income to the source of funds charged with the purchase thereof.</p>
<p><b>XIII. Financial Statements</b></p> <p><b>Financial Regulation 13.1:</b> The Executive Director shall submit to the Board for its approval annual financial statements in respect of the WFP Fund, including its funds and accounts. These financial statements shall be prepared in accordance with the International Public Sector Accounting Standards (IPSAS).</p>	<p><b>XIII. Financial Statements (FINANCIAL REGULATIONS 13.1–13.3)</b></p> <p><b>Rule 113.1:</b> The Executive Director shall establish and maintain financial records, systems and procedures providing accurate and timely information required for internal management purposes, for the preparation of the financial statements in respect of the WFP Fund, for submission to the External Auditor, and for reporting to the Board, the Advisory Committee on Administrative and Budgetary Questions and the Finance Committee.</p> <p><b>Rule 113.2:</b> The principal accounts shall consist of:</p> <ul style="list-style-type: none"> <li>(a) project accounts by programme category showing: <ul style="list-style-type: none"> <li>(i) project identification number;</li> <li>(ii) project budget allocations;</li> <li>(iii) disbursements and unliquidated obligations (direct operational costs, direct and indirect support costs); and</li> <li>(iv) unencumbered balances of project budget allocations.</li> </ul> </li> <li>(b) the General Fund, programme support and administrative accounts, special accounts, and trust liabilities showing: <ul style="list-style-type: none"> <li>(i) approved appropriations;</li> <li>(ii) allotments made;</li> <li>(iii) disbursements;</li> </ul> </li> </ul>

FINANCIAL REGULATIONS	FINANCIAL RULES
	<ul style="list-style-type: none"> <li>(iv) unliquidated obligations;</li> <li>(v) unencumbered balances of allotments;</li> <li>(vi) unencumbered balances of appropriations; and</li> <li>(vii) trust and other liabilities.</li> </ul> <p>(c) trust funds;</p> <p>(d) general ledger accounts showing, for the WFP Fund, all income, expenditure, cash at banks, investments, receivables and other assets, reserves, payables and other liabilities.</p>
<p><b>Financial Regulation 13.2:</b> The financial statements shall be presented in United States dollars. Accounting records may also be kept in such other currencies as the Executive Director may deem necessary.</p>	<p><b>Rule 113.3:</b> The Executive Director shall formulate the retention and disposal policy of financial records and all supporting documents establishing such periods as necessary, except for those periods pertaining to outstanding audit issues which may be agreed with the External Auditor, after which they may be destroyed on the authority of the Executive Director.</p> <p><b>Rule 113.4:</b> Conversion of records into other currencies shall be in accordance with International Public Sector Accounting Standards (IPSAS). For project accounts, losses and gains on exchange shall be charged or credited to the account of the project concerned, when feasible. For administrative budget accounts, losses or gains shall be charged or credited to miscellaneous income. For trust funds and special accounts, losses or gains shall be charged or credited to the relevant trust fund or special account.</p>
<p><b>Financial Regulation 13.3:</b> The Executive Director shall certify the financial statements, and submit them not later than 31 March following the end of each financial period, to the External Auditor for examination and opinion.</p>	<p><b>Rule 113.5:</b> The Executive Director shall certify that, to the best of his or her knowledge and information, all transactions have been properly entered in the accounting records and that these transactions together with the financial statements present fairly the financial position of WFP.</p> <p><b>Rule 113.6:</b> The Executive Director shall provide with the financial statements a separate statement on internal control within WFP.</p>
	<p><b>Rule 113.7:</b> In addition to the financial statements, the Executive Director shall provide to the External Auditor a summary of significant accounting policies and information on:</p> <ul style="list-style-type: none"> <li>(a) ex-gratia payments;</li> <li>(b) losses and write-offs of cash and other assets;</li> <li>(c) exceptions to these Rules; and</li> <li>(d) such other information as the External Auditor may require.</li> </ul>

FINANCIAL REGULATIONS	FINANCIAL RULES
<p><b>XIV. External Audit</b></p> <p><b>Financial Regulation 14.1:</b> 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.</p> <p><b>Financial Regulation 14.2:</b> The External Auditor shall be appointed through a competitive selection process for a non-renewable six-year term. Another appointment may be possible after a break of at least one term.</p> <p><b>Financial Regulation 14.3:</b> The audit shall be conducted in accordance with Common Auditing Standards of the Panel of External Auditors of the United Nations, the Specialized Agencies and the International Atomic Energy Agency and in accordance with the additional terms of reference set out in the Annex to these Regulations.</p> <p><b>Financial Regulation 14.4:</b> 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.</p> <p><b>Financial Regulation 14.5:</b> The External Auditor shall be completely independent and solely responsible for the conduct of the audit.</p> <p><b>Financial Regulation 14.6:</b> The Board may request the External Auditor to perform specific examinations and issue separate reports thereon.</p> <p><b>Financial Regulation 14.7:</b> The Executive Director shall provide the External Auditor with the facilities he or she may require in the performance of the audit and any specific examination requested by the Board.</p> <p><b>Financial Regulation 14.8:</b> 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 Financial Regulation 14.4 and in the additional terms of reference.</p> <p><b>Financial Regulation 14.9:</b> External audits will be conducted exclusively by the External Auditor appointed by the Board, provided that for the purpose of making a local or special examination or of effecting economies of audit cost, the External Auditor may engage the services of any national Auditor-General (or person exercising an equivalent function) or commercial public auditors of known repute or any other person or firm who, in the opinion of the External Auditor, is technically qualified.</p>	<p><b>XIV. External Audit (FINANCIAL REGULATIONS 14.1–14.9)</b></p> <p>No rule issued</p>

**ANNEX**

**Charter of the Oversight Office**  
**(Executive Director's Circular No.: EDD2012/002 dated 15 March 2012)**

**Establishment**

1. The Executive Board establishes Financial Regulations to govern the management of the WFP Fund under General Regulation XIV.5. The Oversight Office (OS) is established by the Executive Director under Financial Regulation 12.1. The Oversight Office comprises two units: the Office of Internal Audit (OSA), and the Office of Inspections and Investigation (OSI). The Director of OS performs the role of Chief Audit Executive as well as of Inspector General.

**Purpose**

2. The mission of the Oversight Office is to provide assurance to the Executive Director on governance, policy, risk, resources, operations and accountability through independent and objective oversight services; and to facilitate WFP's adoption and implementation of best United Nations and private-sector practices to enable managers to provide assurance on their work to the Executive Director.

**Organization**

3. The Director of OS reports and is accountable to the Executive Director.
4. The Executive Director takes all decisions regarding the appointment and removal of the Director of OS, on advice of the Audit Committee and with prior consent of the Executive Board. Termination should be for just cause, as per established procedures for WFP staff, and subject to the Board's review and consent. The Inspector General's tenure will be of a four-year term, renewable once, without the possibility of further employment within WFP at the end of the term.

**Authority**

5. OS, with strict accountability for confidentiality and safeguarding records and information, has full, free and unrestricted access to any and all WFP records, physical properties, and personnel considered by the Director of OS to be pertinent to the work of OS. All personnel are, within the framework of due process rights applicable to WFP employees, required to assist OS in carrying out its activities.
6. OS has full, free and unrestricted access to the Executive Board (in a manner consistent with the Rules of Procedure of the Executive Board) and the Audit Committee.

### **Professionalism**

7. The Director of OS may delegate authority to OS staff to carry out oversight work, but may not delegate the responsibility to achieve the OS mandate.
8. The Director of OS is responsible for ensuring that policies, procedures and practices are established and applied for all OS activities in order that OS may operate efficiently and effectively and its services contribute to improving the Programme's operations and administration.
9. The Director and staff of OS shall abide by the Standards of Conduct for the International Civil Service and shall at all times maintain and safeguard their independence, objectivity, and professionalism in fulfilling the responsibilities assigned under this Circular.
10. Oversight activities carried out by OS staff, including its consultants, are performed in accordance with the Institute of Internal Auditors' mandatory guidance (including the Definition of Internal Auditing, the Code of Ethics and the Standards), the Uniform Principles and Guidelines for Investigations adopted by the Conference of International Investigators, this Circular and OS policies, practices and procedures.

### **Independence and objectivity**

11. The oversight activity of OS will remain free from interference by any element in WFP, including matters of engagement selection, scope, procedures, frequency, timing or report content.
12. The Executive Director will ensure that OS is provided with the necessary resources in terms of appropriate staffing, adequate funds and appropriate training to achieve its mission and maintain its independence. To ensure independence, the Director of OS has managerial responsibility and control over the human and financial resources of the Division while abiding by WFP's rules and regulations.
13. OS will have no direct operational responsibility or authority over any of the activities reviewed. OS will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair oversight staff's judgement.
14. The reviews, appraisals and advice provided by OS do not in any way substitute or relieve management of WFP of the responsibilities assigned to them.

### **Responsibility**

15. The oversight services provided by OS include internal auditing, investigation, inspection and advisory functions. The scope of work includes all systems, processes, operations and activities undertaken by WFP.
16. The Director of OS will verify and report on the integrity, efficiency and effectiveness of WFP's management, administration and operations.
17. The Director of OS is responsible for issuing reports on the results of audit, investigation, and inspection work as soon as practicable after the audit, investigation, or inspection work has been completed.

18. The scope of internal auditing encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the entirety of WFP's internal control, governance and risk management processes as well as the quality of performance in carrying out assigned responsibilities to achieve WFP's stated goals and objectives.
19. The scope of investigations encompasses a legally based and analytical process designed to gather information in order to determine whether a wrongdoing has occurred and, if so, the persons or entities responsible. Investigations are conducted in response to allegations of violations of rules, regulations, policies, standards and other issuances.
20. The scope of inspections encompasses the provision of objective information to management about field offices, units in Headquarters and processes, in order to assist management in ensuring optimal use of resources and compliance with regulatory instruments and Executive Board decisions, to facilitate accountability and ensure effective monitoring systems, and to recommend actions to promote effectiveness, efficiency and integrity.
21. OS provides advisory services, which are principally initiated by management requests and relate to advice on development and review of policies, guidance, systems and work processes.
22. OS work seeks to determine whether WFP's network of internal control, governance, and risk management processes, as designed and represented by management, is adequate and functioning in a manner to ensure that:
  - a. Risks to achieving Programme-wide objectives, results and outcomes are appropriately identified, analysed, managed, including through interaction with the various governance groups;
  - b. Significant financial, managerial, and operating information is accurate, reliable and timely;
  - c. Staff and management's actions are in compliance with policies, procedures, standards, guidelines, and applicable rules and regulations;
  - d. Resources are acquired economically, used efficiently, and adequately protected;
  - e. Continuous qualitative improvements are fostered in the Programme's control processes; and
  - f. Allegations of irregularities (fraud, waste, malfeasance, abuse of authority, etc.) are investigated and that efforts are made to promote an ethical working environment.
23. Opportunities for improving management control, cost effectiveness and the Programme's image identified through OS's work are communicated to the appropriate level of management.

#### **Responsibilities of WFP management and staff members**

24. WFP managers and staff members must, within the framework of due process rights applicable to WFP employees:
  - a. Cooperate fully with OS inspections, internal audits, investigation and other reviews and provide support, as required, at all levels;
  - b. Provide prompt and unrestricted access to all WFP records (paper and electronic), documents, personnel, premises and physical assets and timely responses to all queries and requests made by OS;
  - c. Provide a response to OS reports and recommendations in a timely manner and implement oversight recommendations, as agreed;

- d. Seek the agreement of OS before carrying out activities for securing external services that fall within the OS mandate of internal audit, inspection and investigation; and
  - e. Inform OS of known significant failures of the Programme's internal control systems, any fraud or weakness that would permit fraud, and significant issues relating to the efficient and effective use of resources.
25. Management shall implement oversight recommendations as appropriate, and shall in all cases provide timely information to OS on the implementation status of recommendations. Should the responsible manager not agree with an oversight recommendation, OS may escalate the matter to a senior manager, up to and including the Executive Director, and if required to the Audit Committee.
26. When the Director of OS believes that senior management has accepted a level of residual risk that may be unacceptable to the organization, the Director of OS must discuss the matter with senior management. If the decision regarding residual risk is not resolved, the Director of OS must report the matter to the Executive Director for resolution.

### **Work planning**

27. At least annually, the Director of OS will submit a work plan to the Executive Director for approval after receiving comments thereon from the Audit Committee. The work plan will include a flexible internal audit work plan developed based on appropriate risk-based methodology.

### **Reporting and monitoring**

28. The Director of OS is responsible for preparing an annual report of OS activities, including a summary of significant oversight findings and the implementation status of recommendations, and confirmation of the organizational independence of OS activities, and submitting this report to the Executive Board in accordance with General Regulation VI.2 (b) (viii).
29. The Director of OS is responsible for expressing an annual assurance opinion on the adequacy and effectiveness of internal controls, governance and risk management processes in achieving WFP's objectives.
30. The Director of OS is responsible for preparing summary periodic reports of OS activities including significant oversight findings and implementation status of recommendations, and submitting these reports to the Executive Director and the Audit Committee.
31. The Director of OS will submit internal audit, inspection and investigation reports to the Executive Director, and appropriate senior management. The Director of OS will submit these reports to the Audit Committee, External Auditor and other parties upon their request and in line with WFP policies.
32. OS will be responsible for appropriate follow-up and reporting on internal audit, investigation and inspection recommendations.

**Amendments to this Circular and related Directives**

33. The Director of OS is responsible for applying this Circular, reviewing it periodically and proposing changes to keep it up-to-date to the Executive Director. The Director of OS is requested to issue the necessary directives to accomplish its mission.
34. This Circular, approved by the Executive Director taking into consideration comments of the Audit Committee, shall form an annex to the Financial Rules and be communicated to the Executive Board. Amendments to this Circular are subject to the approval of the Executive Director taking into consideration the comments of the Audit Committee.
35. This Circular supersedes ED Circulars ED2001/009, ED2005/007 and ED2009/002.
36. This Circular is effective immediately.