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منظمة
الغذية والزراعة
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FINANCE COMMITTEE

Hundred and Seventy-first Session

Rome, 29 - 31 May 2018

Annual Report of the Audit Committee

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

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EXECUTIVE SUMMARY

- The “Annual Report of the Audit Committee” is submitted to the Board for consideration.
- The Executive Summary of the “Annual Report of the Audit Committee” is included within the main document presented to the Committee for its review.

GUIDANCE SOUGHT FROM THE FINANCE COMMITTEE

- The Finance Committee is requested to endorse WFP’s “Annual Report of the Audit Committee” for consideration by the Executive Board.

Draft Advice

- **In accordance with Article XIV of the General Regulations of WFP, the FAO Finance Committee advises the WFP Executive Board to take note of the “Annual Report of the Audit Committee”.**



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For consideration

Executive Board documents are available on WFP's website (<https://executiveboard.wfp.org>).

Annual Report of the Audit Committee

Draft decision*

The Board takes note of “Annual Report of the Audit Committee” (WFP/EB.A/2018/6-E/1).

To the Executive Board

The WFP Audit Committee is pleased to submit its Annual Report to the Executive Board for consideration, as required under the WFP Audit Committee Terms of Reference¹ decided at the 2011 second regular session and updated at the June and November 2017 Executive Board sessions.

The report is intended as a summary of the principal activities and opinions of the Audit Committee from 1 April 2017 to 31 March 2018. The latter date coincides with finalization of the annual financial statements – a prime focus of the Audit Committee. More detailed information on the committee's activities can be found in the Audit Committee's meeting minutes, action items attached to meeting minutes and summaries of discussions with the WFP Executive Board Bureau.

The Audit Committee stands ready to discuss the report or any other aspect of its work with the Board.

Suresh P. Kana
Chairperson
April 2018

* This is a draft decision. For the final decision adopted by the Board, please refer to the Decisions and Recommendations document issued at the end of the session.

¹ WFP Audit Committee Terms of Reference.

Executive summary

The Audit Committee implemented its work plan in accordance with its terms of reference with the full cooperation of the Executive Director and management. Neither substantial internal control weaknesses nor misstatements in the March 2018 financial statements were brought to the committee's attention. The Audit Committee relied on assurances and presentations from management, the Office of the Inspector General and the External Auditor.

The Audit Committee has been fully engaged in the personnel changes in the Office of the Inspector General and is pleased with the calibre and competence of the new Inspector General. The Audit Committee has also assured itself of the full independence and capability of the Office of the Inspector General to conduct independent investigations at its discretion.

The WFP Oversight Framework, first presented in 2011, is being updated following a request from the Board. The Framework is presented in the spirit of ensuring that as the organization evolves, its governance framework and reporting arrangements continue to meet stakeholders' needs. The framework recognizes the milestones in the evolution, governance and reporting at WFP since 2011. The Audit Committee has provided its comments on the draft updated Framework.

Overall risk management and internal control processes continue to improve. Management demonstrates a willingness to continue driving improvement and modification of controls as WFP processes change.

In March, the Audit Committee reviewed preliminary reports that were to be disseminated by the External Auditor regarding the findings from the audit of food losses and from the audit of the up and down scaling of operations. Although the Audit Committee was comfortable with the food losses rate of 1 percent, it suggested that there is room for improvement in the detection and measurement of food losses. On up and down scaling of operations the Audit Committee cautioned that the redefining of the Level 3 emergency protocols system-wide could result in the risk of donors mistakenly withdrawing their support in the belief that it was no longer needed.

Overall, the Audit Committee believes that in 2017 WFP gave appropriate attention to risk management and internal controls. With the next country strategic planning process, the Integrated Road Map and the new financial framework – with its more detailed coverage through activity-based processes for costing and data capture – the role of risk management and internal controls will become even more important.

In 2017, given the expiration of the terms of Mr Rose and Ms Petruškevičienė, the Audit Committee participated in the selection process of two new members. The Audit Committee welcomes the appointment of Ms Agnieszka Slomka-Golebiowska and Mr Pedro Guazo as new members. The committee elected Mr Suresh P. Kana as Chair of the Audit Committee.

Introduction and function of the Audit Committee

Terms of reference

1. The Audit Committee (AC) terms of reference which were adopted by the Board at its 2011 second regular session were revised at the 2017 annual session of the Executive Board to specifically include the oversight strengthening activities such as the advice on the performance of the Inspector General and Director, Oversight Office and on the annual plan for oversight activities of the Oversight Office. The terms of reference were further expanded at the 2017 second regular session to include the oversight of ethics within WFP as part of its core mandate and to change the composition of the selection panel. The AC Rules of Procedure, which provide additional guidance, are included as Annex I of this document. No changes are proposed to the Rules of Procedure for the Audit Committee.

2. The AC's responsibilities include advising the Board and the Executive Director on:
 - internal audit;
 - risk management and internal controls;
 - financial statements;
 - accounting;
 - external audit;
 - values and ethics; and
 - allegations of inappropriate activity.

Composition of the Audit Committee

3. A list of the AC's current members is provided in Annex II. This composition reflects gender and regional balances as determined by the Board.
4. With two new members on the AC, the AC appointed Mr Suresh P. Kana as Chair.

Audit Committee activities

5. This report covers the period from 1 April 2017 to 31 March 2018. It provides an overview of the AC's work and highlights issues that require the attention of the Board and the Executive Director.
6. The AC met three times during this period – in July 2017, December 2017 and March 2018. Between formal meetings, telephone conferences were held by AC members or by the AC Chair with the Inspector General, WFP management, the External Auditor or the Executive Board Secretary regarding matters that required the AC's attention. The Executive Director met with the AC in December 2017 and the Deputy Executive Director in July 2017 and March 2018 respectively. The AC also met with the Director of Internal Audit and the Director of Investigations.
7. On the first and last days of each meeting, the AC holds executive sessions for members only, generally with WFP's Executive Director or Deputy Executive Director. These sessions focus on strategic issues and provide the AC with insights into WFP's priorities and needs. The sessions are also used to share the AC's insights and concerns with the Executive Director/Deputy Executive Director and to communicate matters requiring the Executive Director's urgent attention.
8. The AC's meetings with the Executive Board Bureau continue to be an essential link to the Board: the Bureau provides the consolidated views and priorities of WFP's Member States, and provides the AC's primary means of advising the Board on the status of WFP governance, risk and control efforts.
9. The Independent Audit Advisory Committee (IAAC) of the United Nations held the second meeting of the United Nations System Oversight Committees on 12–13 December 2017 at the United Nations headquarters in New York. At this meeting the WFP was commended for its governance model's maturity and practices. Mr Suresh P. Kana, AC Chair, attended the meeting,
10. Field visits are critical for AC members' understanding of WFP's operations. Visits are planned in consultation with the Deputy Executive Director, the Executive Board Bureau, the Executive Board Secretariat and country directors. Expenses are covered by the AC budget and are minimized by arranging travel in the geographic region of the AC member participating in the field visit.

11. The AC is committed to continuing to gain a regional or country perspective on WFP's operations at minimal cost to WFP by undertaking field visits or holding AC meetings in regional or country offices, with visits to field operations included in the agenda. A field visit to Zimbabwe is planned for later this year.
12. Audit committees in the public and private sector are charged with assessing their organizations' risk-management efforts. This includes the assessment of management's effort to: i) establish, with the governing board, the organization's risk appetite; and ii) assess and mitigate enterprise risks within that risk appetite. The AC noted the efforts made by the Deputy Executive Director, senior management and the Executive Board Bureau in discharging these duties as well as revising the oversight framework for WFP.

Risk management and internal controls

13. An effective enterprise risk management (ERM) programme adequately underpinned by a sound system of internal controls is vital for a large and widespread global organization such as the WFP, and the AC noted the WFP's efforts at strengthening both its ERM and internal controls. Equally, the AC recognized that even the most well designed ERM and internal controls programme can neither eliminate all risks nor prevent negative untoward events.
14. Accordingly, the AC recommends that the Board and management continue in their task to refine their statements of risk appetite so that it is more applicable and useful in different types of risk setting; and to communicate the level of risk the WFP is organizationally willing to take under various circumstances which balance meeting humanitarian needs with other operational objectives such as minimizing inefficiencies, curtailing waste and preventing fraud.
15. Overall, the AC believes that in 2017 WFP gave appropriate attention to risk management and internal controls. With the next country strategic planning process, the IRM and the new financial framework – with its more detailed coverage through activity-based processes for costing and data capture – the role of risk management and internal controls will become even more important.
16. WFP's work on ERM and internal controls are based on the following activities:
 - a) Work carried on by the newly established Enterprise Risk Management Division, which identifies risks that may affect individual business units – comprising the country offices, regional bureaux and divisions in its headquarters at Rome – as well as risks that are germane to the organization as a whole, especially so in emergencies. The AC noted that in addition to the 14 major areas of risk identified in WFP's corporate risk register (see paragraph 16 below), the organization is developing a more comprehensive risk taxonomy that involves four broad risk categories (strategic, operational, fiduciary and financial) which together incorporate 15 risk types and 39 risk sub-types. At present, this is work-in-progress and, hence, the AC is not yet in a position to comment on its efficacy.
 - b) As regards statements of assurance on the effectiveness of internal controls, the AC noted that for 2017 these have been certified and signed along with Letters of Representation by 100 percent of the directors in 135 field offices, regional bureaux and the headquarters in Rome. The signatories have included the Deputy Executive Director, Assistant Executive Directors, regional directors, country directors, directors of all WFP Offices, and Directors of divisions in headquarters. While the results derived from the assurance statements indicate the strengthening of internal controls, there remains room for improvement, especially in the quality and regular updating of the risk registers, in some matters relating to fraud and in instances where there are operational changes.

- c) Internal audits carried out by the Office of the Inspector General (OIG) to provide assurance on governance, policy, risk, resources, operational and accountability issues through independent and objective oversight services.
17. The AC noted that every WFP office is expected to maintain an up-to-date risk register. At the corporate level, there are 14 major risks identified in the Corporate Risk Register, each with its i) risk category, ii) likelihood, iii) impact, iv) risk level, and v) risk owner(s). Major risks that may adversely affect achieving the objectives of the WFP as a whole are included and periodically updated in this register.
 18. Of the 14 key risks in the Corporate Risk Register, some are particularly relevant for the WFP in the context of the next Strategic Plan, the Integrated Road Map (IRM), the country strategic planning (CSP) process, the new Financial Framework Review (FFR) and the Corporate Results Framework (CRF). These are:
 19. *Inability to meet humanitarian commitments.* This is getting increasingly concerning with every passing year, given the sharp increase in the number, scale and intensity of Level 2 (L2) and Level 3 (L3) humanitarian emergencies, mostly in West Asia and Africa, but also more recently in Bangladesh on account of the huge influx of refugees from Myanmar. At present there are five L2 and six L3 crises, with some others probably in the horizon such as the possibility of a severe drought in the Sahel. Such a number of L2 and L3 crises is unprecedented in the history of WFP. Most of these today are protracted conflict-driven emergencies rather than natural disasters, and require not only immediate humanitarian intervention but also significantly longer-term presence and response. The risks relate to the availability of properly trained and experienced staff, the difficulties in maintaining multiple surge deployments of both people and associated logistics across different geographies over long periods of time as well as ensuring adequate funding. The AC noted this as a serious and strategic risk that could not only affect the WFP's operations but also its reputation as a swift and efficient humanitarian emergency response organization.
 20. *Lack of structured workforce planning, including building sufficient and ongoing skills for initiatives such as cash-based transfers (CBTs).* The WFP operates in complex environments characterized by extremely difficult operating conditions and rapidly escalating humanitarian contexts. Given these circumstances, the organization requires a flexible, agile and constantly re-trained workforce. In a milieu of growing protracted emergencies and increasing donors' pressure to justify their funding commitments, the WFP's capacity to deliver results depends on the skills of its employees and their commitment to its mandate. As examples, some country offices are finding it challenging to attract and retain adequately qualified employees, especially in conflict areas; and, in instances, a forced over-reliance on short-term employees has resulted in high turnover and gaps in knowledge retention.
 21. Regarding CBTs, the WFP's fastest growing operations, 2017 saw total transfers of USD 1.3 billion (up by 52 percent from USD 854 million in 2016), covering over 9.17 million enrolled beneficiaries across 40 countries. The share of CBTs in total funding is likely to be even greater in the future. The AC noted that designing appropriate CBT schemes at the country-level, choosing the right cooperating partners, implementing complex CBT programmes involving multiple intermediaries and delivery agencies while ensuring that the benefits actually accrue to the desired beneficiaries, and backing all this up with common data dashboards require skills that are quite different from those needed in food distribution. Moreover, given that these are cash-based transfers involving either cash or vouchers, these lend to higher risks of financial misfeasance and fraud than the supply of food.

22. Recognizing the potential risks in the CBT area, the AC suggested the need to: i) design appropriate risk appetite thresholds for each of the major CBT programmes; ii) better 'data-mine' and utilize the vast and rapidly increasing CBT data sets through data analytics and related tools, which can help the organization to design dynamic and data-indicated risk controls; iii) be extremely vigilant with the enormous amount of digitized beneficiary data stored in its dedicated IT system called SCOPE, especially in an era of rapidly increasing digital data theft and increasing demands for data privacy; and iv) align, where possible, the risk control frameworks in the CBTs with other non-cash programmes of the WFP.
23. In addition, as in the earlier year, the AC advised in favour of not only investing in people with the requisite skills but also on greater oversight and appropriate controls of CBT programmes without deleteriously affecting their speed and efficiency. The AC believed that the current distributed and heterogeneously administered nature of the CBT programmes, while useful in its early stages and inevitable in some geographies, needs to be streamlined into a common set of platforms to ensure greater efficiencies and effectiveness of the various programmes.
24. *Challenging funding environment.* Although the WFP secured record funding for 2017, the overall funding environment remains challenged due to significantly higher long-term beneficiary needs of a growing number of simultaneous L2 and L3 emergencies. The AC noted that combating this requires multiple initiatives such as advocacy for longer-term flexible and more predictable funding, local resource mobilization initiatives, increased contribution from non-traditional donors including a well-motivated and implementable private sector funding programme, demonstrating a transparent methodology for resource allocation and linked to the new activity based financial framework which is being presently incorporated in the management information system of the various CSPs.
25. *Fraud and corruption risks.* The AC noted that, while reported instances of such fraud and the amounts involved, seemed to be relatively low compared to the scale of operations and relief outlays of the WFP, there has been an increase of reported malfeasance in various geographies. These instances, in most part, arose out of relatively low levels of cooperating partner capacity in some geographies and programmes, increasing operational risks in extremely difficult crises zones.
26. The growth of CBTs, which are intrinsically amenable to fraud increases this risk. The AC therefore urged that greater attention be paid to such risks, as these have negative reputational effects on the organization. Equally, the AC recognized that neither the WFP, nor any humanitarian organization or donor nation welfare programmes can operate with zero fraud. However, it urged that known and reported fraud or clear red flags for fraud must have immediate action and zero tolerance for those determined to have committed fraud. The AC noted that regarding CBTs, the enormous donor, intermediary and cooperating partner data available in SCOPE should be used for three-way matching to proactively reduce the risk of fraud.
27. *Negative perception of the WFP's work and ethical culture.* A geometric growth in media and social media coverage coupled with the expansion of the WFP's humanitarian work across several geographies, sustained negative reports on the WFP's work could impact fundraising, staff recruitment and the organization's high standing in the global humanitarian community. The AC noted that such a risk could be mitigated by better public communication, rapid creation of the official, data-based media position, a more proactive communication and media strategy especially in social media and by creating response templates that could be rolled out to the regional bureaux, country offices and managers in charge of specific programmes.

Internal audit and investigations

28. OIG followed the agreed audit plan during the reporting period.
29. The AC also examined the opinion of OIG based on its internal audits, inspections, investigations and assurance services.
30. OIG comprises two units: the Office of Internal Audit (OIGA) and the Office of Inspections and Investigations (OIGI). The work and output of both these units played a role in OIG's assurance opinion for 2017.
31. OIG's audit universe comprises 180 organizational entities (of which 83 are classified as field entities, and 83 comprise global headquarters entities, processes, regional bureaux and liaison offices, and 14 are ongoing corporate emergencies). A separate assessment detailed the IT audit universe (60 entities, processes and applications). All auditable units are ranked according to the probability of identified risks occurring and the consequences of the risks, and rated on a three-point scale: high, medium or low. Based on this methodology, 18 audits were completed in 2017, of which six were thematic and process audits, nine were field operations audits and three were IT audits.
32. Of the 18 audit reports issued in 2017, 2 were satisfactory, 15 partially satisfactory and 1 was not rated. There were significant improvements noted in emergency operations audited in Nigeria, Somalia and Yemen. One report, Joint Internal Audit of the Management of CERF Funded Activities in Ethiopia, was not rated.
33. In 2017, OIG focused on the following risk areas: ERM; IT and data; beneficiary management and SCOPE; CBT controls and reconciliations; fraud prevention and detection; Food for Assets; the Integrated Road Map; and Emergency operations (Nigeria, Somalia, Syria+5 and Yemen).
34. The AC scrutinized the significant efforts of WFP in 2017 into the implementation of the IRM looking to gain transparency and effectiveness with the change management process. OIG reported to the AC about underestimation of the resources required in countries transitioning to the IRM, and limited time allowed for the validation of underlying assumptions, course correction, and identification of potential design issues through lessons learned exercises conducted in the pilot countries. Too much discretion of country directors and management, may be challenging for second line monitoring and oversight functions.
35. At the March 2017 meeting, the AC discussed the regional bureaux oversight function. The AC welcomed that the internal control framework explicitly designated the regional bureaux as one of the management functions providing the second line of defense. The AC suggests clarity regarding the respective roles of country offices, regional bureaux and headquarters in oversight.
36. The AC regularly reviews the consolidated list of outstanding audit recommendations and continues to note the high rate of acceptance of internal audit recommendations by WFP management and the follow-up on implementation of uncompleted agreed actions. The number of overdue actions significantly dropped in 2017 to 15 from 74 in 2016.
37. The AC supports the Inspector General's focus on the risks of fraud and corruption. The AC was updated on the significant changes made to the Proactive Integrity Review (PIR) Manual, noting that PIRs are fraud audits based on the fraud risk assessment.

38. OIGI's investigative reports are focused on substantiating allegations of fraud and corruption, violations of key policies, lack of supervisory controls, and breakdowns in the segregation of duties. In general, OIGI's work emphasized the need to implement and enforce existing controls rather than developing new controls. However, investigations and PIRs involving vendors and non-governmental organizations (NGOs) have highlighted WFP's need to improve the selection, management and monitoring of its partners over performance, contract adherence, and governance capabilities. Management has not yet fully implemented the actions agreed in the audit of WFP's Management of NGO Partnerships (issued in October 2016) with most actions postponed to 2018, and the audit of WFP's Procurement of Goods and Services (issued in June 2016) with some actions overdue.
39. The AC acknowledged that current external as well as internal changes require greater resources and skills for WFP's risk management, internal audit and assurance functions, including more skills-based staffing of OIG. Hence, the AC supported the views of OIG with regard to the Joint Inspection Unit (JIU) report State of Internal Audit in the United Nations System which included benchmarking information on what internal audit spend in relation to other United Nations agencies. This information indicated that in relation to Overall Organizational Budgets of all United Nations agencies, WFP was spending the lowest percentage on internal audit. It was noted however that OIG's proposal to management is to increase its overall OIG budget USD 7.2 million in 2018 to USD 11.4 million in 2020.
40. The AC approved the audit and assurance plan for 2018.

Treasury and investment oversight

41. The AC received information on the performance of WFP's short-term investment portfolio in the 2017 Annual Report on WFP Investment Management. Having considered the investment guidelines and restrictions, and the risk profiles of these investments, the AC is able to advise that they appear satisfactory.
42. The AC noted that WFP utilizes various options for currency trading and hedging based on its conservative risk management practices. Monitoring of the current practices should continue to ensure compliance with WFP policies and risk tolerance.

Financial statements

43. With the information made available to the AC at its March 2018 meeting with regard to preparation of the Annual Financial Statements and the External Auditor's audit, the AC advised that the draft financial statements appeared to be ready for finalization by WFP management and the External Auditor. No issues involving lack of reasonable assurance against any material misstatements were reported to the AC.

Accounting

44. The External Auditor assured the AC that the financial statements had been prepared in accordance with International Public Sector Accounting Standards (IPSAS). The change in accounting policy for employee benefit obligations, more specifically relating to the elimination of the corridor method, has been correctly applied in terms of IPSAS.
45. The AC noted with satisfaction that WFP continues to follow IPSAS development by participating in the United Nations Task Force on IPSAS. All other accounting policies have been consistently applied as they were last year.

External audit

46. This is the second year of WFP's six-year contract with the Auditor General of France for the external audit of WFP. The AC discussed the audit and formed an opinion on the reliability of WFP's annual accounts. On the basis of the information presented, the AC concurs with the External Auditor's draft unqualified opinion.
47. The External Auditor made recommendations on improving internal controls at WFP. None of these recommendations have a material impact on the soundness of WFP's overall internal controls. The External Auditor has conducted fieldwork for performance audits of WFP's accounting and reporting for food losses and up-and-down scaling of operations. The audit reports will be presented to the Board at its 2018 Annual Session.

Values and ethics

48. The Terms of Reference for the AC has been revised to extend the AC's remit to ethics issues.
49. The AC welcomed the establishment of a focussed values and ethics programmes at WFP. The AC noted the likely underreporting of sexual harassment and abuse of power and welcomed the new harassment, sexual harassment and abuse of power (HSHAP) policy.
50. The AC commended the Executive Director's leadership and commitment in addressing the HSHAP issue by setting the tone from the top. They welcomed the clarity with which the Executive Director communicated expectations of WFP staff regarding working environments and behaviours.
51. The HSHAP policy further reinforces WFP's commitment to protect all employees from abusive conduct, to ensure that all employees are aware of their roles and responsibilities in maintaining a safe workplace environment and to provide guidance on how to seek support and raise concerns regarding any abusive conduct.
52. The AC is pleased that its continuous recommended collaboration between OIG and WFP's legal, ethics, ombudsman and human resources offices has been formalized as an inter-divisional committee under the HSHAP policy. The AC continues to recommend and facilitate collaboration between OIG and WFP's legal, ethics, Ombudsman and human resources offices.
53. The AC noted other positive changes in the HSHAP policy:
 - a) No time limit to report cases
 - b) Anonymous reporting can still trigger an investigation
 - c) Scope of coverage expanded to cover non-WFP employees and discrimination
 - d) Strengthen the language on retaliation.
 - e) Provide psychological support
54. The AC urged WFP to seize the opportunity from the increased awareness about the issue to engage staff and to develop systems and tools for facilitating compliance with the policy and reporting any breaches.
55. The AC welcomed WFP's commitment through allocation of additional investment to support the implementation of the policy.
56. The AC noted the implementation of the policy will likely result in an upsurge of reporting and encourage additional investments to facilitate the faster closure and handling of the upsurge.

Allegations of inappropriate activity

57. The AC noted improvement in the disciplinary reporting process, which provides transparency regarding the nature of cases and their outcomes, and the timeliness of investigations.

Additional perspectives and insights

58. Organizational design remains an area of focus with the vast amount of changes the organization is facing.
 - a) CSPs require changes in competency from an operator with a high degree of expertise to execute to becoming a collaborator (partnership with other agencies).
 - b) The financial framework through the finance team (headquarters and local) will require adequate resources and training with the new chart of accounts during the implementation phase.
 - c) With regard to financial reporting, while providing cost transparency to donors, the message needs to be clear to focus on cost effectiveness with respect to humanitarian needs rather than misinterpreted as cost reduction opportunities.
 - d) The culture and ethics cannot be driven top down only. A supportive culture needs to be built from bottom up as well.
 - e) Great focus needs to be placed on succession planning of senior resources up to Assistant Executive Director level.
59. While L3 and CBTs have been areas of focus, we should not lose focus on the traditional food distribution processes and controls. WFP needs to be open to continuous improvements to drive cost efficiencies despite operating in challenging environments.

ANNEX I**Rules of Procedure for the Audit Committee
of the World Food Programme**

Authority: Article 27 of the Terms of Reference (TOR) for the Audit Committee (AC) of the World Food Programme as approved by the Executive Board on 15 November 2011 and updated in June 2017.

- 27) Subject to these TOR, the AC shall establish its own rules of procedure to assist its members in executing their responsibilities. The AC rules of procedure shall be communicated to the Executive Board and the Executive Director for their information.

Procedure 1: Development, Review and Consultation of Rules of Procedure

- 1.1 The AC shall determine the necessity of rules of procedure, draft such procedure, and provide them for consultation to the Executive Board and Executive Director.
- 1.2 The Rules of Procedure shall be kept to the minimum level necessary.
- 1.3 Consultations shall consider inquiries regarding alignment of the procedure with the TOR as well as how the procedure furthers – in an efficient and effective manner – the mission of WFP and role of the AC to enhance the Governance, Risk, Control, and Compliance processes of WFP. As noted in the TOR, this includes “ensuring the effectiveness of WFP’s internal control systems, risk management, audit and oversight functions, and governance processes”. Except for extraordinary circumstances, the consultation period shall be a minimum of one month.
- 1.4 After the consultation period, the AC may officially adopt the procedure – with any appropriate modification – at the next regularly scheduled meeting.
- 1.5 Annually, the AC Secretariat shall place on the AC agenda a review of all rules of procedure – in addition to the TOR – to ensure they continue to be relevant and aligned to the needs of WFP and the AC.

Procedure 2: Appointment of the Chairperson

- 2.1 In order to ensure the independence of the AC, the Committee endeavours to have continuous leadership that can organize and speak for the Committee. The Committee members realize that – in the absence of a Chairperson – the Committee’s independence and ability to operate is impaired.
- 2.2 Selection of the Chairperson shall be in accordance with Article 23 of the TOR.
- 2.3 If there is an absence in the role of Chairperson between meetings due to resignation or expiration of the member’s term, an Acting Chairperson shall be designated by the remaining members of the Committee and shall act in the capacity of the Chairperson until such time as the Committee is convened and selects a new Chairperson.
- 2.4 If the Chairperson is not available for requested meetings with management, Executive Board Bureau, or other official events, the Chairperson shall in consultation with the members designate another member of the committee to represent the Committee in the same manner and capacity as the Chairperson.

Procedure 3: Observations of WFP Operations

- 3.1 The AC firmly believes the ability of the Committee members to optimize their role requires observation of WFP operations outside of formal AC meetings in accordance with the authority in the TOR article 4.
- 4) The AC shall have all the necessary authority to fulfil its responsibilities including access to WFP information, records, facilities and staff.
- 3.2 The purpose of observations shall be to further the comments and conclusions for the AC regarding the governance, risk, control, and compliance processes of the WFP.
- 3.3 The manner of observations may include site visits to WFP regional or country offices, site visits to partner offices or operations, inclusion in WFP staff meetings, attendance at consultation sessions, shadowing of internal audit staff during assignments or other events or activities which further the purpose of observations.
- 3.4 Considerations in determining the appropriateness of observations shall include but not be limited to:
- impact on WFP operations including but not limited to the ability to support Committee members in the field or in meeting locations, the impact Committee members may have on normal open dialogue among staff and ability to coordinate logistics and transportation;
 - safety and security of Committee members;
 - health care needs, restrictions and inoculations;
 - language requirements;
 - identification of and consultation with the WFP or partner leader who will host the observation;
 - overall cost of the observation effort including transportation, subsistence and support costs;
 - geographic and operational representation of the site to be visited to overall WFP operations;
 - new programmes and initiatives of WFP;
 - specific focus areas of interest by the AC members such as technology systems, human resources, procurement, logistics, partner operations, etc;
 - recent or current audits, evaluations, or other oversight activities of the office or programme;
 - expected insights that will inform the AC's recommendations and annual report; and
 - number and timing of observation missions in a given calendar year.
- 3.5 Observations shall require approval of the Executive Director, designee of the Executive Director or Executive Board Bureau.
- 3.6 Identification and scheduling of observations shall involve consultations with the Executive Director and his/her designee.

- 3.7 The AC Secretariat shall ensure that subsequent to any observation missions, that the AC agenda includes a discussion of the observation. The Committee shall discuss insights identified during the observation as well as lessons learned about the efficacy and efficiency of the observation mission. Such insights shall be used to:
- further additional agenda items of the AC as well as recommendations and the Annual Report of the AC; and
 - inform the nature, timing, efficiency and effectiveness for any future observations.
- 3.8 The AC shall note the highlights of all observations in its annual report to the Executive Board.

Procedure 4: Declaration of Independence and Statement of Financial Interests

- 4.1 The AC Secretariat shall ensure that annually all members of the AC are asked to acknowledge in writing their independence, statement of financial interests, and confidentiality requirements per the following TOR articles:
- 14) Since the role of the AC is to provide objective advice, members shall remain independent of the WFP Secretariat and the Executive Board, and shall be free of any real or perceived conflict of interest.
- 17) Members of the AC shall sign and submit to the President of the Executive Board an annual declaration of independence and statement of financial interests, following a process that the AC shall establish under its Rules of Procedure.
- 31) All confidential documents and information submitted to or obtained by the AC shall remain confidential unless otherwise determined. Members of the AC shall acknowledge this obligation in writing at the time of their appointment.
- 4.2 The manner and form of the acknowledgement shall be via Appendix A of the AC Rules of Procedure which shall be collected by the AC Secretariat and submitted to the President of the Executive Board with a copy to the Assistant Executive Director for Partnership, Governance and Advocacy.

Procedure 5: Approval of Minutes

- 5.1 The TOR of the Audit Committee specify that only in exceptional circumstances shall the AC meet in a manner other than in person. (See paragraph 26).
- 5.2 In order to expedite the distribution of the official minutes of the Audit Committee prior to the next scheduled meeting of the Audit Committee, there needs to be mechanisms to officially approve the minutes outside of in-person meetings. Otherwise, official adoption of the minutes can only occur only at the next scheduled meeting.
- 5.3 Accordingly, under authority of the TOR paragraph 26 allowing the AC to meet in other venues upon approval of the President of the Executive Board and the Executive Director and paragraph 27 allowing the AC to set its own Rules of Procedure, the AC may ask the Executive Board Secretariat to circulate final minutes for approval via email to AC members and request and receive a formal vote of approval from AC members via email. In accordance with the TOR paragraph 28, minutes shall be deemed approved upon

affirmative vote of a majority of members that participated in the respective AC meeting for which the minutes are documenting.

Procedure 6: Audit Committee Work Plan

- 6.1 In accordance with the wishes of the Executive Board Bureau, the AC shall maintain with the help of the Executive Board Secretariat an AC work plan.
- 6.2 The work plan shall consider three complementary documents:
- An AC work plan aligned to the TOR and interests of the AC aligned to their obligations under the TOR.
 - An action items list maintained as an appendix to the minutes of the AC.
 - The annual AC Report to the Executive Board.
- 6.3 The AC work plan will take input from stakeholders, develop effective meeting agendas, and provide input to the overall Executive Board under the following framework:

Audit Committee Work Plan

<u>Stakeholder inputs</u>	<u>What to address</u>	<u>How to address</u>	<u>How documented</u>	<u>Results</u>
-TOR review -Board input -Executive Director input -AC member input -AC self-evaluation -WFP Board AC presentation	Work Plan and calendar -Questions -Topics to pursue - Minutes action items	AC meetings -Agenda topics -Bureau discussions -Executive Director discussions Observation visits Document review Inspector General and Oversight Office (OIG)/management telephone calls	AC meeting minutes AC meeting minutes action items	AC Annual Report to the Board

Procedure 7: Oversight of the Office of the Inspector General.

- 7.1 In accordance with its Terms of Reference, the AC shall advise on the performance of the internal audit function and the Inspector General. The AC shall endeavour to understand the overall culture and work environment of OIG to the appropriate extent for a non-management Board or oversight entity. The following will be undertaken to assist in these efforts.
- 7.2 The AC shall hold periodic private and individual meetings with the Inspector General and her/his deputies for the Office of Internal Audit and the Office of Investigations. The AC shall also encourage OIG leadership to allow OIG managers and engagement leaders to present their work directly to the AC when appropriate.
- 7.3 To the extent that WFP conducts employee engagement surveys or other assessments of organizational culture, results related to the OIG shall be presented to the AC along with information on the context for these results.

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- 7.4 The AC shall be provided with the results of OIG client assessment surveys completed at the end of engagements. If OIG is not performing such surveys, it shall inform the AC as to why.
- 7.5 The AC shall make periodic enquiries of management regarding the performance of the Inspector General and any concerns regarding her/his personal performance or that of the Inspector General function overall. Management shall proactively advise the AC of any concerns.

**Appendix A to Rules of Procedure for the Audit Committee
of the World Food Programme**

Declaration of Independence and Statement of Financial Interests

Article 17 of the Audit Committee (AC) Terms of Reference (TOR): Members of the AC shall sign and submit to the President of the Executive Board an annual declaration of independence and statement of financial interests, following a process that the AC shall establish under its Rules of Procedure.

I, _____, a member of the AC of the World Food Programme do affirm to the best of my knowledge the following:

- I do not hold positions with companies that maintain a business relationship with WFP.
- I have not and shall not engage in activities that might impair, or appear to impair, my independence in carrying out my duties as a member of the AC.
- I do not have financial interests which may impair, or appear to impair, my independence in carrying out my duties as a member of the AC.
- I continue to acknowledge my responsibility to maintain to the best of my ability the confidentiality of documents provided to me in the course of my work on the AC.
- I serve in my personal capacity and do not seek or accept instructions for my work on the AC from any governance or other authority internal or external to WFP.

(Additional Information I Wish to Acknowledge – Optional)

Signature: _____

Date: _____

ANNEX II**Composition of Audit Committee**

- Mr Suresh Kana: a South African national. His term is from 15 November 2015 to 14 November 2018 and has been extended to 14 November 2021.
- Ms Elaine June Cheung: a Chinese national. Her term is from 15 November 2015 to 14 November 2018 and has been extended to 14 November 2021.
- Mr Omkar Goswami: an Indian national. His term is from 15 November 2015 to 14 November 2018 and has been extended to 14 November 2021.
- Ms Agnieszka Slomka-Golebiowska: a Polish national. Her term is from 30 July 2017 to 29 July 2020.
- Mr Pedro Guazo: a Mexican national. His term is from 30 July 2017 to 29 July 2020.

ANNEX III

AUDIT COMMITTEE ACTIVITIES APRIL 2017 – MARCH 2018			
	JULY 2017	DECEMBER 2017	MARCH 2018
Executive Session with Executive Board Bureau	√	√	√
Executive Session with Executive Director/Deputy Executive Director	√	√	√
Operations	√	√	√
Evaluation matters	√	√	√
Investment Committee			√
Oversight matters:			
– External audit	√	√	√
– Internal audit	√	√	√
Financial Statements			√
Accounting			√
Performance and risk management	√	√	√
Human resource matters	√	√	√
Internal control	√	√	√
Ethics matters	√	√	√
Legal matters		√	√
Allegations of inappropriate activity		√	√
Financial and budgetary matters	√	√	√

Acronyms Used in the Document

AC	Audit Committee
CBT	cash-based transfer
ERM	enterprise risk management
IPSAS	International Public Sector Accounting Standards
IRM	Integrated Road Map
IT	information technology
OIG	Office of the Inspector General
OIGA	Office of Internal Audit
OIGI	Office of Inspections and Investigations
PIR	proactive integrity review
PSA	Programme Support and Administrative (budget)
TOR	Terms of Reference