

May 2013

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COUNCIL

Hundred and Forty-eighth Session

Rome, 2-6 December 2013

Report of the 149th Session of the Finance Committee (27-28 May 2013)

Executive Summary

At its 149th Session, the Committee considered a number of financial, budgetary and oversight matters relating to the World Food Programme (WFP), prior to their consideration by the Annual Session of the WFP Executive Board in June 2013.

Suggested action by the Council

The Council is invited to note the views and recommendations of the Finance Committee in respect of matters considered by the Annual Session of the WFP Executive Board in June 2013.

Queries on this document may be addressed to:

David McSherry
Secretary, Finance Committee
Tel: +39 06570 53719

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Table of Contents

	Pages
Introduction	3
World Food Programme Matters.....	4
WFP Strategic Plan (2014-2017)	4
Audited Annual Accounts, 2012.....	4
Appointment of Two Executive Board Members to the Selection Panel for the Appointment/Renewal of Two Audit Committee Members	6
Review of Financial Regulation 9.2 - Timing of the Management Plan.....	7
Annual Report of the Audit Committee	7
Annual Report of the WFP Inspector General and Note by the Executive Director on the Annual Report.....	9
Report of the External Auditor on Working with Cooperating Partners and WFP Management Response to the Recommendations of the Report.....	10
Report of the External Auditor on the Use of Cash and Vouchers and WFP Management Response to the Recommendations of the Report.....	11
Report on the Implementation of the External Auditor Recommendations.....	12
Working Methods of the Finance Committee	12
Date and Place of the Hundred and Fiftieth Session.....	12
Documents for information	13

Introduction

1. The Committee submitted to the Council the following report of its Hundred and Forty-ninth Session.
2. In addition to the Chairperson, Mr MOUNGUI MÉDI, the following representatives of Members were present:
 - Ms Kristina Gill (Australia)
 - Mr Olyntho Vieira (Brazil)
 - Mr Laurent D. Couliati (Burkina Faso)
 - Mr Shobhana K. Pattanayak (India)
 - Mr Hideya Yamada (Japan)
 - Ms Manar Sabah Mohammad Al-Sabah (Kuwait)
 - Ms Emma María José Rodríguez Sifuentes (Mexico)
 - Mr Mohamed Lemghari (Morocco)
 - Mr Ronald Elkhuisen (Netherlands)
 - Mr Vladimir V. Kuznetsov (Russian Federation)
 - Ms Abla Malik Osman Malik (Sudan)
 - Ms Elizabeth Petrovski (USA)
3. The Chairperson informed the Committee that:
 - Ms Kristina Gill had been designated to replace Mr Matthew Worrell as the representative of Australia for this session;
 - Mr Márcio José Alonso Bezerra dos Santos had been designated to replace Mr Olyntho Vieira as the representative of Brazil for part of this session;
 - Mr Mohamed Lemghari had been designated to replace Mr Faouzi Lekjaa as the representative of Morocco for this session;
 - Ms Eva van Woerseem had been designated to replace Mr Ronald Elkhuisen as the representative of the Kingdom of the Netherlands for part of this session;
 - Mr Jan van der Velde had been designated to replace Mr Ronald Elkhuisen as the representative of the Kingdom of the Netherlands for part of this session;
 - Ms Abla Malik Osman Malik had been designated to replace Mr Mohamed Eltayeb Elfaki Elnor as the representative of Sudan for this session; and
 - Ms Elizabeth Petrovski had been designated to replace Ms Karen Johnson as the representative of the United States of America for this session.
4. A summary of the qualifications of the substitute representatives can be downloaded from the Governing and Statutory Body Web site at:
<http://www.fao.org/unfao/govbodies/gsbhome/finance-committee/substitute-representatives/en/>
5. In addition, silent observers from the following Member Nations attended the 149th Session of the Committee:
 - European Union
 - Germany

World Food Programme Matters

WFP Strategic Plan (2014-2017)

6. The Secretariat presented the draft Strategic Plan (2014-2017) as required by WFP Financial Regulation 7.1.
7. The Committee noted that the Strategic Plan would continue its focus on food assistance, as guided by its mission statement, mandate and core strengths, building on the outcomes of the Transformative Agenda and guidance emerging from the Quadrennial Comprehensive Policy Review.
8. The Committee expressed its support for the Strategic Plan and the consultative process undertaken in its preparation which included three informal consultations with Executive Board members. It noted its appreciation for WFP's commitment to partnership, including with FAO and UN agencies and encouraged WFP to continue to define the division of responsibility between WFP and partners.
9. The Secretariat clarified the links between the Strategic Plan and the Strategic Results Framework as well as with budget documents such as the Management Plan and accountability documents such as the Annual Performance Reports. The Secretariat stressed that the Strategic Results Framework was benefitting from inputs from other UN agencies, and this consultation was enriched by the existence of the draft Strategic Plan.
10. The Committee expressed a preference for the Strategic Plan and Strategic Results Framework to be presented together in the future and acknowledged that this matter could benefit from further discussion between management and members after the completion of the proposed Strategic plan and the next Management Plan. Additionally, the Committee recommended that the form and structure of future Strategic Plans be discussed early on in strategy sessions.
11. **The Committee:**
- a) **examined the Strategic Plan of 2014-2017;**
 - b) **appreciated the consultative nature of the process leading to the preparation of the *WFP Strategic Plan (2014-2017)*;**
 - c) **welcomed the programmatic vision in the document which set the framework for WFP's operations in the forthcoming years;**
 - d) **endorsed the four Strategic Objectives guiding WFP's action, understanding that WFP would use any of its available tools for the implementation of the strategic objectives;**
 - e) **considered the Strategic Plan (2014 – 17) ready to be presented to the Executive Board;**
 - f) **recommended the adoption of the *Strategic Plan (2014 – 17)* by the WFP Executive Board during its Annual Session in June 2013;**
 - g) **noted the importance of the Strategic Results Framework in assessing results and impacts of the Strategic Plan;**
 - h) **suggested that a discussion on the structure of a future Strategic Plan and Strategic Results Framework be initiated before the launch of future plans including their presentation to the Board; and**
 - i) **considered that the strategic and visionary nature of the document should be preserved in future Strategic Plans, and that the document should be concise, while avoiding repetitions which might make it difficult to read.**

Audited Annual Accounts, 2012

12. The Committee discussed WFP's *Audited Annual Accounts 2012* and the Statement on Internal Control, supported by a briefing made by the WFP Secretariat which detailed the key elements within the Audited WFP Financial Statements. The Committee also received a briefing from

the External Auditor on the associated audit report, which was presented together with the statements in one document.

13. The Committee was informed of the main reasons behind movements in the key elements, the decrease in the cash and short-term investments (USD 1.3 billion against USD 1.7 billion in 2011), the increase in the long-term investments (USD 353 million against USD 281 million in 2011), the increase in contributions receivable balance (USD 1.9 billion against USD 1.8 billion in 2011), the decrease in inventories (USD 710 million against USD 777 million in 2011) and the increase in employee benefit liabilities (USD 385 million against USD 349 million in 2011). The Committee was also informed of the reasons for the deficit in 2012 of USD 184 million in Financial Statement II in comparison with 2011. The Committee was informed that the overall budgetary utilization in 2012 was 61 percent of the final budget in Financial Statement V.

14. The Committee was informed that in 2012 the Secretariat included for the second consecutive year a Statement on Internal Control, signed by the Executive Director, to provide additional assurance on the effectiveness of internal control in WFP. The Secretariat gave a brief overview of the extensive process adopted to put together the Executive Director's Statement, including the collection of "Assurance Statements" from approximately 130 managers regarding internal control for their respective offices/divisions which formed the basis of the Statement. As an additional measure of accountability, all manager-submitted Assurance Statements were cleared by at least one higher level of supervision. The Secretariat was pleased to inform the Committee that a 100 percent submission rate had been achieved.

15. The External Auditor was pleased to inform the Committee that it had completed the audit of the Annual Accounts 2012 in accordance with the International Standards of Auditing and stated that the Annual Accounts presented fairly, in all material aspects, the financial position of WFP as at 31 December 2012, its financial performance and the performance of its cash flows for the year ended 31 December 2012, in accordance with International Public Sector Accounting Standards (IPSAS). The External Auditor also outlined the 2012 audit recommendations.

16. The Committee requested clarification on several technical aspects of the 2012 Annual Accounts:

- *The areas of IPSAS recent developments that might impact WFP accounting policies and financial statements in future.* The Committee was informed that the adoption in 2013 of the three new IPSAS standards on financial instruments would have a minimum impact on WFP's financial statements. In addition, the IPSAS exposure draft on the conceptual framework which WFP was currently reviewing, might have an impact on the multi-year revenue recognition policy of WFP;
- *Adequacy of cash and investments level.* The Committee was informed that the decline in the level of the cash and investments balances was not a concern but rather reflected an increased use of fund balances. The Committee was also informed that, at end of April 2013, the cash and short term investments had increased by USD 366 million as compared to end of December 2012;
- *Reasons for the increase in allowance for doubtful accounts and provision for donor refunds.* The Committee was informed that this allowance and provision were based on historical experience and given the increase in the contributions receivables, an increase in the related allowance and provision was expected;
- *Details on the disclosures in the related party note.* The Committee was informed that given staff changes during the reporting period, the number of staff could be higher than the number of positions reported;
- *Clarification of VAT receivable and related allowance.* The Committee was informed that the decrease in both VAT receivable and the corresponding allowance was due to the devaluation of the local currency in which the VAT receivable was denominated;
- *Success factors in ensuring an effective funding plan for employee benefit liabilities.* The Committee was informed that given its early start in setting funds aside, along with annual funding of the incremental employee benefits liabilities, the 2010 Board approved a 15 year

plan of funding the unfunded portion of the employee benefits and dedicated investment portfolio linking assets with liabilities. These actions had enabled WFP to achieve a 60 percent funding status of these liabilities as at end of 2012;

- *More information on the actuarial valuation and its relation to the After-Service Medical Coverage (ASMC) liability;*
- *Update on the status of LESS project.* The Committee was informed that the outcome of the pilot phase was positive showing improved controls over commodity management. The business case had been prepared and WFP was looking at the best way to implement LESS across the Organization;
- *Details on number of WFP country offices which had not implemented risk registers.* The Committee was informed that at the end of 2012, out of 79 country offices, 69 country offices had a risk register and 10 did not. The Committee received clarification that country offices which did not complete the risk register represented 3 percent of WFP's operational activity and these countries were expected to complete the risk register by end of 2013; and
- *The timeframe for the implementation of the External Auditor recommendations.* The Committee was informed that the implementation timeframe for each recommendation was included in the *Report on the Implementation of the External Auditor Recommendations*.

17. **The Committee:**

- a) **examined WFP's 2012 Audited Annual Accounts including the opinion of the External Auditor;**
- b) **noted that for the second consecutive year the 2012 Audited Annual Accounts were accompanied by the Statement on Internal Control;**
- c) **welcomed the level of assurance provided by the Executive Director with regards to the internal controls in place;**
- d) **welcomed the quality of the 2012 Audited Annual Accounts on which the External Auditor gave an unqualified audit opinion;**
- e) **noted that monitoring and follow-up of the External Auditor recommendations was effectively implemented by the Secretariat and that a semi-annual review of the outstanding recommendations was established;**
- f) **noted the assurance provided by the Secretariat on the additional measures that would be taken to implement the outstanding recommendations;**
- g) **noted the five recommendations of the External Auditor in their Report on the 2012 Audited Annual Accounts and encouraged management to follow-up on them;**
- h) **welcomed the statement by the External Auditor on the positive and professional relationship with WFP management;**
- i) **welcomed the improvements of the evaluation systems and the partnership with other international organizations to support this activity;**
- j) **noted the most recent figures from the actuarial valuation on the employee benefits liabilities and also noted the assurance provided by the Secretariat which indicated that WFP was on track for full funding of employee benefits by 2025;**
- k) **endorsed the 2012 Audited Annual Accounts; and**
- l) **recommended that the Executive Board approve the *Audited Annual Accounts, 2012*.**

Appointment of Two Executive Board Members to the Selection Panel for the Appointment/Renewal of Two Audit Committee Members

18. The Committee agreed to the nomination of two Board members to sit on the selection panel for the selection of Audit Committee members, as follows: Mr. Zulfiqar Haider Khan, Alternate Permanent Representative of Pakistan and Mr. Benito Santiago Jiménez Sauma, Alternate Permanent Representative of Mexico.

19. **The Committee:**

- a) **noted the proposed nominations of two Board representatives to the selection panel; and**
- b) **recommended that the Board approve the nomination of the proposed Board members.**

Review of Financial Regulation 9.2 - Timing of the Management Plan

20. The Committee discussed WFP's proposed review of Financial Regulation 9.2, supported by a briefing made by the WFP Secretariat. Financial Regulation 9.2 was approved by the Committee on Food Aid Policies and Programmes with an effective date of 1 January 1992 and required the Management Plan to be submitted to Board members not later than 60 days prior to the last regular session of each calendar year.

21. The briefing highlighted the current proposal that Financial Regulation 9.2 be changed to allow the Management Plan to be circulated to members of the Board no later than 30 days before its last regular session of each calendar year. Since 1992, the longest time between posting of the document and the opening of the last regular session was 44 days (for the Management Plan 2006–2007) while the shortest was 24 days (for the Management Plan 2008–2009). The Committee was apprised of the consultations with the Bureau of the Executive Board and heard that the Secretariat believed that advances in technology which now allowed the rapid dissemination of documents would provide the necessary time for due consideration of the Management Plan by the advisory bodies and consultation with governments. The Secretariat also noted the vital part played by the consultative process in the finalisation of the Management Plan.

22. The Committee called for a more specific commitment from the Secretariat with regards to the presentation of the draft Management Plan in all languages in advance of the last informal consultation as stipulated in paragraph 12 of the document in order to provide Board Members the opportunity to engage more substantively in the discussions. The Secretariat highlighted the complex nature and length of the Management Plan including the time required for translation and therefore proposed that it provide extracts of key sections of the draft Management Plan for the Board's consideration at the consultation.

23. **The Committee:**

- a) **noted the proposal to review Financial Regulation 9.2 changing the timing of the Management Plan;**
- b) **recommended that the Board approve the change to Financial Regulation 9.2, by which the proposed Management Plan should be circulated to members of the Board no later than 30 days before its last regular session of each calendar year;**
- c) **recommended that no waiver should be sought or granted with respect to this deadline;**
- d) **recommended that key extracts of the Management Plan would be provided to the Board in all working languages 10 days in advance of the last informal consultation and noted that the WFP Secretariat should provide sufficient documentation prior to Management Plan informal consultations.**

Annual Report of the Audit Committee

24. On behalf of the Chairperson, who was unable to attend, an Audit Committee member presented the report. It covered the period from 1 April 2012 to 31 March 2013, during which the Audit Committee had met three times. Topics discussed at open sessions with WFP management, the Inspector General and the External Auditor covered the full scope of Audit Committee responsibilities as in its Terms of Reference (TOR); sessions with the Executive Director and the Bureau of the Executive Board helped the Audit Committee identify the most important issues for its consideration. In December, Audit Committee members' attendance on the first day of the WFP Global Management meeting in Dubai provided insights into WFP and opportunities for meeting regional and country

directors. Via its Chairperson, the Audit Committee had also participated in the selection of a new Director for the Oversight Office.

25. The Audit Committee report noted that the External Auditor had issued an unqualified report on WFP's annual financial statements – the fifth to be prepared under International Public Sector Accounting Standards (IPSAS) – and welcomed WFP's efforts to strengthen risk management and internal controls. The Audit Committee recommended that WFP:

- 1) reflect on further strengthening segregation of duties;
- 2) increase its use of external treasury and investment experts, such as its advisory panel;
- 3) take measures to prevent losses related to long-standing receivables in currencies at risk of devaluation; and
- 4) enhance coordination among various assessments and consolidation of their outcomes.

26. The Finance Committee welcomed the Audit Committee's report. However, the Committee expressed concern about the number of oversight structures within WFP, citing the shortage of financial resources for WFP's core functions, and the risk of overlaps in functions and duplication of efforts, including coordination gaps in relation to respective terms of reference. The Committee also stressed the need for the Audit Committee to follow its terms of reference.

27. Committee members requested more details on commodity price management, the findings of WFP's internal audit, and succession planning. Members questioned the Audit Committee's recommendation for increased use of external experts. It was noted that WFP could benefit from currency devaluations for purchases in local currencies.

28. The Audit Committee noted these views and suggestions, for consideration during its work and in the drafting of its next annual report. As an important part of WFP's oversight structure, the Audit Committee could be viewed as lying between audit functions and management. It did not have operational powers, so examined and made recommendations on overall processes rather than on the details of their implementation. While noting that there had not yet been a formal decision by the Executive Board relating to field visits of Audit Committee members, the Committee considered the meeting held in Dubai in December 2012 and expressed concern over the lack of information on the experience of a meeting held outside WFP Headquarters.

29. In response to points raised by the Finance Committee, the Committee was informed of the value of the Audit Committee in providing a different perspective on oversight issues; the Audit Committee represented value for money. The Committee recognized this and requested the AC in its future reporting to indicate in a more factual manner where it was providing a different perspective on oversight issues. WFP's efforts to enhance commodity price management included creation of the Forward Purchase Facility, which improved the on-time delivery of food and gave WFP more freedom in its purchasing decisions. The Investment Advisory Panel had not met in 2012 because of transition issues, but management intended to continue using it.

30. **The Committee:**

- a) **examined the *Annual Report of the Audit Committee*, appreciating its conciseness.**
- b) **encouraged the AC to continue fulfilling its role, with particular attention to risk and internal control issues.**
- c) **encouraged WFP management to take concrete actions to resolve succession planning issues, including through its new human resources policy.**
- d) **emphasized the need to examine WFP's management of risks linked to commodity prices.**
- e) **reserved its opinion regarding Audit Committee field visits, pending a clear proposal for such visits.**
- f) **acknowledged the important role of the Audit Committee, and urged the Audit Committee to focus on the scope of work defined in its TOR.**
- g) **requested that the Audit Committee Chairperson be in attendance whenever the Audit Committee report was discussed by the Finance Committee.**
- h) **approved the report for presentation at WFP's Executive Board 2013 annual session.**

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

31. In accordance with the WFP General Regulations, the *Annual report of the WFP Inspector General* was presented to the Executive Board for its consideration. The Inspector General introduced the 2012 report to the Finance Committee, followed by a presentation of the Note by the Executive Director in response to the Report, introduced by the Chief Finance Officer.
32. The Committee welcomed both reports and in particular welcomed and supported the view of the new Inspector General on internal control, governance and risk management processes in WFP. There was a general discussion, including the following key issues.
33. The Committee was informed that in 2012, as in previous years, the oversight work performed and reported had not disclosed any significant weaknesses in the internal control, governance and risk management processes in place across WFP that would have a pervasive effect on the achievement of WFP's objectives.
34. The Committee was also informed that the Inspector General's office was reviewing the format of the audit and inspection reports to enhance the transparency, impact and risk focus in the context of public disclosure.
35. The Committee voiced its concern about the perception of lack of zero tolerance in WFP, noting that perception was as important as reality. It was informed that the Inspector General intended to review the anti-fraud and anti-corruption policy, processes and investigative capacity to enhance the focus on identifying and assessing fraudulent actions. Further, the Committee noted that the Executive Director was committed to a review of the internal justice system, which included not only the investigative process undertaken by the Inspector General's office, but review by other parts of management. The purpose of the review was to enhance the efficiency and effectiveness of the internal justice system, while protecting the right of the individual and the organisation. The Inspector General would be informed and not consulted on sanctions to be imposed by management for wrongdoing or misconduct. Management supported by the Inspector General would provide an update on the review to the Finance Committee in November 2013.
36. The Committee was informed that the Inspector General would explore in the near future the issue of moving from the present limited assurance to positive assurance and bring the issue to the WFP Audit Committee in November. The prerequisite toward provision of positive assurance included the implementation and maturity of the internal control framework and the enterprise risk management process. In this context it was necessary to enhance coordination and assurance gained from other oversight functions including the External Auditor. The Inspector General would explore the opportunity to move towards enhancing reliance on the work of internal audit by the External Auditor.
37. While noting the proposal to enhance the legal framework for the oversight function by developing a dedicated chapter in the Financial Regulations, the Committee noted that the wider review of the internal justice system as proposed by the Executive Director could have repercussions for the legal framework for the oversight function.
38. The Committee noted that management was committed to implement training on anti-fraud and anti-corruption, and was reviewing the development of a cost effective and efficient training programme.
39. The Committee enquired on the status of implementation of the development of corporate operating modalities for complex environments and it was explained that the development of minimum operating standards was progressing, and that the escalation of residual risks by country offices needed to be solidified.
40. **The Committee:**
- a) **welcomed the new Inspector General and the report and particularly appreciated the statement giving assurance on internal control, governance and risk management processes in WFP;**

- b) **reviewed the Annual Report of the Inspector General for the period 2012 dealing with oversight activities concerning WFP;**
- c) **welcomed and supported the main opportunity highlighted by the Inspector General regarding enhancing the effectiveness of the internal justice system;**
- d) **viewed and supported the measures the Executive Director aimed to take to address the recommendations made in the *Annual Report of the WFP Inspector General*; and**
- e) **advised the Executive Board, in accordance with Article XIV of the General Regulations of WFP, to take note of the *Annual Report of the WFP Inspector General*.**

Report of the External Auditor on Working with Cooperating Partners and WFP Management Response to the Recommendations of the Report

41. The Committee discussed the *Report of the External Auditor on Working with Cooperating Partners*, supported by a briefing from the External Auditor, who explained that the main objective of the performance audit was to assess the performance of WFP in managing NGO and government partners, which implemented nearly 80 per cent of food assistance programmes executed by WFP. The audit covered the period 2010-2012 and spanned the WFP headquarters in Rome, twenty Country Offices (COs), and three Regional Bureaus (RBs).

42. The Committee was informed by the External Auditor that the ten recommendations had been submitted to the Secretariat and that they were linked to the role of WFP headquarters and the lack of a single centre of responsibility for managing information related to all partners including governments, non-government organisations, the Red Cross and Red Crescent Movement and United Nations agencies, limitations in reporting and consultation mechanisms and criteria for establishing Global MoUs; at the CO level, to gaps in identification, selection, management, monitoring and evaluation of cooperating partners; and at the RB level, to oversight weaknesses over management of cooperating partners by the COs.

43. The Committee heard from the Secretariat that the recommendations had been accepted and that enhancing partnerships was a main tenet of WFP's vision. WFP would draw on the External Auditors' findings as it continued to enhance its work with the cooperating partners.

44. The Committee discussed the need for an in-depth analysis/evaluation that would look into the root causes of weaknesses in controls in WFP's work with cooperating partners, to follow-up on the present report. The Committee heard that once the recommendations contained in the report were implemented, there should be improvements in WFP's collaboration with Cooperating Partners (i.e. the non-compliance in some cases by COs and CPs to guidelines issued by Headquarters), and therefore it might be best to allow some time for this process before conducting an additional review.

45. The Committee was further informed that a Joint Inspection Unit review on working with implementing partners in the United Nations was currently underway that could further inform on Cooperating Partner-related issues from a system-wide perspective.

46. The Committee discussed the timelines for implementation of the recommendations in the WFP Management Response with a view to anticipate them. Many recommendations were for implementation by June 2014, which would imply that implementation would not be reported until 2015. The Secretariat took note of the Committee's concerns but stated that it would need to factor in internal consultation with affected business units before committing on revised timelines.

47. **The Committee:**

- a) **welcomed the *External Auditor's Report on Working with Cooperating Partners and WFP Management Response to the Recommendations of the Report*;**
- b) **noted the ten recommendations contained in the report;**
- c) **noted the management decision to accept the recommendations and the timelines indicated;**
- d) **encouraged the Secretariat to implement the recommendations on an accelerated timeline so that, if possible, the Committee could get a report on progress made in**

Spring 2014 and the WFP Executive Board could get an update at its 2014 Annual Session;

- e) **commented on some procedural issues, noting that the management responses should have been presented in stronger terms;**
- f) **noted the importance of cooperating partners in carrying out WFP's activities and acknowledged that this cooperation was not always perfect;**
- g) **requested that an evaluation be carried out that would include an in-depth analysis of WFP's work with cooperating partners in the field; and**
- h) **recommended that the Executive Board take note of the Committee's comments when the document was reviewed at the Board's 2013 Annual Session.**

Report of the External Auditor on the Use of Cash and Vouchers and WFP Management Response to the Recommendations of the Report

48. The Committee discussed the *Report of the External Auditor on Use of Cash and Vouchers*, supported by a briefing from the External Auditor, who explained that the main objective of the performance audit was to assess the effectiveness of the system of selection and use of Cash & Vouchers modalities in WFP and the controls in place, with a view to their further scalability. The audit covered the period 2010-2012 and spanned the WFP Headquarters in Rome, sixteen Country Offices (COs), and three Regional Bureaus (RBs).

49. The Committee was informed by the External Auditor that the eleven recommendations had been submitted to the Secretariat and that they were linked to: corporate guidance on comparative cost efficiency and effectiveness that was in progress during the audit period; project execution issues like selection of cooperating partners and financial service providers for cash and voucher modalities, delays and shortfalls in beneficiary assistance, gaps in beneficiary database in the COs, post distribution monitoring which needed to be addressed; and risk areas such as lack of training, capacity constraints and corporate tools for standardisation that needed to be developed for rolling out cash and voucher modalities at an accelerated pace.

50. The Committee heard from the Secretariat that all of the Report's recommendations had been accepted and supported the business model developed in 2012 by the Cash-for-Change initiative to facilitate scaling up of the use of cash and voucher transfers. Most of the operations reviewed in the performance audit were designed and implemented during the piloting of cash and voucher transfers. Several of the issues identified had been addressed through the development of new processes, tools and normative guidance to be rolled out in 2013 by the Cash-for-Change Unit, although systematic application by country offices would require further capacity development.

51. The Committee received clarification from the Secretariat on the timeline for the Cash for Change Initiative. The initiative had three parts: Phase I, in 2011, gathered evidence from pilot projects; Phase II, in 2012, developed systems, tools, and processes for the Cash & Vouchers modality; and Phase III, systematic roll-out of the tools in the field to continue scale up through 2015.

52. The Committee expressed concerns about the pace of the Cash & Vouchers scale up given that implementation of the report's recommendations would not be completed. The Secretariat clarified that the previously discussed figure of 30-40 percent of programming potentially being implemented through the C&V modality was illustrative and not a binding target; the Cash & Vouchers modality should be implemented when it was contextually appropriate, based on a systematic comparison of the cost efficiency and effectiveness of available options, e.g. cash, in-kind and vouchers, and within WFP's capacity to support such programming.

53. On the issue of whether Cash & Vouchers would be used to purchase food rather than other products, the Committee heard that the Secretariat would monitor the usage of Cash & Vouchers on a continuing basis and would employ information technology tools to track beneficiaries' purchases.

54. **The Committee:**

- a) **reviewed the External Auditor's Report and the Management Response;**

- b) **appreciated** the work of the External Auditor and supported the Management Response which had accepted the eleven recommendations;
- c) **acknowledged** the increasing importance of the Cash & Vouchers modality as a tool to be used by WFP and recognized the prospects for scaling up the use of the tool;
- d) **questioned** the timelines of the implementation of the recommendations and the feasibility of fully scaling up Cash & Vouchers by 2015 and encouraged the Secretariat to take a cautious approach by focusing on effectiveness and efficiency of intervention as against a target-based approach;
- e) **encouraged** the Secretariat to implement the recommendations contained in the report; and
- f) **recommended** that the Executive Board take note of the Committee's comments in their review of the report.

Report on the Implementation of the External Auditor Recommendations

55. The Committee discussed the *Report on the Implementation of the External Auditor Recommendations* following a briefing by the Secretariat highlighting the recommendations that had been implemented and those which remained outstanding at the end of 2012. Of the twenty-nine recommendations outstanding, one was from 2010, ten from 2011, fourteen from 2012 and four from 2013. The Committee was informed that WFP remained committed to implementing the outstanding recommendations within the time frame indicated in the report.

56. The Committee heard that the External Auditor had given her views on all recommendations that the Secretariat deemed complete, except for the recommendations included in the Report of the External Auditor on the Management of Human Resources and the Audited Annual Accounts 2012. Her views on those recommendations would be included in the next report to the Board on the implementation of External Auditor recommendations.

57. The Committee:

- a) **reviewed** the *Report on the Implementation of the External Auditor Recommendations*;
- b) **appreciated** the progress made by WFP in implementing outstanding recommendations of the External Auditor;
- c) **encouraged** the WFP Secretariat to expedite the implementation of the outstanding recommendations and awaited the update on the progress of implementation at the next regular session and;
- d) **recommended** that the Executive Board take note of the *Report on the Implementation of the External Auditor Recommendations*.

Working Methods of the Finance Committee

58. The Committee noted the importance of continually reviewing its methods of work in order to achieve its goals and objectives. In this regard, the Committee **requested** that the Secretariat, on the individual request of Members, make available for collection by Members of the Committee the documents that are printed in preparation for each Session.

59. The Committee recalled its previous discussion on the criteria for submission of Executive Board documents to the FAO Finance Committee, Advisory Committee on Administrative and Budgetary Questions and Audit Committee. In order to align these discussions with those of the respective bodies, the Committee **requested** the Chairperson of the Finance Committee to explore with the Secretariat how this could be taken forward and report back to the Committee on this issue.

Date and Place of the Hundred and Fiftieth Session

60. The Committee was informed that the 150th Session was scheduled to be held in Rome from 21 to 25 October 2013.

Documents for information

- Financial Rules Update
- Report of the Executive Director on the Utilization of Contributions and Waivers of Costs (General Rules XII.4 and XIII.4 (h))
- Report on the Utilization of WFP's Advance Financing Mechanisms (1 January - 31 December 2012)