

February 2011



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

Продовольствен
ная и
сельскохозяйств
енная
организация
Объединенных

Organización
de las
Naciones Unidas
para la
Agricultura y la
Alimentación

COUNCIL

Hundred and Forty-first Session

Rome, 11 – 15 April 2011

Report of the 136th Session of the Finance Committee
Rome, 8 – 9 February 2011

Table of Contents

	Paragraphs
Introduction	1- 5
World Food Programme Matters	6 - 33
FOURTH UPDATE ON THE WFP MANAGEMENT PLAN (2010-2011)	6 - 10
INFORMATION NOTE ON FUNDING OF SECURITY MANAGEMENT ARRANGEMENTS	12 - 16
REPORT OF THE EXTERNAL AUDITOR ON WFP OPERATIONS IN SOMALIA AND WFP MANAGEMENT RESPONSE	18 - 23
WORK PLAN OF THE EXTERNAL AUDITOR FOR THE PERIOD JULY 2010 TO JUNE 2011	25 - 27
THE MULTI-YEAR PROGRAMME OF WORK OF THE FINANCE COMMITTEE 2010-13 (WFP MATTERS)	29

This document is printed in limited numbers to minimize the environmental impact of FAO's processes and contribute to climate neutrality. Delegates and observers are kindly requested to bring their copies to meetings and to avoid asking for additional copies.
Most FAO meeting documents are available on the Internet at www.fao.org

CONSIDERATION OF WFP EXECUTIVE BOARD DOCUMENTS BY THE FAO FINANCE COMMITTEE	31
DATE AND PLACE OF THE HUNDRED AND THIRTY-SEVENTH SESSION	33
APPENDIX	
WFP SECURITY BUDGET BREAKDOWN	

**REPORT OF THE HUNDRED AND THIRTY-SIXTH SESSION OF THE
FINANCE COMMITTEE
8 – 9 February 2011**

Introduction

1. The Committee submitted to the Council the following report of its Hundred and Thirty-sixth Session.
2. The Chairperson, Mr Yasser A. R. Sorour, was unable to attend the session.
3. In his absence the meeting was chaired by the Vice-Chairperson Mr Ronald Elkhuizen (Netherlands). The following representatives of Members attended:
 - Ms Kristina Gill (Australia)
 - H.E. Li Zhengdong (China)
 - Mr Louis Charicauth (Gabon)
 - Mr Shobhana K. Pattanayak (India)
 - H.E. Javad Shakhs Tavakolian (Islamic Republic of Iran)
 - Mr Claudio Miscia (Italy)
 - H.E. Jorge E. Chen Charpentier (Mexico)
 - H. E. Guido J. Martinelli della Togna (Panama)
 - Mr Mohamed Eltayeb Elfaki Elnor (Sudan)
 - Mr Robert Sabiiti (Uganda)
 - Ms Elizabeth Petrovski (USA)
4. The Vice-Chairperson informed the Committee that:
 - Ms Kristina Gill had been designated to replace Ms Sara Cowan as the representative of Australia at this session;
 - Mr Claudio Miscia had been designated to replace Mr Augusto Zodda as the representative of Italy at this session; and
 - Ms Elizabeth Petrovski had been designated to replace Mr Michael Glover as the representative of the United States of America at this session
5. Summaries of the qualifications of Ms Gill, Mr Miscia and Ms Petrovski are listed in the addendum to this report (CL 141/5-Add.1).

World Food Programme Matters

FOURTH UPDATE ON THE WFP MANAGEMENT PLAN (2010-2011)

6. The Committee discussed the *Fourth Update on the WFP Management Plan (2010-2011)*, which outlined a USD 119.1 million net decrease in WFP's Programme of Work for 2010-2011 since the previous update. Overall, the Programme of Work now totaled USD 11.86 billion for the biennium, of which USD 6.85 billion was related to 2010 and USD 5.01 billion to 2011. The information provided in this update was up to the end of November 2010. The Committee appreciated the Management Plan update, especially the description of the changes in the 2011 Programme of Work since the third update.
7. The Committee requested and received additional clarifications on the changes in the Programme of Work and recommended strengthening the report through the inclusion of an

overview of the Programme of Work and projected income figures for the full biennium, and for each individual year. The Secretariat undertook to include such information in future updates.

8. The Committee noted the request for approval of supplementary expenditure in the World Food Programme (WFP) Management Plan of USD 10.2 million for field security requirements. The Update also outlined a proposal for the implementation of a treasury management system at a cost of USD 1.0 million for 2011, to be funded from the un-earmarked portion of the General Fund. The Secretariat clarified that the new treasury management system would address previous internal audit recommendations, strengthen internal control processes, reduce risk in the management of treasury transactions and lead to further costs efficiencies and gains which would be directed to the un-earmarked portion of the General Fund.

9. The Committee, having expressed concerns about the impact of recent commodity price increases on WFP's operations, noted that the Secretariat was monitoring the situation in preparation to update the Executive Board during the first regular session of 2011.

10. The Committee welcomed the workshop on project planning, resourcing and prioritization held in December 2010 and looked forward to the next workshop scheduled for 4 March 2011.

11. The Committee:

- **Welcomed the *Fourth Update on the WFP Management Plan (2010-2011)* and endorsed the request for supplementary expenditure in the amount of USD 10.2 million for additional field security requirements and USD 1.0 million for the implementation of a treasury management system;**
- **Noted the update on WFP's advance financing mechanism in the document and asked that this section be strengthened through the inclusion of an overview of the repayments and the prospects for each of the facilities;**
- **Requested that greater details on increases and decreases on the Programme of Work and underlining causes behind the changes in the requirements be included in future updates;**
- **Welcomed the increased level of contributions from host governments to WFP, demonstrating their increasing commitment to WFP's work; and**
- **Requested an overview table be included in future updates showing the changes in the Programme of Work against the approved Management Plan and Management Plan updates.**

INFORMATION NOTE ON FUNDING OF SECURITY MANAGEMENT ARRANGEMENTS

12. The Committee discussed the *Information Note on Funding of Security Management Arrangements* presented by the WFP Secretariat. The document provided background and supporting information for the second decision in the Fourth Update on the WFP Management Plan (2010–2011). The Secretariat also provided additional information on the WFP security budget at the request of the Committee (see Appendix).

13. The Committee expressed its support for WFP's efforts to ensure a high level of security and safety for its staff and operations in the field. The Committee also recognized the need for flexibility in the security area and its funding.

14. The Committee sought clarification on efforts to review the security cost sharing methodology for the UN system and was informed that WFP was chairing the *Working Group of the Finance and Budget Network on Staff Safety and Security Costs* to review these funding arrangements, and that it would report within the Management Plan, as available, to the Executive Board at its November Session, through the Finance Committee.

15. The Committee noted the Secretariat's clarification that, in the context of the Security Emergency Fund to cover security costs normally met by project Direct Support Costs (DSC), any attempt to recover these costs was difficult after a project was designed, and that there was a need for flexibility in the face of urgent operational concerns.

16. In response to an enquiry related to how much information WFP Information Network and Global System II (WINGS II) Project could provide on the real and total costs on security and safety aspects, the Committee was informed that the constraint in identifying total costs was not related to WINGS II but rather how to quantify and measure, for example, the staff time spent on security issues, as in some cases WFP field staff who were not security specialists could spend a large amount of their time on security issues.

17. The Committee:

- **Noted the *Information Note on Funding of Security Management Arrangements and the request for an additional USD 10.2 million for field security as stated in the Fourth Update on the WFP Management Plan (2010–2011)*¹;**
- **Recommended that in the future, more structured information on budgets related to security and safety and associated funding be included in similar requests;**
- **Recognized the critical nature of safety and security issues to WFP staff and operations and the need for flexibility in security funding;**
- **Noted the participation of the Secretariat in a working group (*Working Group of the Finance and Budget Network on Staff Safety and Security Costs*) to review funding arrangements for security in the UN system.**

**REPORT OF THE EXTERNAL AUDITOR ON WFP OPERATIONS IN
SOMALIA AND WFP MANAGEMENT RESPONSE**

18. The Committee discussed the report presented by the External Auditor, who emphasized the need for the Secretariat to set a process for defining the risk appetite, a system of controls as well as a cost-benefit analysis of the necessary implied investment. It also called on the Secretariat to share critical information on operations in complex environments in a timely manner with the Executive Board and other stakeholders.

19. The Committee noted that the WFP Secretariat had welcomed the report and its recommendations, and had stressed its commitment to work on their full implementation to ensure that food assistance is delivered as effectively as possible. The Secretariat also agreed on the need for a proactive dialogue with the Executive Board on the risks and inherent control difficulties arising from operations such as in Somalia. The Committee noted that WFP would be holding three risk seminars in Nairobi to proactively find solutions to the issues raised in the report and was presently working with the Executive Board to locate a facilitator.

20. The Committee noted weakness in communication and transparency with the Executive Board prior to 2009 concerning the risks related to operating in Somalia.

21. On the established timeframes, the Committee noted that the Secretariat confirmed that it had consulted internally and expected most of the actions to be completed as indicated. The Committee further noted that the WFP felt this was possible because many of the required actions had been initiated already through management initiatives, as mentioned by the External Audit report, and due to the high priority being placed on these issues corporately. The Secretariat reiterated its commitment to report on the progress of these actions prior to the Executive Board Session in June 2011.

¹ Fourth Update on the WFP Management Plan (2010-2011), Draft Decision to the Board: ii) approves supplementary expenditures of up to USD 10.2 million for field security upgrades, to be funded from the Programme Support and Administrative Equalization Account;

22. In response to Committee questions regarding the priority and materiality of the report's recommendations, the External Auditor highlighted that issues relating particularly to programming (including validation of cooperating partners and identification of beneficiaries that better reflect realities on the ground) addressed in the report would be of material concern.

23. The Committee noted that the Inspector General was further investigating any potential wrongdoing by WFP staff in Somalia in a few areas identified by the External Auditor and others on the basis of information provided by the Monitoring Group on Somalia.

24. The Committee:

- **Welcomed the External Auditor's report on WFP operations in Somalia and noted the fact that the Secretariat embraced all but one of the 26 recommendations contained in the report. Regarding the one recommendation (recommendation 23a) that was not accepted by the Secretariat, the Committee noted that the Secretariat and the External Auditor agreed on the goal of the finding but held different views on how it needs to be achieved;**
- **Agreed that the report was a useful tool to ensure proper follow up to the reported irregularities, and to minimize reputational and other risks for WFP in Somalia and in general;**
- **Urged the Secretariat to address a number of material weaknesses in the proposed systems of risk-assessment and monitoring; and to better define the timeframe for implementation of recommendations;**
- **Urged the Secretariat to establish a culture of more timely reporting of additional and high level risks, along with the projected costs associated with mitigation of such risks and irregularities;**
- **Welcomed the Secretariat's agreement with the External Auditor's guidance to address issues of materiality and to implement more rigorous programming, improved validation of data, and better integration of knowledge sharing, including that arising from monitoring and evaluation activities; and enhanced collaboration with external partners; and**
- **Looked forward to the planned seminars by the Secretariat in the region with donors and other stakeholders on the specific issues relating to operations in Somalia.**

**WORK PLAN OF THE EXTERNAL AUDITOR FOR THE PERIOD JULY 2010
TO JUNE 2011**

25. The Committee noted the Work Plan of the External Auditor (the Comptroller and Auditor General of India) for the period July 2010 to June 2011. The Work Plan was formulated in consultation with the Inspector General's office, considering the reports of the Evaluation Office and in consultation with WFP's management.

26. The External Auditor clarified that audits would be focused on 8 Country Offices in Asia and Africa and their related 3 Regional Bureaux. Besides the audit of financial statements, she would undertake two performance audits, including one on the procurement of Landside Transport Services and the other on the management of Project Budgets. Responding to a query from the Committee, the External Auditor explained that the choice of Country Offices and Regional Bureaux was based on a decision to cover a number of the largest operations as a priority, as well as taking into consideration the programme of work of the Internal Auditor. The Committee was informed by the External Auditor that an audit of Haiti and Pakistan by the Inspector General was scheduled for 2011.

27. The Committee, while recognizing that there was a delay in the appointment of the External Auditor, noted that it was presented the Work Plan for July 2010-June 2011 very late. Members asked that in the future, the External Auditor's Work Plan be submitted on a timely basis for the information of the Finance Committee.

28. **The Committee:**

- **Took note of the Work Plan of the External Auditor for the period July 2010 to June 2011 taking into consideration the decentralized nature of the organization and with a focus on risk management and internal controls;**
- **Welcomed the cooperation between the External Auditor and the Finance Committee and emphasized that the advice of the Committee would be helpful while designing future work plans; and**
- **Requested to receive the future work plans on a timely basis.**

THE MULTI-YEAR PROGRAMME OF WORK OF THE FINANCE COMMITTEE 2010-13 (WFP MATTERS)

29. At its 134th Session, the Finance Committee requested the WFP Secretariat to prepare a draft Multi-Year Programme of Work of the Finance Committee for the period 2010–2013.

30. **The Committee:**

- **Discussed the Multi-Year Programme of Work of the Finance Committee for the period 2010–2013 and requested that it be revised and modified in line with comments from members.**

CONSIDERATION OF WFP EXECUTIVE BOARD DOCUMENTS BY THE FAO FINANCE COMMITTEE

31. The Committee noted that its Chairperson would meet with the President of the WFP Executive Board soon to discuss the interpretation and implementation of the mandate of the Finance Committee. The discussion would focus on the criteria and modalities for deciding and submitting documents to the Committee.

32. **The Committee:**

- **Noted the scheduled meeting between the Chairperson of the Finance Committee and the President of the WFP Executive Board, and requested the Chairperson to report back to the Committee.**

DATE AND PLACE OF THE HUNDRED AND THIRTY-SEVENTH SESSION

33. The Committee was informed that the 137th Session was scheduled to be held in Rome from 10 to 11 February 2011.

APPENDIX

WFP SECURITY BUDGET BREAKDOWN

TABLE 1: Proposed budget

	PSA	SEF*	UNDSS
Staffing	1,800,000	4,646,036	1,219,320
Consultants	43,950	957,261	
Equipment	98,050	4,334,056	266,065
Facility Protective Measures		726,447	
Training	52,000	1,638,560	
Security Risk Assessments	106,000	333,860	279,620
Blast Assessments		696,056	
Office Relocation and Blast Mitigation		11,367,724	
UNDSS cost-share			22,634,995
TOTAL	2,100,000	24,700,000	24,400,000

TABLE 2: Original budget

	PSA	SEF*	UNDSS
Staffing	1,800,000	4,296,633	1,219,320
Consultants	43,950	595,117	
Equipment	98,050	2,879,433	266,065
Facility Protective Measures		482,000	
Training	52,000	750,410	
Security Risk Assessments	106,000	194,000	279,620
Blast Assessments		391,842	
Office Relocation and Blast Mitigation		4,910,564	
UNDSS cost-share			22,634,995
TOTAL	2,100,000	14,500,000	24,400,000

* SEF: Security Emergency Fund