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FINANCE COMMITTEE

Hundred and Eighty-second Session

Rome, 29 – 30 October 2020

**Process for the selection and appointment of the WFP External Auditor for
the term from 1 July 2022 to 30 June 2028**

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

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EXECUTIVE SUMMARY

- The term of office of the current External Auditor, the Cour des comptes of France, is due to expire on 30 June 2022.
- This paper establishes the process for the selection of the WFP External Auditor for the term 1 July 2022 to 30 June 2028. Based on the process approved in 2009, which also governed the selection and appointment of the current External Auditor, it sets out: i) the timeframe of the process; ii) the mandate and composition of the Evaluation Panel and arrangements for its continuity; iii) the selection procedure; and iv) the criteria for evaluation, with relative rating weights. As per its terms of reference, the Audit Committee will be invited to “provide advice on the selection of the External Auditor”.

GUIDANCE SOUGHT FROM THE FINANCE COMMITTEE

- The Finance Committee is requested to note the Process for the selection and appointment of the WFP External Auditor for the term from 1 July 2022 to 30 June 2028 and to endorse it for approval 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 approve the “Process for the Selection and Appointment of the WFP External Auditor for the Term from 1 July 2022 to 30 June 2028”.**



World Food Programme
Programme Alimentaire Mondial
Programa Mundial de Alimentos
برنامج الأغذية العالمي

Executive Board
Second regular session
Rome, 16–20 November 2020

Distribution: General

Agenda item 5

Date: 6 October 2020

WFP/EB.2/2020/5-B/1

Original: English

Resource, financial and budgetary matters

For approval

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

Process for the selection and appointment of the WFP External Auditor for the term from 1 July 2022 to 30 June 2028

Draft decision*

The Board approves the proposed process for the selection and appointment of the WFP External Auditor for the term from 1 July 2022 to 30 June 2028 (WFP/EB.2/2020/5-B/1).

* 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.

Focal point:

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Background

1. The term of office of the current External Auditor, the Cour des comptes of France, is due to expire on 30 June 2022.
2. This paper establishes the process for the selection of the WFP External Auditor for the term 1 July 2022 to 30 June 2028. Based on the process approved by the Board at its 2014 second regular session,¹ which governed the selection and appointment of the current External Auditor, it sets out: i) the timeframe of the process; ii) the mandate and composition of the Evaluation Panel and arrangements for its continuity; iii) the selection procedure; and iv) the criteria for evaluation, with relative rating weights. As per its terms of reference,² the Audit Committee will be invited to “provide advice on the selection of the External Auditor”.

Relevant provisions in the WFP financial regulations

3. The following WFP Financial Regulations are relevant to the appointment of the External Auditor:
 - **Financial Regulation 14.1:** The Board shall appoint an External Auditor to perform the audit of the accounts of WFP. The External Auditor shall be the Auditor-General (or official holding the equivalent title) of a State Member of the United Nations or the Food and Agriculture Organization of the United Nations (FAO).
 - **Financial Regulation 14.2:** The External Auditor shall be appointed through a competitive selection process for a non-renewable six-year term. Another appointment may be possible after a break of at least one term.³

Time frame

4. The term of office of the new External Auditor will start on 1 July 2022, upon conclusion of the current External Auditor’s mandate. The appointment of the External Auditor is scheduled to occur at EB.2/2021; the Bureau recommends adhering to the time frame shown below.

Approval by the Board of the process for the selection and appointment of the WFP External Auditor for the period 1 July 2022 to 30 June 2028	EB.2/2020
Invitation for proposals (with a 10-week deadline to reply)	early March 2021
Receipt of proposals	mid-May 2021
Short-listing of proposals	mid-June 2021
Interviews with short-listed candidates	mid-July 2021
Final evaluation and recommendation	end August 2021
Comments from the FAO Finance Committee and the Advisory Committee on Administrative and Budgetary Questions (ACABQ)	October 2021
Appointment by the Board	EB.2/2021

¹ WFP/EB.2/2014/5-C/1.

² WFP/EB.2/2018/10/1.

³ Financial Regulation XIV provides full details on the arrangements for External Audit; its terms of reference are contained in the Annex to the Financial Regulations.

Evaluation panel

Mandate of the evaluation panel

5. The process for the selection of the External Auditor will be carried out by an evaluation panel, which will have the overall responsibility to: i) initiate and oversee the competitive selection process; ii) evaluate the qualifying proposals received; and iii) present to the Board the results of the selection process together with its evaluation and recommendation.

Composition of the evaluation panel

6. For the purpose of the selection process of the External Auditor, the Board will constitute the Bureau elected for the year 2021 into the evaluation panel.
7. The President of the Board will act as chair of the evaluation panel. In the event that the President of the Board is unable to chair, his/her functions will be assumed by the Vice-President of the Board. Should there be a proposal from the Auditor-General (or official holding the equivalent title) of one of the State members of the evaluation panel, that member shall withdraw and be replaced by his/her alternate.
8. If any member of the evaluation panel is unable to carry out his/her functions, his/her alternate member in the Bureau will substitute him/her. The 2021 Bureau members, and their alternates, shall serve in their individual capacity.
9. As regard to the proceedings of the meetings of the evaluation panel, the majority of the members of the evaluation panel shall constitute the quorum.

Continuity of the evaluation panel

10. In accordance with the time frame set under paragraph 4, the selection and appointment process shall be completed by the 2021 second regular session.
11. However, the evaluation panel will continue to function in its original composition even beyond that date, if the completion of the selection process so requires.

Selection procedure

12. **Stage 1: Preparation of the request for proposals.** The request for proposals will be prepared by the relevant technical divisions from the Secretariat and submitted for approval to the evaluation panel through the Audit Committee.
13. **Stage 2: Invitation.** Based on the above, the request for proposals will be sent to the membership, inviting eligible External Auditors to submit separate technical and financial proposals for the audit of WFP's financial statements for the period 2022–2027. The External Auditors eligible are the Auditors-General or officials holding equivalent title of a State Member of the United Nations or FAO.
14. **Stage 3: Receipt, opening and preliminary evaluation of technical proposals.** The receipt and opening of proposals will be performed by WFP Procurement in accordance with existing WFP tender receipt and opening procedures. A WFP technical group comprising representatives from the Corporate Finance Division and from the Inspector General and Oversight Office will screen and perform a preliminary evaluation of the technical proposals, clearly identifying those that do not meet essential criteria.
15. **Stage 4: Review by the Audit Committee and assessment by the evaluation panel.** The technical proposals, the preliminary evaluation by the technical group and the advice of the Audit Committee, will be transmitted to the evaluation panel, which will carry out its own evaluation, award total scores and produce a short list of candidates.

16. **Stage 5: Opening of financial proposals.** After clearance by the evaluation panel, WFP Procurement will open the financial proposals of the short-listed candidates and transmit them to the WFP technical group for further review. Such review, along with the advice of the Audit Committee, will be transmitted to the evaluation panel.
17. **Stage 6: Interviews with short-listed candidates.** Short-listed candidates will be interviewed by the evaluation panel. The Audit Committee will designate one of its members⁴ to assist the evaluation panel, including by helping to determine a standard set of areas to cover during the interviews and to formulate questions.
18. On the basis of the total score awarded and of the results of the interviews, the evaluation panel will make its final evaluation and recommend a preferred candidate to the Board.
19. **Stage 7: Solicitation of comments from the advisory bodies.** The report of the work of the evaluation panel, including its final evaluation and recommendation of a candidate, will be submitted to the FAO Finance Committee and the ACABQ for comments.
20. **Stage 8: Appointment.** The evaluation panel will present to the Board its final evaluation and recommendation of a preferred candidate. The Board will also have available the comments and advice from the advisory bodies. The Board will appoint the External Auditor.

Criteria for evaluation

21. The selection criteria recommended for the selection of the External Auditor in 2022–2028 are as follows:
 - **Integrity:** Adherence to a code of professional and ethical conduct applied to all staff and reviewed and updated at least annually. This is an essential prerequisite that candidates must meet fully in order to be considered further by the evaluation panel.
 - **Objectivity:** Objectivity in the discharge of duties and responsibilities. This is an essential prerequisite that candidates must meet fully in order to be considered further by the evaluation panel.
 - **Qualifications of officials and staff:** Conformity to the auditing standards of the United Nations Panel of External Auditors and ethics governing their work; professional qualifications, skills, and size of work force; participation in internationally recognized accounting or auditing bodies such as the International Organization of the Supreme Audit Institutions (INTOSAI) and the International Federation of Accountants (IFAC); proficiency in English; and ability to work in other WFP official languages on an as-needed basis.
 - **Training and experience:** Existence of a programme for a continuing professional education for staff; experience in the audit of United Nations organizations or national public sector organizations or international non-governmental organizations; experience with the audit of financial statements prepared in accordance with International Public Sector Accounting Standards (IPSAS); and staff well trained in current trends of auditing and with extensive audit experience.

⁴ For the last two External Auditor selection processes, the Audit Committee designated its Chair as its representative.

- **Audit approach and strategy:** Comprehensive work plans to ensure comprehensive audit coverage of all WFP resources; performance of financial and compliance audits as well as economy, efficiency and value-for-money audits; proposed approach to external audit staffing to minimize WFP's compliance costs; collaboration with WFP's internal audit to optimize the use of limited audit resources; and delivery of audit results.
- **Quality control:** A well-functioning internal quality review process and exposure to external INTOSAI review.
- **Communications:** Timely communication of audit results presented to management through comprehensive management letters, audit reports and meetings, as necessary. Communications should be tailored according to the audience. The audit reports should be presented within the United Nations deadlines.
- **Cost:** Overall cost will be considered as one criterion.

Rating system of criteria

22. The proposals will be assessed against the criteria defined above, using a score scale from 1 to 5 (1 – meets none of the criteria; 5 – fully meets the criteria). Scores will be assigned for each criterion based on the replies completed by the invited State Auditors. It is recalled that the integrity and objectivity criteria are defined as essential ones and have to be met by the candidates; they are therefore not part of the rating system.
23. The score obtained under each criterion will be weighted to reflect its relative importance, as indicated below. Technical criteria will total 80 percent and the financial criterion will account for 20 percent.

	Rating weight (%)
- Qualifications of officials and staff	15
- Training and experience	20
- Audit approach and strategy	20
- Quality control	15
- Communications	10
- Cost	20
Total	100

24. For each selection criterion, the evaluation panel may define further sub-criteria and assign weights to these if required.
25. The scores for selection criteria will be multiplied by the weight to arrive at a total score for each criterion. The total scores for each criterion will then be added up to arrive at an overall total score obtained by the candidate.
26. A shortlist of candidates with the highest overall scores will be prepared by the evaluation panel. The evaluation panel may, if appropriate, adjust the scores after having interviewed the short-listed candidates.
27. The evaluation panel will recommend to the Board the candidate with the highest overall score achieved.
28. The Annex provides more detailed information and guidelines for scoring of criteria.

ANNEX**SELECTION OF THE WFP EXTERNAL AUDITOR****GUIDELINES FOR SCORING OF CRITERIA**

1. As is the case in WFP procurement procedures and practices, the evaluation panel will measure the proposals against the specific criteria defined (see paragraph 16), assigning a score scale from 1 to 5 (1 – meets none of the criteria; 5 – fully meets the criteria). Scores will be assigned for each criterion based on the replies to the request for proposals completed by the invited State Auditors.
2. For example, a maximum score of 5 would be awarded if all the requirements are fully met. The lowest score of 1 would be awarded if none of the requirements are met.

Integrity (<i>essential criterion</i>)	
Adherence to a code of professional and ethical conduct	<p>Audit institution has a code of professional and ethical conduct applicable to all its staff and this code is frequently updated.</p> <p>Audit institution has clear and documented disciplinary procedures and these are applicable to all audit institution staff in the case of deviation from the code of professional and ethical conduct.</p> <p>Evidence that the audit institution abides by the code of professional and ethical conduct of the institution, such as having staff sign off on yearly compliance statements.</p>

Objectivity (<i>essential criterion</i>)	
Objectivity in the discharge of duties and responsibilities	Audit institution work is demonstrably guided and performed in accordance with generally accepted auditing standards.

Qualification of officers and staff (<i>score 1 to 5</i>)	
Conformity to the auditing standards of the United Nations Panel of External Auditors and ethics governing their work	Audit institution demonstrates its officers and staff have extensive experience in the performance of work in conformity with auditing standards of the United Nations Panel of External Auditors and ethics governing their work.
Professional qualifications, skills and size of work force	<p>Audit institution demonstrates it has high number of qualified professional accountant staff (and professional qualification certificates are from an internationally recognized board or standard), including staff with accounting, finance, operations, procurement, transport and information technology audit experience, particularly in client/server applications such as those used by WFP.</p> <p>Audit institution demonstrates it has sufficient and commensurate number of professional staff to ensure adequate audit coverage of all resources of WFP, as well as to maintain any other commitments the institution may have in addition to the audit of WFP.</p> <p>Audit institution demonstrates its staff have relevant skills and experience in the audit of other United Nations agencies, international NGOs, etc.</p>
Participation in an internationally recognized accounting or auditing body such as INTOSAI and IFAC	Audit institution demonstrates participation in an internationally recognized accounting or auditing body.
Language proficiency	Audit institution demonstrates it has sufficient number of staff who speak and are proficient in English and that it has the ability to work in other official languages on an as-needed basis.

Training and experience (score 1 to 5)		
	Existence of a programme for a continuing professional education for staff	Audit institution professional staff required to attend continuing professional education training of at least two weeks every two years, and the institution demonstrates how this requirement is monitored and adhered to.
	Experience in the audit of United Nations organizations or national public sector organizations, or international non-governmental organizations	Audit institution demonstrates its officers and staff have extensive experience in performance of audit work at United Nations organizations or national public sector organizations, or international non-governmental organizations, and that its officers and staff are up to date on emerging issues and trends in the audit and businesses of these organizations.
	Experience with the audit of financial statements prepared in accordance with IPSAS	Audit institution demonstrates its officers and staff have proven experience in audit of financial statements prepared in accordance with IPSAS.
	Staff adequately trained in current trends of auditing and with extensive audit experience	Audit institution demonstrates that its officers and staff regularly and proficiently attend auditing "best practices" professional seminars or other means of adequate training in modern and emerging audit trends and techniques, and that officers and staff individually have extensive audit experience.

Audit approach and strategy (score 1 to 5)		
	Comprehensive work plans to ensure adequate audit coverage of all WFP resources	Audit institution demonstrates it prepares extensive and comprehensive work plans, coordinates and communicates this with management of the audited organization. The audit institution demonstrates its audit methodology conforms to best practices, including the consideration of risks. The audit institution demonstrates it implements adequate quality assurance procedures and programmes to ensure audit work is always of high standard.
	Performance of financial and compliance audits as well as economy, efficiency and value-for-money audits	Audit institution demonstrates it has extensive experience in conducting financial, compliance, economy, efficiency and value-for-money audits. Audit institution demonstrates it has adequate division and structure in the organization of responsibility along lines of types and nature of work undertaken (to ensure specialization and extensive audit skill and experience resources available to the institution). Audit institution demonstrates it is able to take initiative and to deal effectively and in an innovative manner, in coordination and cooperation with management, with new and emerging or particular issues relevant to the audit and business of WFP.
	The proposed approach to external audit staffing to minimize WFP's compliance costs	The audit institution's approach to staffing the audit demonstrates an appropriate balance between providing continuity of audit staff so as to minimise the learning curve for new audit staff and the ability to draw on additional audit staff or specialist skills where needed.
	Collaboration with WFP's internal audit to optimize the use of limited audit resources	Audit institution demonstrates extensive experience and reliance placed on work of internal audit units. The audit institution demonstrates how the use of limited audit resources was optimized in the institution's own experience, and how the institution will optimize this in the audit of WFP.
	Delivery of audit results	Audit institution demonstrates results are delivered in a timely and appropriate manner.

Quality control (score 1 to 5)		
	Quality review process in place to ensure quality control	Audit institution demonstrates it has an internal quality review process and exposure to external INTOSAI peer review.

Communications (score 1 to 5)		
	Timely communication of audit results presented to management through comprehensive management letters and audit reports and meetings as necessary	<p>Audit institution demonstrates how it delivers messages to various functions, including the Audit Committee.</p> <p>Audit institution demonstrates its audit reports are structured in a format judged to be adequate to convey clearly results of the audit. Audit institution demonstrates it conveys audit results in a timely manner and with effective basis to management, discusses audit results on a preliminary basis with management, provides opportunity to management to make comments and provide input before management letters or audit reports are finalized, and reflects in the final management letter or audit report management's comments and input, as necessary.</p> <p>Audit reports are presented within United Nations deadlines</p>

Cost (score to be determined through a mathematical formula, with the lowest financial offer receiving the maximum score for this criterion and the other financial offers receiving scores in proportion to their difference with the lowest financial offer)		
	Most competitive fees	Audit institution's fees are competitive and judged to be adequate and proportionate to the work to be undertaken, and the institution demonstrates these fees are not too low so as to inhibit effective and efficient execution of audit work or too high as may be judged to be disproportionate to the work to be undertaken.

Acronyms

ACABQ	Advisory Committee on Administrative and Budgetary Questions
FAO	Food and Agriculture Organization of the United Nations
IFAC	International Federation of Accountants
INTOSAI	International Organization of the Supreme Audit Institutions
IPSAS	International Public Sector Accounting Standards