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منظمة
الغذية والزراعة
للأمم المتحدة

FINANCE COMMITTEE

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Workplan of the External Auditor

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EXECUTIVE SUMMARY

- The Cour des comptes of France is pleased to present the “Workplan of the External Auditor”.

GUIDANCE SOUGHT FROM THE FINANCE COMMITTEE

- The Finance Committee is requested to note the “Workplan of the External Auditor” on the audit of the World Food Programme and to endorse it for information 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 note the “Workplan of the External Auditor”.**



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Workplan of the External Auditor

For the period July 2020 to June 2021

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Cour des comptes
FRANCE



EXTERNAL AUDIT OF THE WORLD FOOD PROGRAMME

Workplan of the External Auditor
For the period July 2020 to June 2021



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I. Mandate and objectives

1. This document, submitted to the World Food Programme (WFP) Executive Board for information, is the External Auditor's annual workplan of audit activities between July 2020 and June 2021.
2. Through an Executive Board decision of 10 November 2015, WFP external audit was entrusted to the First President of the Cour des Comptes of France for the period 1 July 2016 to 30 June 2022 in accordance with Article 14.1 of the WFP Financial Regulations.
3. The External Auditor's mandate is set out in Article XIV of the WFP Financial Regulations and its annex, and in the call for applications for the appointment of the External Auditor. The External Auditor's terms of reference comprise the call for applications, together with the offer of services of the External Auditor – particularly his detailed technical offer, which was approved by the Board.
4. The responsibilities of the External Auditor consist of auditing the financial statements of WFP (Article 14.1 of the Financial Regulations) and making observations, if he sees fit, regarding the effectiveness of the financial procedures, the accounting system, internal financial controls and, in general, the administration and management of WFP (Article 14.4 of the Financial Regulations).
5. The mandate given to the External Auditor in the terms of reference approved by the Board covers both the auditing of the financial statements and a review of the performance and regularity of the management of WFP.
6. Pursuant to Article XIV.6 (b) of the General Regulations and by virtue of Articles 13.1 and 13.3 of the Financial Regulations of WFP, the Executive Director of WFP is responsible for the preparation and submission of the financial statements. In conformity with Article 3.1 of the Financial Regulations, the Executive Director is also responsible for the financial management of WFP's activities, for which he is accountable to the Board.
7. A letter of engagement was signed on 12 December 2016 in order to ensure that, in accordance with the ISA 210 standard, the respective obligations of WFP management and the External Auditor are clearly understood.
8. The objective of the audit of the financial statements is to obtain reasonable assurance about whether the financial statements give a true and fair view, in all material respects, of the financial position of WFP and of the results of the operations recorded during the financial year, in accordance with International Public Sector Accounting Standards (IPSAS); whether the financial statements have been prepared in compliance with the Financial Regulations and the stated accounting policies; whether the accounting policies applied are consistent with those of the previous financial year; and, finally, whether the transactions have been performed in compliance with the Financial Regulations and legislative authority.
9. Within the framework of the financial audit, the External Auditor is to review and, if necessary, test certain internal control mechanisms that have a material impact on preparation of the financial statements. The External Auditor takes into account the internal controls applicable to the preparation of financial statements with the aim of developing audit procedures appropriate to the subject and with no aim of expressing an opinion on the effectiveness of those controls. This work primarily aims to determine the financial audit strategy but it may also help to highlight opportunities for enhancing internal control, which will be shared with WFP.
10. With regard to the review of performance, the audits will aim to determine whether, in the areas reviewed, activities are carried out in accordance with the principles of economy, efficiency and effectiveness and whether there is scope for improvement.

11. The performance audits will also aim to ensure that activities, financial transactions and information are, in all material respects, in conformity with the provisions of WFP's basic texts.

II. Audits and reports

12. In accordance with the terms of reference, each year the External Auditor must issue an audit report on the financial statements of WFP (to be submitted to the Board for approval) accompanied by an opinion on the accounts, two reports on the performance and regularity of the management of WFP, otherwise referred to as "performance audit reports" (to be submitted to the Board for consideration). It also reports on its visits to field offices (regional bureaux, country offices and other offices) in the management letters addressed to the Executive Director. Finally, the External Auditor validates the draft annual report on implementation of the External Auditor's recommendations submitted by the Secretariat to the Board for consideration.
13. As a rule, management letters related to field offices will be sent only to the Secretariat. However, the External Auditor reserves the right to address in his reports to the Board any matters observed at field offices that should be brought to the attention of the Board. Moreover, going beyond what is expected under the terms of reference, the External Auditor has decided that the observations made each year in the field should be summarized in a document submitted to the Board and the Executive Director.
14. The audit of the financial statements will be carried out in two stages at WFP headquarters: an interim audit in the autumn of the financial year under review (from 5 to 16 October 2020 for the 2020 financial year) to understand and test the internal control mechanisms, and a final audit in the first quarter after the closing of the accounts (from 15 February to 5 March 2021 for the 2020 financial year), to examine a certain volume of transactions.
15. Each of the two performance audits will involve two missions at Headquarters between July 2020 and February 2021: a preparatory mission to finalize the audit planning and identify key processes, and a final mission to test controls, collect evidence and draw conclusions.
16. The External Auditor will also undertake a number of field visits to country offices. These audits will address the regularity of offices' management and will also contribute to the performance audits according to the themes selected. They may also involve the checking of samples selected in line with risks in areas affecting the financial statements. For the period from July 2020 to June 2021, field audits will take place in November and December 2020.
17. For the period from 1 July 2020 to 30 June 2021, the date for submission to the Board Secretariat of the final performance audit reports is 9 April 2021; it is 23 April 2021 for the audit report on the financial statements and the opinion on the accounts.

III. Standards and methods

18. As provided for in Article 14.3 of the Financial Regulations, the audit of the financial statements will take place in accordance with the International Standards on Auditing (ISA), the WFP Financial Regulations and the additional terms of reference annexed thereto. These standards are part of the International Standards of Supreme Audit Institutions (ISSAI), which also govern the method followed by the External Auditor for the performance and regularity audits.

19. All of these standards require the External Auditor to comply with the applicable rules of professional conduct, exercise professional judgement and demonstrate critical thinking and independence throughout the audit. Neither the legislative bodies nor the governing bodies of an organization may interfere in the selection of matters to be audited, the planning, scheduling or execution of work, the reporting of results or the monitoring of audits.
20. For audit planning purposes, work on both the financial audits and the performance audits will be structured around three core objectives: understanding the entity, evaluating the internal control system and identifying important risks.
21. The External Auditor will plan his work in order to:
 - address the main concerns of WFP and its governing bodies with regard to the objectives of efficiency, effectiveness and economy in the governance and use of the resources provided by donors. Therefore, the audits should address significant issues, particularly those of financial or strategic importance;
 - cross this approach with, first, an analysis of the risks of any kind that could compromise WFP's capacity to achieve the results expected by the Member States and, second, the internal audit and evaluation programmes. The areas selected for control should bring added value to WFP, particularly because the related risks are high and because the areas have not been thoroughly examined by recent audits performed by other oversight bodies.
22. In his planning, the External Auditor will take into account his capacity to perform the audit of the area concerned, based on the information available and the resources and timeframe provided.
23. In order to define his workplan for the period from July 2020 to June 2021 and his multi-year audit strategy, the External Auditor updated his risk analysis, which enabled him to identify a list of areas of control likely to require a performance audit because of their importance to WFP and the added value of auditing them.
24. The number of potential audit areas obviously exceeds the number of audits to be performed between July 2020 and June 2021 (two).
25. Annex I presents not only the two subjects selected for audit during the period from July 2020 to June 2021, but also a reserve list of priority areas, prepared from a multi-year perspective with a view to enhancing the predictability and coherence of planning from one year to the next. This expanded list will also help inform subsequent discussions with management, other oversight bodies and the Board, particularly to avoid duplication of work.
26. Topics mentioned for the subsequent period are merely indicative. The External Auditor is only obliged to audit the subjects selected for the first period. The multi-year strategy is revised each year during preparation of the annual workplan.
27. Annex II contains a list of field audits to be carried out this year.
28. During the operational planning stage of each audit, the present annual workplan should be supplemented by a preliminary assessment that makes it possible to define more precisely the scope of the audit, to prepare terms of reference to be submitted to management and to draw up an engagement plan for the audit teams.
29. In order to carry out this operational planning work, the External Auditor will organize working meetings with WFP management before the start of each audit assignment.

IV. Audit areas

A. Performance audits

1. *Critical corporate initiatives*

30. Critical corporate initiatives are non-recurring investments “aimed at strengthening WFP’s programming, operational and administrative capacity”.¹ They must meet the following criteria: be one-off in nature; not be covered by the regular programme support and administrative (PSA) budget; not be related to a single project; require predictable funding; be unlikely to generate sufficient additional investment from donors; and focus on organizational change.²
31. In the Management Plan for 2019, the Secretariat proposed to the Executive Board an investment of USD 69.3 million in six critical corporate initiatives. In the Management Plan for 2020 it proposed investing USD 39.7 million in five critical corporate initiatives in order to continue those funded over several years (“Systems integration and IT-enabled efficiencies” and “United Nations reform”) and to launch several new initiatives (“Programme and partnership support”, “Private sector strategy” and “Workplace culture and ethical climate”).
32. Critical corporate initiatives are funded from the PSA equalization account, which is in turn funded by the indirect support cost recovery fees that exceed the anticipated amount of such fees set in the PSA budget. It should be noted that critical corporate initiatives are not the only cross-cutting actions focused on organizational change. In addition to the revenue allocated to these initiatives in the PSA equalization account, the PSA budget itself provides for the funding of five “corporate priorities” in 2020, for a total amount of USD 29.5 million.
33. The purpose of this audit will be to examine the effectiveness, efficiency and transparency of the investments made.
34. The key audit questions will be as follows:
 - **Governance of critical corporate initiatives.** Does the process of selecting and allocating the resources earmarked for critical corporate initiatives make it possible to ensure that these initiatives address the crucial needs of WFP? Do the planned actions meet the definition of initiatives of this type? Do the critical corporate initiatives funded from the PSA equalization account complement the institutional priorities funded from the PSA budget? How is the implementation of critical corporate initiatives integrated into the organizational structure of WFP?
 - **Funding of critical corporate initiatives.** Is the critical corporate initiative funding mechanism, which falls outside of the PSA budget, justified and appropriate in terms of its impact on the transparency of the management plan and understanding of WFP's policy on cross-cutting investments? Are the amounts taken from the PSA equalization account and the level of the standard indirect support cost recovery rate justified with regard to the importance of the critical corporate initiatives?

¹ Definition taken from the WFP Management Plan for 2019–2021 (WFP/EB.2/2018/6-A/1/Rev.1) and included in the WFP Management Plan for 2020–2022 (WFP/EB.2/2019/5-A/1, page 4).

² Criteria set in 2015 in the document entitled “Progress on the financial framework review, including indirect support costs” (WFP/EB.A/2015/6-C/1, paragraph 49).

- **Performance of critical corporate initiatives.** Are the investment proposals and concept notes drawn up to support critical corporate initiatives systematically produced and are they sufficiently detailed, particularly for the Member States? Are the critical corporate initiatives clear and measurable? To what extent are the objectives achieved and how is that measured? How is the level of achievement of the objectives reported, particularly in the annual performance plans?

2. *Management of information on beneficiaries*

35. In 2018, 822 million people worldwide suffered from chronic undernourishment, 10 million more than in 2017. That same year, 113 million people facing acute hunger in 53 countries urgently needed food and nutrition assistance; two thirds of them lived in regions in the grip of conflict or insecurity. The number of humanitarian crises is rising and their duration is increasing. Among these crises, WFP must define priority population groups, taking into account its technical capacity, opportunities for intervention in the target countries and other actors.
36. This scenario, which was used again as the reference situation in the WFP management plan approved in November 2019 for 2020, may well deteriorate significantly due to the COVID-19 pandemic. According to the Global Report on Food Crises 2020, published at the end of April 2020, an estimated 135 million people worldwide were acutely food insecure before the outbreak of COVID-19 and an additional 130 million people could fall into this category as a result of the pandemic, which would take the total number to 265 million by the end of 2020, more than double the figure indicated in the management plan.
37. In its Management Plan for 2020-2022, presented in November 2019, WFP targeted 87.6 million beneficiaries in 2020, an increase of 11 percent from the 78.8 million targeted in 2019.
38. The aim of the audit will be to examine the effectiveness and efficiency of the means and methods used to target and monitor beneficiaries, and to assess the transparency of the information provided in the various reports on the assistance transferred.
39. The key audit questions will be as follows:
 - **The notion of beneficiaries and how they are accounted for.** What criteria are used to define a WFP beneficiary? What is WFP's strategy regarding the targeting, prioritization, frequency and duration of assistance? What method is used to target and account for direct and indirect beneficiaries? How does it vary from one programme to another?
 - **Data management and beneficiary monitoring.** How reliable is the beneficiary accounting and how reliable are the various information-gathering systems and methods? Is the information gathered and relayed sufficient to ensure effective monitoring? Do the methods employed respect WFP's responsibilities towards beneficiaries in terms of data protection and security? How much capacity does WFP have to monitor beneficiaries over time and to determine which beneficiaries will need assistance on a recurring basis throughout their lives? How effective are the mechanisms in place concerning accountability towards beneficiaries?
 - **Performance evaluation.** What indicators are used by WFP to measure its performance with regard to the targeted beneficiaries? Do the targets and objectives set make it possible to evaluate all the services provided by WFP? How closely do the target beneficiaries in the country strategic plans correlate with the beneficiaries actually reached? What evaluation system is used? Is there a proven correlation between the performance of the aid and the substantial increase in contributions in recent years?

- **The reporting system.** What types of reports are prepared for donors and the Executive Board? Is consistency between the texts defining the indicators and those presenting the results ensured? How can the existing reporting tools, such as the annual performance report, the annual country reports, the corporate results framework and the management plan, each of which has key indicators and information, be more closely aligned? Is it possible to improve the reporting so that donors can see the impact of their donations more clearly?

B. Field audits

40. The terms of reference of the External Auditor state that he will audit a number of regional bureaux and/or country offices each year.
41. In selecting the field offices, we took into account our analysis of the risks, the relevance of the offices concerned for our performance audits and how recently the latest audits were carried out by one of the oversight bodies.
42. Most WFP interventions are currently carried out in emergencies in zones posing substantial security risks. Given the difficulty of operating in such environments, which are by nature unstable, we do not rule out cancelling the visits to one or more countries that were planned in the programme.
43. The impact of the health and food crisis caused by the COVID-19 pandemic on the availability of the offices concerned has also been taken into account. All travel to the field has been postponed until November and December. However, considering his reporting obligations to the Board, it will be difficult for the External Auditor to delay those trips any further. Therefore, an effort will be expected on the part of the offices.
44. While we have taken account of the large sums involved, our professional judgement has led us to depart from a strictly financial approach in certain cases. Annex II contains the list of anticipated sites.
45. The audits will systematically examine the regularity of management with regard to finance, human resources, asset management and coordination with other bodies.
46. The field audits will also enable the collection of information useful for the two performance audits to be carried out during the year and the completion of additional checks required for the audit of WFP's financial statements.
47. The development of centres of excellence is designed as a means of strengthening South-South cooperation and is a key element of the WFP Strategic Plan. In due course, the External Auditor may schedule an examination of one or more of these centres within the framework of his field visits. If necessary, an overview of this theme would then be included in one of the External Auditor's reports submitted to the Board.

C. Audit of the financial statements

48. The preliminary assessment carried out at the beginning of the mandate led the External Auditor to conclude that WFP's internal control environment is characterized by a high level of inherent risk owing to the nature and location of its main operations and its highly decentralized structure, which gives significant autonomy to country-level officials.
49. Experience gained during the financial audits for the financial years 2016–2019 confirmed this initial assessment and resulted in a strengthening of coordination between all the external audit teams (field, performance and financial audits) in order to ensure that issues arising from the field are appropriately taken into consideration for financial audit purposes.

50. Furthermore, WFP is characterized by high dependence on information systems; the integrated resource management software system WINGS II plays a key role in the keeping of accounts and preparation of the financial statements. In view of this important consideration, from 2016 to 2019 the External Auditor undertook reviews of the general IT controls of WINGS II and the application controls of the procurement process, which led him to issue recommendations on improving the security of the system. Corrective actions have been taken by the Secretariat to correct certain anomalies detected during our audit tests, but in the most recent tests performed it was found that some of them had not been completely eliminated.
51. Faced with this situation, WFP's Information Technology Division has acknowledged that certain risks will never completely disappear due to the nature of WFP's operations. It has indicated that these risks are accepted by WFP and that the necessary procedures have been put in place to limit them. These risks are linked in particular to high staff turnover, which explains why access rights may remain active for some time after the departure of an employee, and to the impossibility of strictly respecting the segregation of duties in offices with limited numbers of staff. In view of these factors, we considered that our recommendations should be closed, as it will undoubtedly be difficult for WFP to mitigate these risks much further. The controls in place make it possible to obtain a reasonable assurance regarding the reliability of the accounting data produced. During the audit of the 2020 financial year, the External Auditor will nonetheless continue his work in this area in order to assess whether the risks remain limited.
52. Moreover, based on these first four years of experience, the External Auditor identified two areas of significant risk in the financial statements:
- a) Revenue recognition in respect of contributions is the first area under particular vigilance, because of the importance of this subject for an organization entirely financed by voluntary contributions. For the 2020 financial audit, the External Auditor will continue to entrust the examination of revenue recognition to an experienced auditor and will rely in particular on in-depth direct confirmation procedures.
 - b) In previous financial years, the External Auditor determined that the rapidly growing cash-based transfers constituted an area of elevated risk, resulting in an experienced auditor being specifically assigned to this area to carry out an in-depth examination and leading to observations and recommendations in the financial audit reports for the 2016 and 2017 financial years. For the 2018 and 2019 financial years, the External Auditor drew upon this past experience to examine how the recommendations have been implemented and the ways in which this activity is undertaken in the field. The same type of approach has been maintained for the 2020 financial year.
53. In addition to the significant risks mentioned above and the risk of fraud, the External Auditor concluded that the following accounts are subject to both a high inherent risk and a high control risk. This risk is likely to be heightened by the effects of the COVID-19 pandemic on staff availability:
- a) Cash and cash equivalents;
 - b) Inventory;
 - c) Vendor accounts, accrued charges, purchases.
54. For these important accounts subject to an elevated combined risk, the External Auditor will perform extensive internal control testing during the interim audit and extensive validation testing during the final audit. He will also rely on third-party direct confirmation procedures and will take into consideration any issues raised by the performance audit and field audit teams.

55. During his field audits, the External Auditor will examine whether the disruptions caused by the COVID-19 pandemic to the day-to-day management of the offices have caused any delays in the liquidation of accrued expenses and income or difficulties carrying out compulsory physical inventories.
56. Finally, significant estimates were made for the item concerning long-term personnel commitments given the hypotheses and actuarial method used to estimate those liabilities. During the 2020 audit, the External Auditor will continue to pay special attention to this area, which will require direct communication with the actuary employed by WFP.

ANNEX I**List of audit subjects selected for performance audits for the 2020–2021 financial year and indicative list of possible subjects for performance audits in the subsequent period**

2016–2017–2018–2019 (reminder)	2020 financial year	Subsequent period (indicative)
Review of decentralization Changes in human resources Losses related to food supplies Scaling up resources during emergency responses Country portfolio budgets Prevention, detection and punishment of fraud Air transport services Real estate	Critical corporate initiatives Management of information on beneficiaries	Oversight function Cooperating partners Private-sector partnerships for capacity improvement Inter-agency coordination Innovation management Centres of excellence

ANNEX II**List of sites selected for field audits for the 2020–2021 financial year¹**

	2020 financial year
Country offices	Egypt
	India
	Lesotho
	Nicaragua
	Madagascar
	Mauritania
	Sri Lanka
	Zambia

¹ This list is indicative and subject to change as a required by the health situation.