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Organización de las
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منظمة
الغذية والزراعة
للأمم المتحدة

FINANCE COMMITTEE

Hundred and Ninety-third Session

Rome, 27-28 October 2022

Workplan of the External Auditor

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Documents can be consulted at www.fao.org

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EXECUTIVE SUMMARY

- The Präsident des Bundesrechnungshofes of Germany 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” and to endorse it for information by the Executive Board.

Draft Advice

- **In accordance with Article XIV of the General Regulations of WFP, the Finance Committee advises the WFP Executive Board to note the “Workplan of the External Auditor”.**



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

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Resource, financial and budgetary matters

For information

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

Workplan of the External Auditor

For the period from July 2022 to June 2023

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B u n d e s
rechnungshof ■ ■ ■ ■ ■

Workplan of the External Auditor

For the period from July 2022 to June 2023

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1. Preface

By its decision 2021/EB.2/4, on 16 November 2021 the Executive Board of WFP appointed the Präsident des Bundesrechnungshofes of Germany as the WFP External Auditor to perform the audit of the accounts of WFP for a six-year term from 1 July 2022 to 30 June 2028 in accordance with WFP Financial Regulation 14.1.

This document provides our annual audit workplan for the cycle from 1 July 2022 to 30 June 2023 and is submitted to the Executive Board for information.

2. Mandate and responsibilities

The External Auditor's mandate is set out in Article XIV of the WFP Financial Regulations and their Annex. The External Auditor's terms of reference comprise the call for applications, together with the offer of services of the External Auditor – in particular the detailed technical offer.

The External Auditor's responsibilities consist of conducting the audit in accordance with Common Auditing Standards of the Panel of External Auditors of the United Nations, the Specialized Agencies and the International Atomic Energy Agency and in accordance with the additional terms of reference set out in the Annex to the WFP Financial Regulations (Financial Regulation 14.3). The External Auditor may make observations with respect to the efficiency of the financial procedures, the accounting system, the internal financial controls and, in general, the administration and management of WFP (Financial Regulation 14.4).

The Executive Director of WFP is fully responsible and accountable to the Executive Board for the financial management of the activities of WFP (Financial Regulation 3.1). The Executive Director submits to the Executive Board for its approval annual financial statements in respect of the WFP Fund, including its funds and accounts (Financial Regulation 13.1). The Executive Director certifies the financial statements and submits them, not later than 31 March following the end of each financial period, to the External Auditor for examination and opinion (Financial Regulation 13.3). The WFP financial statements are to be prepared in accordance with the International Public Sector Accounting Standards (Financial Regulation 13.1). The Executive Director is responsible for establishing internal controls, including internal audit and investigation, to ensure the effective and efficient use of the resources of WFP and the safeguarding of its assets.

According to the Annex to the WFP Financial Regulations, the Executive Director has to ensure that the External Auditor and the External Auditor's staff have free access at all convenient times to all books, records and other documentation which are, in the opinion of the External Auditor, necessary for the performance of the audit.

3. Objective and scope of the audits

Financial audit

With our financial audit we will assess whether the WFP financial statements present fairly the financial position of WFP as at 31 December 2022 in compliance with International Public Sector Accounting Standards and whether the financial statements have been prepared in accordance with the relevant accounting guidelines and policies applied on a basis consistent with that of the preceding financial period.

We plan, prepare, conduct and report on our audit in compliance with internationally accepted standards. We apply the International Standards on Auditing (ISA) and the INTOSAI Framework of Professional Pronouncements (IFPP) of Supreme Audit Institutions.

The International Standards on Auditing oblige us to comply with ethical requirements and to obtain reasonable assurance that the financial statements are free from material misstatement.¹ We comply with the ethical requirements specified in International Standards of Supreme Auditing Institutions.²

The primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management. Oversight by those charged with governance includes considering the potential for override of controls or other inappropriate influence over the financial reporting process. Owing to the inherent limitations of an audit, there is an unavoidable risk that some material misstatements of the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs.³

We follow a risk-based audit approach.⁴ We take into account our predecessor's assessment 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.

We will assess the strengths and weaknesses of controls in WFP's financial systems to determine the likelihood of material errors occurring. The results of this risk assessment will help us to determine the level of audit evidence needed to support the audit opinion, to concentrate efforts on addressing high risk areas, and to improve the cost effectiveness of audit testing.

¹ ISA 200 "Overall Objective of the Independent Auditor, and the Conduct of an Audit in Accordance with International Standards on Auditing".

² ISSAI 130 "Code of Ethics" and ISSAI 140 "Quality management for Supreme Audit Institutions".

³ ISA 240 "The Auditor's Responsibility Relating to Fraud in an Audit of Financial Statements".

⁴ ISA 315 "Identifying and Assessing the Risks of Material Misstatement Through Understanding the Entity and its Environment".

Performance audits

We will conduct two performance audits of aspects of the administration and management of WFP. These audits will focus on economy, efficiency and effectiveness in line with the International Standards of Supreme Auditing Institutions.⁵

4. Audit reports and schedule

We will submit an audit report on the 2022 financial statements of WFP, including an audit opinion and two performance audit reports to the Executive Board for its annual session in June 2023.

We will visit WFP headquarters twice as part of the overall audit of the financial statements:

- from 10 to 21 October 2022 and
- from 14 February to 4 March 2023.

Visits to regional bureaux and country offices are also part of the financial audit.

Regarding Financial Regulation 13.3 which defines the Executive Director's certification as the beginning of the audit of the financial statements and of forming an opinion we continue the financial audit after the date of certification as long as deemed necessary exercising our professional judgement to build our opinion on a solid basis.

The two performance audits will be mainly carried out at WFP headquarters between October 2022 and February 2023. They will be complemented by visits to regional bureaux and country offices.

5. Audit areas

Financial audit

We have carried out a preliminary analysis of WFP's internal control environment. The analysis shows that WFP's internal control environment is characterized by a high level of inherent risk owing to WFP's worldwide operations resulting in a highly decentralized structure which gives managers at the country level a large degree of autonomy.

⁵ ISSAI 300 "Performance Audit Principles" and ISSAI 3000 "Performance Audit Standard".

Based on our preliminary risk assessment, we plan to focus on the following audit areas:

- cash-based transfers distributed;
- the management of cooperating partners;
- inventories and distribution of food commodities;
- employee benefits; and
- recognition of voluntary contributions.

In these areas we will conduct substantive testing and testing of controls. Regardless of focus areas all material line items will be audited.

WFP highly depends on information systems. The enterprise resource planning system WINGS II is paramount for the maintenance of accounting records and the preparation of financial statements.

We will identify the required audit procedures and assertions about classes of transactions and account balances for the financial year 2022 and at the end of 2022. In respect of some risks, we may judge that it is not possible or practicable to obtain sufficient appropriate audit evidence only from substantive procedures. WFP's controls over such risks are relevant to the audit, and we will develop an understanding of those controls.

We will obtain an understanding on how WFP makes accounting estimates, in particular in the area of employee benefit liabilities which are based on actuarial assumptions. We will focus on these liabilities and communicate with the actuary.

Performance audits

As noted above we will conduct two performance audits, on administrative support services and on fuel management. Annex 1 shows a list of the areas of previous performance audits between 2016 and 2021.

Administrative support services

Administrative support services play a key role in WFP organizational and operational activities. For this audit, administrative support services include administrative and common services such as information and technology management and procurement services. They also cover human resources management, which is crucial to WFP's work in the countries where it operates. The objective of this audit will be to assess whether WFP's administrative support services ensure effectiveness, economy and efficiency.

The key audit questions will be:

- What rules apply to administrative support services?
- Are administrative support services carried out in compliance with these rules?

- Are IT systems suitable for supporting these services?
- Does WFP headquarters provide the services that country offices need?
- Do the regional bureaux support country offices as needed?
- How does WFP headquarters monitor authorities for administrative support services delegated to country offices?

Fuel management

Country offices' operations depend on the availability of fuel. Taking into account the current challenges, it is essential that an effective fuel management process be implemented along with appropriate rules, guidance and support by IT systems.

The key audit questions are:

- Regulatory framework: What strategic policies, rules, standards and guidelines for fuel management are in place?
- Fuel supply: How does WFP ensure appropriate fuel supply? How are fuel suppliers selected? What kind of contracts does WFP use? Do contracts provide for minimum standards and acceptable levels of quality and environmental sustainability?
- Monitoring and controls: How does WFP monitor fuel consumption? How is the fuel stock managed? Are IT systems suitable for fuel management? How does WFP prevent irregularities? How does WFP manage fuel price risks?

Field visits

The country offices implement WFP's mandate by providing food assistance and crisis response. More than 87 percent of WFP staff work in country offices. Therefore, visits to country offices are crucial to our audits. Our criteria to visit a country office are our preliminary financial risk assessment, the volume of the budget and when the most recent visit of the External Auditor was.

WFP operates in a lot of countries where the security situation is unstable. The COVID-19 pandemic adds to that. Considering these risks, it might be advisable to cancel already scheduled visits.

A list of country offices we plan to visit in this audit cycle is shown in Annex 2.

Annex 1

Audit subjects selected for performance audits for the financial year 2022 and recap of audit subjects selected for prior years' audits

2016–2021	2022
<ul style="list-style-type: none">• 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 portfolio• Critical corporate initiatives• Management of information on beneficiaries• Management oversight• Cooperating partners	<ul style="list-style-type: none">• Administrative support services• Fuel management

Annex 2

Regional bureaux and country offices to be visited for the 2022 financial year audits

Regional bureaux	<ul style="list-style-type: none">• Cairo
	<ul style="list-style-type: none">• Johannesburg
Country offices	<ul style="list-style-type: none">• Egypt
	<ul style="list-style-type: none">• Jordan
	<ul style="list-style-type: none">• Lebanon
	<ul style="list-style-type: none">• Malawi
	<ul style="list-style-type: none">• Mozambique
	<ul style="list-style-type: none">• Tanzania
	<ul style="list-style-type: none">• Zimbabwe