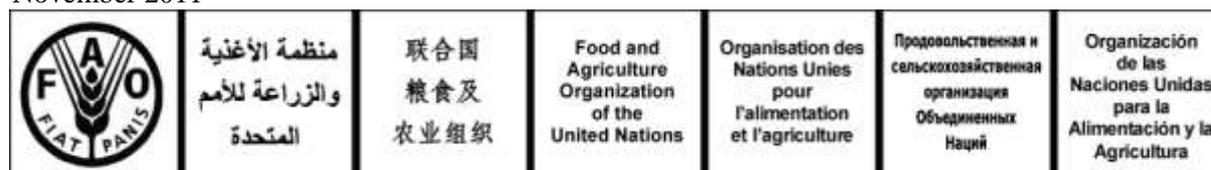


November 2011

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COUNCIL

Hundred and Forty-third Session

Rome, 28 November - 2 December 2011

Report of the 142nd (Special) Session of the Finance Committee Rome, 7 - 8 November 2011

Executive Summary

At its 142nd (Special) Session, the Committee considered a number of financial and budgetary matters relating to the World Food Programme (WFP) prior to their consideration by the Second Regular Session of the WFP Executive Board in November 2011.

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 Second Regular Session of the WFP Executive Board of WFP in November 2011.

Queries on this document may be addressed to:

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REPORT OF THE HUNDRED AND FORTY-SECOND (SPECIAL) SESSION OF THE FINANCE COMMITTEE

7 - 8 November 2011

Introduction

1. The Committee submitted to the Council the following report of its Hundred and Forty-second (Special) 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)
 - H.E. Miguel Ruíz-Cabañas Izquierdo (Mexico)
 - Mr Fouzi Lekjaa (Morocco)
 - Ms Eva van Woersem (Netherlands)
 - Mr Vladimir V. Kuznetsov (Russian Federation)
 - Ms Elizabeth A. Petrovski (United States of America)
3. The Chairperson informed the Committee that:
 - Ms Kristina Gill (Australia) had been designated to replace Mr Travis Power at this session;
 - Ms Claudia Cecile de Mauleón Medina (Mexico) had been designated to replace H.E. Miguel Ruíz-Cabañas Izquierdo for part of this session;
 - Ms Eva van Woersem (Netherlands) had been designated to replace Mr Elkhuisen at this session;
 - Ms Elizabeth A. Petrovski (United States of America) had been designated to replace Ms Karen Johnson at this session; and
 - Ms Manar Sabah Mohammad Al-Sabah (Kuwait) and Mr Mohamed Eltayeb Elfaki Elnor (Sudan) did not attend 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/en/>
5. In addition, silent observers from the following Member Nations attended the 142nd (Special) Session of the Committee:
 - Ethiopia
 - Norway
 - Poland

World Food Programme Matters

WFP Management Plan (2012-2014)

6. The Secretariat presented the *World Food Programme (WFP) Management Plan (2012-2014)*, including WFP's 2012 budget totalling USD 5,485 million, including operational requirements of USD 4,824 million. The budget proposal included a programme support and administrative budget of USD 249.1 million based on a forecast of likely 2012 income of USD 3,750 million. The proposal also included one-time investments of USD 22.2 million as supplementary Programme Support and Administrative (PSA); USD 10.9 million for security related expenditure and the finalization of the

Treasury Management system; USD 10 million for a workforce re-profiling exercise; as well as special accounts and trust funds of USD 369.3 million.

7. The Committee welcomed the document, in particular for its more strategic nature; its transparency, and reader friendliness; and commended the Secretariat on its incorporation of comments provided by different stakeholders on previous versions.

8. The Committee expressed its concerns on the difference between project requirements and expected income. In this regard it noted an overview of the prioritization processes which were outlined in a series of seminars with the Executive Board.

9. While appreciating WFP's role in the area of nutrition, the Committee questioned the proposed staffing capacity and configuration of the Office of Nutrition to provide adequate support to field based offices. In response the Committee noted that the role was to enhance:

- consolidation of WFP's work on nutrition, food safety and quality control across departments in Headquarters
- strengthen WFP work on nutrition, food safety and quality control at the country offices with policy support and strategic guidance
- strengthen partnership across UN and other organizations to promote nutrition during the first 1,000 days

10. With regard to projected increase of resources for the Cash and Voucher programme, the Committee expressed concern over the need for close monitoring and oversight in implementing the programme and for its comprehensive evaluation. The Committee was informed that an evaluation exercise was scheduled for completion by the end of 2012, and one-time investment of USD 1.4 million was envisaged for financial risk management activities related to the Cash and Voucher programme in 2012.

11. The Committee expressed satisfaction about strengthening mechanisms to address contingencies and unforeseen needs through the strengthening of its emergency preparedness processes and procedures, advance financing and forward purchase facilities. The Committee also commended WFP on maintaining an adequate target level of the PSA Equalization account as requested by the Executive Board while at the same time maintaining a stable Indirect Support Costs (ISC) rate.

12. The Committee encouraged the Secretariat for the future to present documents on time in compliance with the Financial Regulations. The Committee considered in the proposed decision point the approval of an exemption from the requirement, set forth in Financial Regulation 9.2, that the proposed Management Plan be circulated to members of the Executive Board not later than 60 days before the Board session at which it is intended to be considered. The Committee noted that the exemption was sought and granted on a routine basis, and recommended that the Executive Board consider whether the 60-day requirement should be modified through amendment of Financial Regulation 9.2.

13. The Committee also reviewed the presented draft decisions and invited the Executive Board to approve the decisions during the Second Regular Session.

14. **The Committee:**

- a) **welcomed** the WFP Management Plan (2012-2014) and commended WFP on the quality of the document, and **endorsed** the approval of the draft decisions at the Second Regular Session of the Executive Board
- b) **expressed** concerns over the difference between the overall requirements versus the projected income for 2012
- c) **expressed** concern about the top-heavy grade structure and configuration of the Office of Nutrition, and requested further information to be presented at the Second Regular Session of the Executive Board
- d) **complimented** WFP for maintaining the target level of the PSA Equalization account as requested by the Executive Board while maintaining the 7% ISC rate

- e) **expressed satisfaction of WFP's flexibility to respond to unexpected events through the strengthening of emergency preparedness processes and procedures, advance financing and forward purchase facilities**
- f) **recommended that the Executive Board consider whether the 60-day requirement for circulation of the proposed Management Plan should be modified through amendment of Financial Regulation 9.2**

Proposed Terms of Reference of the Audit Committee of the World Food Programme

15. The Committee discussed the Proposed Terms of Reference of the Audit Committee of the World Food Programme, and was informed of the process of the work done by the Working Group.

16. The Committee was informed that the new proposal was made to enable the Audit Committee to better advise the Executive Board and the Executive Director. The proposed Terms of Reference were meant to clarify the responsibilities and authority of the Audit Committee, the requirements with regard to the independence and potential conflicts of interest of the Audit Committee members, as well as the process followed when a decision involves the Executive Board and the Executive Director.

17. The Committee was informed that, after consultation with the Advisory Committee on Administrative and Budgetary Questions (ACABQ), two modifications to the Terms of Reference were called for. These two modifications are described in Annex 1 of this report.

18. The Committee requested further explanation of the role of the Audit Committee *vis-à-vis* the External Auditor and the independence of the latter. The independence of the External Auditor is protected by the WFP Financial Regulations, and the role of the Audit Committee is to advise the Executive Board on the External Auditor's reports, work plan and, upon request, on its fees and selection, without any interference with the External Auditor's reporting line to the Executive Board.

19. The Committee also proposed some specific amendments to the proposed Terms of Reference (Annex 2). One Member of the Committee expressed that formulation in Annex 2 of the proposed change to paragraph 29 of the existing Terms of Reference could affect the independence of the Audit Committee.

20. The Committee recommended to the Executive Board to accept its proposed amendments.

21. **The Committee:**

- a) **reviewed the Proposed Terms of Reference of the Audit Committee of the WFP**
- b) **recommended the Executive Board to take into account the amendments as presented in Annex 2 of this report**
- c) **agreed to advise the Executive Board of the WFP to approve the Proposed Terms of Reference of the Audit Committee of the WFP subject to Annex 2**

Report of the External Auditor on Management of Projects and Management Response to the Recommendations of the Report of the External Auditor on Management of Projects

22. The Committee commended the quality of the Report presented by the External Auditor and praised the intensive audit work. The Committee was informed that the report referred to the External Auditor's work undertaken during the last quarter of 2010 across eight different country offices and in two Regional Bureaus, as well as Headquarters. The main objective of the audit was to assess the controls that ensure that WFP's projects were designed, budgeted and resourced in a manner that they addressed the needs and achieve their outcomes.

23. The Committee noted that 11 recommendations were included in the report, from which three had already been implemented. The remainder would be implemented by December 2012. Most of the recommendations in the report were linked to the project lifecycle (Baseline analysis, Needs Assessment, Project design, Project approval, Project monitoring and budget reviews, Project closure, Project evaluation and outcome measurement) as well as fund raising aspects.

24. The Committee was informed that all recommendations had been analyzed and accepted, and noted that the recommendations were useful for the Secretariat to better manage project budgets and in general made the operation more efficient.
25. The Committee requested and received additional clarification on a variety of issues such as:
- The need for greater managerial overview of projects to ensure timely project approvals and proper use of budget revisions;
 - effectiveness of the process of project approval, monitoring and evaluation, specifically on the delegation of authorities and the funding of the monitoring and evaluation;
 - the need to establish a process to streamline the collection of data for needs assessment and evaluation of projects;
 - the need to secure and to fully utilize both corporate and project funding for needs assessment, and monitoring and evaluation;
 - the need for timely closure of projects;
 - efforts on the funding of the Programme, in light of the PSA expenses cut in the fundraising division.
26. The Committee appreciated the additional clarifications provided by the External Auditor and the Secretariat and expressed their will to review the advance of the implementation in the next sessions.
27. **The Committee:**
- a) **considered the External Auditor's Report and the Management Response and took note of the recommendations**
 - b) **appreciated the work performed by the External Auditors and the Secretariat**
 - c) **noted the need for additional corporate and project funding and full utilization of available funding for needs assessment, monitoring and evaluation of projects**
 - d) **recommended the Executive Board to consider positively the *Report of the External Auditor on Management of Projects* and the *Management Response***

Efficiency at WFP

28. The Committee discussed WFP's Efficiency Paper, supported by a brief presentation made by the WFP Secretariat which detailed the key elements.
29. In addition to introducing a number of efficiency successes from the past and improvement efforts ongoing, the Committee was also informed how WFP was putting in place the necessary tools to further enhance efficiency by introducing stronger financial management and reporting, comprehensive resource planning, and effective decision making structures, including strengthened performance management.
30. The Committee welcomed the paper and noted their appreciation for the examples given and the proposals for future work to improve efficiency. The Committee iterated that efficiency is critically important for WFP to maintain a high level of performance and the confidence of donors.
31. The Committee requested and received additional clarification on a variety of issues. On the issue of collaboration with other UN Agencies on efficiency matters, the Committee was informed that WFP was pursuing efficiencies in the UN system through participation in several processes of the High-Level Committee on Management (HLCM) as well as collaborative work such as joint procurement among Rome-based Agencies. Members also expressed an interest in seeing efficiency efforts reflected in the Management Plan and the follow-up implementation of recommendations of the External Auditor. Further details on several other examples cited in the paper were also provided.
32. **The Committee:**
- a) **welcomed the paper *Efficiency at WFP* and appreciated the Secretariat's efforts in putting forward a comprehensive document**

- b) **expressed** the wish that efficiency matters be taken into account in the preparation of management plans and in annual performance reports
- c) **welcomed** further reporting on efficiency efforts at WFP, suggesting that analysis could be expanded in the future to include other areas, including benchmarking, and concrete examples of efficiency, and areas requiring improvement
- d) **recommended** that the Efficiency Paper be considered positively by the Executive Board

Other Matters

Date and Place of the Hundred and Forty-third Session

33. The Committee was informed that the 143rd Session was tentatively scheduled to be held in Rome from 7 – 11 May 2012. The final dates of the session would be agreed in consultation with the Chairperson.

ANNEX 1

1. Paragraph 24:
 - a) Says: “An appointment to the AC may only be revoked by the Executive Board and the Executive Director”
 - b) Should say: “An appointment to the AC may only be revoked by the Executive Board **after consulting** the Executive Director”
2. Paragraph 27:
 - a) Says: “The quorum for the AC is three members. The AC decisions shall be arrived at by a majority of the members taking part in a meeting.”
 - b) Should say: “The quorum for the AC is three members. The AC decisions shall be arrived at by a majority of the members taking part in a meeting. **Should the votes be equally divided, the Chairperson shall have the casting vote.**”

ANNEX 2

1. Paragraph 3 point e:
 - a) Reads: “external audit: the External Auditor's work plan and reports; the AC may provide advice on the selection of the External Auditor, including the costs and scope of the services to be provided, and to the Executive Board regarding the fees charged by the External Auditor and on extensions of the audit work or additional work required of the External Auditor;”
 - b) Should read: “external audit: the External Auditor's work plan and reports; the AC may provide, **upon request of the Executive Board**, advice on the selection of the External Auditor, including the costs and scope of the services to be provided, and to the Executive Board regarding the fees charged by the External Auditor and on extensions of the audit work or additional work required of the External Auditor;”
2. Paragraph 4, first sentence:
 - a) Reads: “The AC shall have all the necessary authority to fulfil its responsibilities including access to WFP information, records and staff.”
 - b) Should read: “The AC shall have all the necessary authority to fulfil its responsibilities including access to WFP information, records, **facilities** and staff.”
3. Paragraph 6:
 - a) Reads: “These terms of reference (TOR) are to be reviewed periodically, as appropriate. Any proposed amendment shall be submitted to the Executive Board for approval.”
 - b) Should read: “**The Executive Board and the Executive Director shall take the necessary actions to ensure periodic review of these** terms of reference (TOR). Any proposed amendment shall be submitted to the Executive Board for approval.”
4. Paragraph 10, first sentence:
 - a) Reads: “Membership of the AC shall be balanced, in terms of nationalities from developed and developing countries, public- and private-sector experience, and gender.”
 - b) Should read: “Membership of the AC shall be balanced, in terms of nationalities from developed and developing countries, public- and private-sector experience, and gender, **to the full extent practical.**”
5. Paragraph 12, first sentence:
 - a) Reads: “To undertake their role effectively, members of the AC should collectively possess knowledge, skills and senior-level experience in the following areas:”
 - b) Should read: “To undertake their role effectively, members of the AC should collectively possess **recent and relevant** knowledge, skills and senior-level experience in the following areas:”
6. Paragraph 18:
 - a) Reads: “The process for selection of members of the AC shall involve a selection panel appointed by the Executive Director, which shall include at least one representative of a member of the Executive Board and a member of the Audit Committee, along with three other members.”
 - b) Should read: “The process for selection of members of the AC shall involve a selection panel, which shall include **two** representatives of the Executive Board **selected by the Executive Board**, a **sitting** member of the Audit Committee **selected by the Audit Committee**, and **two** members **of the Secretariat selected by the Executive Director.**”
7. Paragraph 19:
 - a) Reads: “The selection panel shall report its recommendations to the Executive Director.”

- b) Should read: “The selection panel shall report its recommendations to **the** Executive Director and to the **President of the Executive Board.**”
8. Insert a new paragraph after paragraph 19 that establishes: “The Executive Director shall: a) invite Members of WFP to nominate candidates for membership in the Audit Committee who are deemed to possess high qualifications and senior level experience; and b) place in reputable international magazines and/or newspapers, and on the Internet, a call for expressions of interest from suitably qualified and experienced candidates.”
9. Paragraph 27:
- a) Reads: “The AC decisions shall be arrived at by a majority of the members taking part in a meeting.”
- b) Should read: “**Generally, the AC shall work on the basis of consensus. Where consensus cannot be reached,** decisions shall be arrived at by a majority of the members taking part in a meeting.”
10. Paragraph 29:
- a) Reads: “The AC may obtain independent counsel or have recourse to other outside experts, subject to the approval of the President of the Executive Board and the Executive Director.”
- b) Should read: “The AC may obtain independent counsel or have recourse to other outside experts; **related expenditures not covered by the budget of the AC** shall be subject to the approval of the President of the Executive Board and the Executive Director, **through established procedures.**”

ANNEX 3

Documents for information

- Work Plan of the External Auditor for the period July 2011 to June 2012
- Report of the External Auditor on Procurement of Landside Transport, Storage and Handling Contracts and Management Response to the Recommendations of the Report of the External Auditor on Procurement of Landside Transport, Storage and Handling Contracts