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# FINANCE COMMITTEE

**Hundred and Ninety-seventh Session**

**Rome, 30-31 October 2023**

**Workplan of the External Auditor**

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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

- This document is provided for information.



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

**Executive Board**  
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## **Workplan of the External Auditor**

### **For the period from July 2023 to June 2024**

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**B u n d e s**  
rechnungshof ■ ■ ■ ■

## Workplan of the External Auditor

For the period from July 2023 to June 2024

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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 2023 to 30 June 2024 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 audit

#### 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 2023 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.<sup>1</sup> We comply with the ethical requirements specified in International Standards of Supreme Auditing Institutions.<sup>2</sup>

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.<sup>3</sup>

We follow a risk-based audit approach.<sup>4</sup> We take into account 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 continue to 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.

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

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

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

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

## Performance audit

Pursuant to Financial Regulation 14.4 we will make observations on the administration and management of WFP. This part of the audit will focus on economy, efficiency and effectiveness in line with the International Standards of Supreme Auditing Institutions.<sup>5</sup>

## 4. Audit report and schedule

We will issue an audit report for the Executive Board's annual session in June 2024. The audit report will include the audit opinion on the financial statements 2023 and will enable the Executive Board to approve the financial statements. Alongside with the audit opinion, the audit report will contain the results of our financial and performance audit.

We will conduct audit visits to WFP headquarters in the period September 2023 to April 2024 as deemed necessary to perform on-site financial and performance audit procedures. Details will be coordinated with WFP.

We will conduct audit visits to regional bureaux and country offices in the period September to November 2023. A list of planned visits is attached in Annex 2.

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.

## 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.

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

- inventories and distribution of food commodities;
- cash-based transfers distributed;

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<sup>5</sup> ISSAI 300 "Performance Audit Principles" and ISSAI 3000 "Performance Audit Standard".



- the management of cooperating partners;
- 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 2023 and at the end of 2023. 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 audit**

As noted above we will make observations on the administration and management of WFP. In our 2023 audit, we will focus on delegation of authority (roles, responsibilities and accountabilities), and consultancy services (by commercial companies and individual consultants). Annex 1 shows a list of the areas of previous performance audits between 2016 and 2022.

On the basis of our independence and sole responsibility for the audit, we reserve the right to audit any additional topic or area of WFP activities, as deemed necessary in the course of our audit and exercising our professional auditor's judgement.

### Delegation of authority

Delegation of authority is an integral part of the management and administration of WFP. Clear roles, responsibilities and accountability are crucial for the organization. The objective of the audit will be to assess whether WFP has organized its authority received and further delegated to senior managers in a transparent and adequate manner for effective implementation of its organizational and operational activities while ensuring responsibility and accountability.

The key audit areas are:

- Delegation of authority framework
- Exercise of delegated and sub-delegated authorities
- Implementation of authorities in IT systems
- Reporting and oversight

### Consultancy services

WFP has two options to obtain consultancy services:

- Award a commercial consultancy contract which is regulated by procurement rules.
- Hire an individual consultant following the rules and procedures for human resources management.

In 2022, commercial consultancy services amounted to USD 210 million. Expenses for international consultants (honorarium) amounted to USD 169.4 million and for international consultant travel to USD 54.5 million. The objective of the audit is to assess whether the WFP use of consultancy services is compliant, economic, effective and efficient.

The key audit areas are:

- Regulatory framework for consultancy services
- Needs assessment for consultancy services
- Tender processes to award commercial consultancy contracts; selection process for hiring individual consultants
- Utilization of results of the consultancy services
- Recording of the expenses for consultancy services

## **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 number of countries where the security situation is unstable. Considering security 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. Cross-cutting observations during our field visits to the regional bureaux and country offices may be included in the audit report.

## Annex 1

**Audit subjects selected for performance audits for the financial year 2023 and recap of audit subjects selected for prior years' audits**

<b>2016–2022</b>	<b>2023</b>
<ul style="list-style-type: none"> <li>• Review of decentralization</li> <li>• Changes in human resources</li> <li>• Losses related to food supplies</li> <li>• Scaling up resources during emergency responses</li> <li>• Country portfolio budgets</li> <li>• Prevention, detection and punishment of fraud</li> <li>• Air transport services</li> <li>• Real estate portfolio</li> <li>• Critical corporate initiatives</li> <li>• Management of information on beneficiaries</li> <li>• Management oversight</li> <li>• Cooperating partners</li> <li>• Support services</li> <li>• Fuel management</li> </ul>	<ul style="list-style-type: none"> <li>• Delegation of Authority</li> <li>• Consultancy services</li> </ul>

## Annex 2

**Regional bureaux and country offices to be visited for the 2023 audit**

<b>Regional bureaux</b>	<ul style="list-style-type: none"><li>• Dakar</li></ul>
	<ul style="list-style-type: none"><li>• Nairobi</li></ul>
	<ul style="list-style-type: none"><li>• Panama</li></ul>
<b>Country offices</b>	<ul style="list-style-type: none"><li>• Burundi</li></ul>
	<ul style="list-style-type: none"><li>• Cameroon</li></ul>
	<ul style="list-style-type: none"><li>• Colombia</li></ul>
	<ul style="list-style-type: none"><li>• Ethiopia</li></ul>
	<ul style="list-style-type: none"><li>• Kenya</li></ul>
	<ul style="list-style-type: none"><li>• Nigeria</li></ul>