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World  
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Mundial  
de Alimentos

**Executive Board  
Second Regular Session**

**Rome, 14–17 November 2011**

# **RESOURCE, FINANCIAL AND BUDGETARY MATTERS**

**Agenda item 5**

*For approval*



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## **PROPOSED TERMS OF REFERENCE OF THE AUDIT COMMITTEE OF THE WORLD FOOD PROGRAMME**

The Secretariat is pleased to submit, on behalf of the Working Group that reviewed the Terms of Reference (TOR) of the Audit Committee, a revision of those TOR following input from Advisory Committee on Administrative and Budgetary Questions of the United Nations (ACABQ) and the Finance Committee of the Food and Agriculture Organization (FAO). In the interest of clarity, the revisions are marked in the document.

## NOTE TO THE EXECUTIVE BOARD

**This document is submitted to the Executive Board for approval**

The Secretariat invites members of the Board who may have questions of a technical nature with regard to this document to contact the WFP staff focal points indicated below, preferably well in advance of the Board's meeting.

Deputy Executive Director, RM\*:            Ms G. Casar                            tel.: 066513-2885

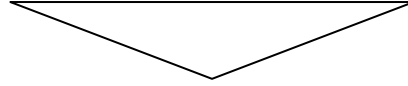
Chief of Staff and Director, EDD\*\*:        Mr B. Parajuli                        tel.: 066513-2002

Should you have any questions regarding matters of dispatch of documentation for the Executive Board, please contact Ms I. Carpitella, Administrative Assistant, Conference Servicing Unit (tel.: 066513-2645).

\* Resource Management and Accountability Department

\*\* Office of the Executive Director

## DRAFT DECISION\*



The Board approves the “Proposed Terms of Reference of the Audit Committee of the World Food Programme” (WFP/EB.2/2011/5-B/1/Rev.1).

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\* 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.

## BACKGROUND

1. The World Food Programme Executive Board, by decision 2009/EB.1/7, decided that the Audit Committee, as a fully independent and advisory body, would report to the Executive Board and the Executive Director. At the same session, it was furthermore decided that experience with the Audit Committee, including its Terms of Reference, be reviewed.
2. The Executive Board Bureau and the Executive Director agreed to create a working group to lead a review of the Terms of Reference, comprising four members. Two of the members represent the Bureau – the President and the List B Alternate – while two represent the Secretariat – the Chief Financial Officer and the Chief of Staff.
3. The working group contracted Pricewaterhouse Coopers to provide analytical support. Pricewaterhouse Coopers was chosen on the basis of an evaluation of the capabilities of the major international auditing firms with regard to governance issues, particularly concerning the United Nations and audit committees.
4. The work conducted by Pricewaterhouse Coopers included an online survey of the members of the Executive Board and interviews with:
  - i) all members of the Executive Board Bureau;
  - ii) the Chairpersons of the ACABQ and the FAO Finance Committee;
  - iii) current and former members of the Audit Committee;
  - iv) the current External Auditor – the Comptroller and Auditor General of India – and the former External Auditor, the National Audit Office of the United Kingdom;
  - v) the Inspector General and Director of the Oversight Office; and
  - vi) key members of the WFP Secretariat.
5. This process of extensive consultation with stakeholders informed the drafting of new Terms of Reference with a view to enabling the Audit Committee to better advise the Executive Board and the Executive Director.
6. The attached proposed Terms of Reference are being submitted to the Executive Board for approval. They improve on the current Terms of Reference by clarifying:
  - i) the responsibilities and authority of the Audit Committee;
  - ii) requirements with regard to the independence and potential conflicts of interest of the Audit Committee members; and
  - iii) where joint action by the Executive Board and the Executive Director is required.

## PROPOSED TERMS OF REFERENCE FOR THE AUDIT COMMITTEE OF THE WORLD FOOD PROGRAMME (WFP)

### Purpose

1. The Audit Committee (AC) serves in an expert advisory capacity and provides independent, expert advice to the Executive Board and the Executive Director in fulfilling their governance responsibilities, including ensuring the effectiveness of WFP's internal control systems, risk management, audit and oversight functions and governance processes. The AC aims to add value by strengthening accountability and governance within WFP.
2. The AC will provide advice to the Executive Board and the Executive Director on:
  - a) the quality and the level of financial reporting, governance, risk management, and internal controls in WFP;
  - b) the independence, effectiveness and quality of the internal audit functions and of the reports of the External Auditor; and
  - c) strengthening interaction and communication among Executive Board members, external and internal auditors, and WFP management.

### Responsibilities

3. The specific responsibilities of the AC include advising the Executive Board and the Executive Director on the following:
  - a) *internal audit*: the staffing, resources and performance of the internal audit function and the appropriateness of the independence of the internal audit function, including advice on the selection of the Inspector General and Director, Oversight Office;
  - b) *risk management and internal controls*: the effectiveness of WFP's internal control systems, including risk management and internal governance practices;
  - c) *financial statements*: issues arising from the audited financial statements of WFP, and reports to WFP management and the Executive Board produced by the External Auditor;
  - d) *accounting*: the appropriateness of accounting policies, standards and disclosure practices and any changes and risks in those policies;
  - e) *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;
  - f) *values and ethics*: the systems established by WFP to maintain and promote international civil service values, and to ensure compliance with applicable norms and policies, and high standards of integrity and ethical conduct, to prevent conflicts of interest and misconduct; and
  - g) *allegations of inappropriate activity*: the process for handling and investigating significant allegations.

## Authority

4. The AC shall have all the necessary authority to fulfil its responsibilities including access to WFP information, records, [facilities](#) and staff. The AC shall receive the same access to privileged and confidential information as is afforded to the External Auditor under the Financial Regulations of WFP. Management shall provide updates to the AC in a timely manner. The AC shall afford time to the management to meet confidentially.
5. The Inspector General and Director of the Oversight Office and the External Auditor shall have unrestricted and confidential access to the AC.
6. ~~These~~ [The Executive Board and the Executive Director shall take the necessary actions to ensure periodic review of these](#) terms of reference (TOR). ~~are to be reviewed periodically, as appropriate.~~ Any proposed amendment shall be submitted to the Executive Board for approval.
7. The AC, as an advisory body, has no management decision-making responsibility, executive authority or other operational responsibilities.

## Composition

8. The AC shall comprise five independent expert members serving in their personal capacity.
9. Professional competence and integrity shall be of paramount consideration in the selection of members.
10. 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](#). ~~Due~~ regard shall be paid to equitable geographical representation. No more than one member of the AC shall be a national of the same WFP Member State.
11. To the extent possible, at least one member shall be selected on the basis of his/her qualifications and experience as a senior oversight professional, auditor or senior financial manager, preferably in the United Nations system or in another international organization.
12. 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:
  - a) finance and audit;
  - b) organization governance and accountability structures, including risk management;
  - c) understanding of general legal concepts;
  - d) senior-level management experience; and
  - e) the organization, structure and functioning of the United Nations system and/or other intergovernmental organizations.
13. Members shall have or acquire rapidly an understanding of the objectives of WFP, its mission, governance and accountability structure and the rules governing it.

## Independence

14. Since the role of the AC is to provide objective advice, members shall remain independent of the WFP Secretariat and the Executive Board, and shall be free of any real or perceived conflict of interest.

15. Members of the AC shall:
- a) not hold positions with companies that maintain a business relationship with WFP or otherwise engage in activities that might impair, or appear to impair, their independence in carrying out their functions as members of the AC;
  - b) not currently be, or have been within the two years prior to appointment on the AC, employed or engaged in any capacity by the WFP or a WFP Executive Board delegation, or have an immediate family member (as defined in WFP Staff Rules and Manual provisions) working for or having a contractual relationship with the WFP or an WFP Executive Board delegation;
  - c) be independent of the United Nations Panel of External Auditors and the Joint Inspection Unit; and
  - d) not be eligible for any employment with WFP for at least three years immediately following the last day of his/her tenure on the AC.
16. AC members shall serve in their personal capacity and shall not seek or accept instructions in regard to their work on the AC from any government or other authority internal or external to WFP.
17. Members of the AC shall sign and submit to the President of the Executive Board an annual declaration of independence and statement of financial interests, following a process that the AC shall establish under its Rules of Procedure.

## Selection, Appointment and Term

### 18. 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.

~~18~~19. 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 two~~ representatives ~~of a member~~ of the Executive Board selected by the Executive Board, ~~and~~ a sitting member of the Audit Committee selected by the Audit Committee, ~~and along with three two other~~ members of the Secretariat selected by the Executive Director. The selection panel shall appoint its own Chairperson.

~~19~~20. The selection panel shall report its recommendations to the Executive Director and to the President of the Executive Board.

~~20~~21. The Executive Board shall consider candidates recommended by the Executive Director for approval of appointment.

~~21~~22. Members of the AC shall be appointed for a term of three years, renewable for a second and final term of three years, which need not be consecutive.

~~22~~23. The Chairperson shall be selected by AC members from amongst their number. If the Chairperson is unable to attend the meeting, the members present shall elect an acting Chairperson.

~~23~~24. A member of the AC may resign his/her membership by giving notice in writing to the President of the Executive Board and the Executive Director.

~~24~~<sup>25</sup>. An appointment to the AC may only be revoked by the Executive Board after consulting ~~and~~ the Executive Director.

## Meetings

~~25~~<sup>26</sup>. The AC shall meet at least three times per year, normally at WFP's Headquarters. Any meeting held at another venue shall be approved by the President of the Board and the Executive Director. The exact number of meetings per year will depend on the agreed workload and the most appropriate timing for consideration of specific matters to be determined by the AC in consultation with the President of the Executive Board and the Executive Director. The AC may, in exceptional circumstances, meet by videoconference or teleconference.

~~26~~<sup>27</sup>. Subject to these TOR, the AC shall establish its own rules of procedure to assist its members in executing their responsibilities. The AC rules of procedure shall be communicated to the Executive Board and the Executive Director for their information.

~~27~~<sup>28</sup>. The quorum for the AC is three members. Generally, the AC shall work on the basis of consensus. Where consensus cannot be reached, ~~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.

~~28~~<sup>29</sup>. The Executive Director, the External Auditor, the Inspector General and Director of the Oversight Office, the Chief Financial Officer and the Ethics Officer, or their representatives, shall attend meetings when invited by the AC. Other WFP officials with functions relevant to the items on the agenda may likewise be invited.

~~29~~<sup>30</sup>. 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.

~~30~~<sup>31</sup>. All confidential documents and information submitted to or obtained by the AC shall remain confidential unless otherwise determined. Members of the AC shall acknowledge this obligation in writing at the time of their appointment.

## Reporting

~~31~~<sup>32</sup>. The Chairperson of the AC shall submit the committee's findings to the President of the Executive Board and the Executive Director after each meeting, and shall present an annual report, both in writing and in person, for consideration by the Executive Board at its Annual Session.

~~32~~<sup>33</sup>. The Chairperson of the AC may inform the President of the Board and/or the Executive Director at any time of any serious governance issue which, in his/her view, requires attention.



## Administrative Arrangements

~~33~~34. Members of the AC will provide their services pro bono.

~~34~~35. At the level equivalent to United Nations Assistant Secretary-Generals, members of the AC:

- a) shall receive a daily subsistence allowance; and
- b) shall be entitled to reimbursement of travel expenses to attend AC sessions in accordance with the procedures applying to appointed staff of WFP.

~~35~~36. The Office of the Deputy Executive Director of External Relations shall provide Secretariat support to the AC.