



---

Distribution: General

Date: 7 November 2017

Original: English

*\* Reissued for technical reasons  
on 10 November 2017*

Agenda item 5

WFP/EB.2/2017/5-B/1/Rev.1\*

Resource, financial and budgetary matters

**For approval**

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

---

## **Revised Terms of Reference of the Audit Committee**

### **Draft decision\***

The Board approves the “Revised Terms of Reference of the Audit Committee” (WFP/EB.2/2017/5-B/1/Rev.1).

### **Background**

1. At its Annual Session of 2017, the Board approved revised Terms of Reference of the WFP Audit Committee (AC). During the discussion of the item, members drew attention to the proposals set forth by the 167<sup>th</sup> FAO Finance Committee for revising the terms further, particularly regarding review of the cooling-off periods, selection process and indemnifications for AC members. The Board also called for a more regular review of the Terms of Reference to ensure they remain in line with best practices of the United Nations system.
2. The Secretary confirmed that at a subsequent Executive Board Bureau meeting, members would consider how to incorporate the proposals of the FAO Finance Committee.
3. Subsequent to Executive Board Bureau meetings in September and October 2017 where the revised Terms of Reference were endorsed, at the 168<sup>th</sup> FAO Finance Committee meeting on 2 November, the Committee recommended additional revisions in order to: (i) reference the ethics function in para 2a; (ii) reference the Ethics Officer in para 5; (iii) specify that the five representatives referenced in para 19 are representatives from the regional/electoral lists; and iv) replace the reference to the External Auditor in para 29 with a separate sentence noting that the External Auditor may attend the sessions of the Audit Committee.
4. The Secretariat took on board the Committee's recommendations and further refined the Terms of Reference. This document presents the additional changes proposed for the revision of the AC Terms of Reference.

---

\* 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.

---

#### **Focal point:**

Ms H. Spanos  
Secretary to the Executive Board  
Executive Board Secretariat Division  
tel.: 066513-2603

---

## Revised Terms of Reference of the Audit Committee

### 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, **ethics** 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 and performance of the Inspector General and Director, Oversight Office and on the annual plan for oversight activities of the 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, including any comments for consideration by the External Auditor in the independent determination of their work plan and issued 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, **the Director of the Ethics Office and Chief Ethics Officer**, and the External Auditor shall have unrestricted and confidential access to the AC.
6. 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.
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~~**five** 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~~**five** 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.
19. The process for selection of members of the AC shall involve a selection panel, which shall include ~~two~~**five** representatives, **one from each of the electoral Lists** of the Executive Board, ~~selected~~**appointed** by the Executive Board. ~~—a~~**A** sitting member of the Audit Committee selected by the Audit Committee **shall advise the panel as necessary. The selection panel shall appoint its own Chairperson.** ~~—and~~**Two** members of the Secretariat selected by the Executive Director **may support the Secretariat of the panel and serve as a resource to provide procedural guidance and information to the members of the panel. These members of the Secretariat should not be involved in the decision-making regarding the selection.** ~~The selection panel shall appoint its own Chairperson.~~
20. The selection panel shall report its recommendations to the Executive Director and to the President of the Executive Board.
21. The Executive Board shall consider candidates recommended by the ~~Executive Director~~**selection panel** for approval of appointment.
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.
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.
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.
25. An appointment to the AC may only be revoked by the Executive Board after consulting the Executive Director.

### **Meetings**

26. 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.

27. 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.
28. The quorum for the AC is three members. 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. Should the votes be equally divided, the Chairperson shall have the casting vote.
29. The Executive Director, ~~the External Auditor~~, the Inspector General and Director of the Oversight Office, the Chief Financial Officer and the **Director of the Ethics Office and Chief 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. **The External Auditor may also attend the meetings when invited by the AC.**
30. 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.
31. 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

32. 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.
33. 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.

## Indemnification

34. **Members of the AC will be indemnified from actions taken against them as a result of activities performed in the course of exercising their responsibilities as members of the AC, as long as such activities are performed in good faith and with due diligence.**

## Administrative Arrangements

- ~~34.~~35. Members of the AC will provide their services pro bono.
- ~~35.~~36. Members of the AC shall receive a daily subsistence allowance; and shall be entitled to reimbursement of travel expenses to attend AC sessions in accordance with the procedures applying to appointed staff of WFP.
- ~~36.~~37. The Executive Board Secretariat under the Office of the Assistant Executive Director of **the Partnerships and Governance and Advocacy** Department shall provide Secretariat support to the AC, in addition to the functional support provided by the Inspector General.