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## **Work Plan of the External Auditor**

***For the period July 2019 to June 2020***

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Cour des comptes  
FRANCE



# EXTERNAL AUDIT OF THE WORLD FOOD PROGRAMME

Work Plan of the External Auditor for the period  
July 2019 to June 2020



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## **I. Mandate and objectives**

1. This document, submitted to the World Food Programme (WFP) Executive Board for information, is the External Auditor's annual work plan of audit activities from 1 July 2019 to 30 June 2020.
2. Through an Executive Board decision of 10 November 2015, WFP external audit was entrusted to the First President of the Cour des Comptes of France for the period 1 July 2016 to 30 June 2022 in accordance with Article 14.1 of the WFP Financial Regulations.
3. The External Auditor's mandate is set out in Article XIV of the WFP Financial Regulations and its annex, and in the call for applications for the appointment of the External Auditor. The External Auditor's terms of reference comprise the call for applications, together with the offer of services of the External Auditor – particularly his detailed technical offer, which was approved by the Board.
4. The responsibilities of the External Auditor consist of auditing the financial statements of WFP (Article 14.1 of the Financial Regulations) and making observations, if he sees fit, regarding the effectiveness of the financial procedures, the accounting system, internal financial controls and, in general, the administration and management of WFP (Article 14.4 of the Financial Regulations).
5. The mandate given to the External Auditor in the terms of reference approved by the Board covers both the auditing of the financial statements and a review of the performance and regularity of the management of WFP.
6. Pursuant to Article XIV.6 (b) of the General Regulations and by virtue of Articles 13.1 and 13.3 of the Financial Regulations of WFP, the Executive Director of WFP is responsible for the preparation and submission of the financial statements. In conformity with Article 3.1 of the Financial Regulations, the Executive Director is also responsible for the financial management of WFP's activities, for which he is accountable to the Board.
7. A letter of engagement was signed on 12 December 2016 in order to ensure that, in accordance with the ISA 210 standard, the respective obligations of WFP management and the External Auditor are clearly understood.
8. The objective of the audit of the financial statements is to obtain reasonable assurance about whether the financial statements give a true and fair view, in all material respects, of the financial position of WFP and of the results of the operations recorded during the financial year, in accordance with International Public Sector Accounting Standards (IPSAS); whether the financial statements have been prepared in compliance with the Financial Regulations and the stated accounting policies; whether the accounting policies applied are consistent with those of the previous financial year; and, finally, whether the transactions have been performed in compliance with the Financial Regulations and legislative authority.
9. Within the framework of the financial audit, the External Auditor is to review and, if necessary, test certain internal control mechanisms that have a material impact on preparation of the financial statements. The External Auditor takes into account the internal controls applicable to the preparation of financial statements with the aim of developing audit procedures appropriate to the subject and with no aim of expressing an opinion on the effectiveness of those controls. This work primarily aims to determine the financial audit strategy but it may also help to highlight opportunities for enhancing internal control, which will be shared with WFP.
10. With regard to the review of performance, the audits will aim to determine whether, in the areas reviewed, activities are carried out in accordance with the principles of economy, efficiency and effectiveness and whether there is scope for improvement.

11. The performance audits will also aim to ensure that activities, financial transactions and information are, in all material respects, in conformity with the provisions of WFP's basic texts.

## **II. Audits and reports**

12. In accordance with the terms of reference, each year the External Auditor must issue an audit report on the financial statements of WFP (to be submitted to the Board for approval) accompanied by an opinion on the accounts, two reports on the performance and regularity of the management of WFP, otherwise referred to as "performance audit reports" (to be submitted to the Board for consideration). It also reports on its visits to field offices (regional bureaux, country offices and other offices) in the management letters addressed to the Executive Director. Finally, the External Auditor validates the draft annual report on implementation of the External Auditor's recommendations submitted by the Secretariat to the Board for consideration.
13. As a rule, management letters related to field offices will be sent only to the Secretariat. However, the External Auditor reserves the right to address in his reports to the Board any matters observed at field offices that should be brought to the attention of the Board. Moreover, going beyond what is expected under the terms of reference, the External Auditor has decided that the observations made each year in the field should be summarized in a document submitted to the Board and the Executive Director.
14. The audit of the financial statements will be carried out in two stages at WFP headquarters: an interim audit in the autumn of the financial year under review (from 14 to 25 October 2019 for the 2019 financial year) to understand and test the internal control mechanisms, and a final audit in the first quarter after the closing of the accounts (from 17 February to 6 March 2020 for the 2019 financial year), to examine a certain volume of transactions.
15. Each of the two performance audits will involve two missions at headquarters between July 2019 and February 2020: a preparatory mission to finalize the audit planning and to identify key processes, and a final mission to test controls, to collect evidence and to draw conclusions.
16. The External Auditor will undertake a number of field visits, mainly to country offices and regional bureaux. These audits will address the regularity of offices' management and will also contribute to the performance audits according to the themes selected. They may also involve the checking of samples selected in line with risks in areas affecting the financial statements. For the period from July 2019 to June 2020, field audits will take place between August and December 2019.
17. For the period from 1 July 2019 to 30 June 2020, the date for submission of final performance audit reports to the Board Secretariat is 3 April 2020; it is 17 April 2020 for the audit report on the financial statements and the opinion on the accounts.

## **III. Standards and methods**

18. As provided for in Article 14.3 of the Financial Regulations, the audit of the financial statements will take place in accordance with International Standards on Auditing (ISA), the WFP Financial Regulations and the additional terms of reference annexed thereto. These standards are part of the International Standards of Supreme Audit Institutions (ISSAI), which also govern the method followed by the External Auditor for the performance and regularity audits.
19. All of these standards require the External Auditor to comply with the applicable rules of professional conduct, exercise professional judgement and demonstrate critical thinking and independence throughout the audit. Neither the legislative bodies nor the governing bodies of an organization may interfere in the selection of matters to be audited, the

- planning, scheduling or execution of work, the reporting of results or the monitoring of audits.
20. For audit planning purposes, work on both the financial audits and the performance audits will be structured around three core objectives: understanding the entity, evaluating the internal control system, and identifying important risks.
  21. The External Auditor will plan his work in order to:
    - address the main concerns of WFP and its governing bodies with regard to the objectives of efficiency, effectiveness and economy in the governance and use of the resources provided by donors. Therefore, the audits should address significant issues, particularly those of financial or strategic importance;
    - cross this approach with, first, an analysis of the risks of any kind that could compromise WFP's capacity to achieve the results expected by the Member States and, second, the internal audit and evaluation programmes. Areas selected for control should bring added value to WFP, particularly because the related risks are high and because the areas have not been thoroughly examined by recent audits performed by other oversight bodies.
  22. In his planning, the External Auditor will also take into consideration his capacity to perform the audit of the area concerned, taking into account the information available and the resources and timeframe provided.
  23. In order to define his work plan for the period from July 2019 to June 2020 and his multi-year audit strategy, the External Auditor updated his risk analysis, which enabled him to identify a list of areas of control likely to require a performance audit because of their importance to WFP and the added value of auditing them.
  24. The number of potential audit areas obviously exceeds the number of audits to be performed between July 2019 and June 2020 (two).
  25. Annex 1 presents not only the two subjects selected for audit during the period from July 2019 to June 2020, but also a reserve list of priority areas, prepared from a multi-year perspective with a view to enhancing the predictability and coherence of planning from one year to the next. This expanded list will also help inform subsequent discussions with management, other oversight bodies and the Board, particularly to avoid duplication of work.
  26. Topics mentioned for subsequent periods are merely indicative. The External Auditor is obliged to audit only the subjects selected for the first period. The multi-year strategy is revised each year during preparation of the annual work plan.
  27. Annex II contains a provisional list of field audits to be carried out this year.
  28. During the operational planning stage of each audit, the present annual work plan should be supplemented by a preliminary assessment that makes it possible to define more precisely the scope of the audit, to prepare terms of reference to be submitted to management and to draw up an engagement plan for the audit teams.
  29. In order to carry out this operational planning work, the External Auditor will organize working meetings with WFP management before the start of each audit assignment.

## **IV. Audit areas**

### **A. Performance audits**

#### **1. Real estate**

30. The real estate portfolio of WFP is made up of more than 1,500 buildings worldwide, including the headquarters buildings, field offices, other local premises and warehouses managed by the organization. WFP leases, but does not own, a large number of those buildings, including its headquarters in Rome. WFP's real estate portfolio tends to grow as its resources and operations increase, as demonstrated by the fitting-out of an additional building for its headquarters.
31. This real estate portfolio is very diverse in terms of the legal status of the buildings (owned or leased, provided by the host country or not), the accounting treatment (fixed or non-fixed assets, operational leasing or financial leasing) and the intended use of the premises (headquarters or field, offices or warehouses). The audit will cover all WFP real estate.
32. In previous reports, the External Auditor has already addressed several times the arrangements determined by the real estate policy to cover the organization's needs in the field. In particular, he has examined the contribution of the host States to the expenses of the country offices or management of the warehouses (see the report on food-related losses<sup>1</sup>). In relation to these questions, as well as the inventory of buildings, there would appear to be room for improvement.
33. The purpose of this audit will be to examine the effectiveness and efficiency of the management of these premises, in particular with regard to the objective of sharing with other United Nations agencies.
34. The key issues of the audit will be as follows:
  - Is the real estate inventory used by WFP exhaustive, accurate, sufficiently detailed and up to date?
  - Is WFP's real estate strategy adapted to the organization's objectives, particularly in terms of the size of the offices, the use of space, the choice between ownership and renting, etc.?
  - Is the financial and administrative management of the premises effectively controlled (occupancy expenses, maintenance expenses, investments, guest houses, health and safety, contracts)?
  - Is the process of fitting out a new building for the headquarters, which is currently under way, useful, justified and on track in terms of its schedule and the necessary legal arrangements and investments?
  - A resolution adopted by the United Nations General Assembly on 31 May 2018 (A/RES/72/279) approved the objective of establishing common premises for United Nations agencies. How has WFP prepared for this?

#### **2. Air transport services**

35. WFP has three types of aviation operations: the United Nations Humanitarian Air Service (UNHAS), food air-drops and what can be described as ad-hoc food transport operations.
36. UNHAS is a transport service managed by WFP but accessible to all staff of humanitarian and international organizations worldwide. This service is deployed in regions that have become difficult or impossible to access (due to a conflict or natural disaster, for example) and where no viable means of land transport or commercial aviation is available. WFP's air

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<sup>1</sup> WFP/EB.A/2018/6-G/1.

transport service provides occasional support for food air-drops in areas where it is impossible to land. Through short-term ad-hoc contracts, this service provides occasional assistance, as a carrier, for other international organizations wishing to transport goods from one place to another.

37. The provision of services by WFP on behalf of other United Nations agencies and humanitarian organizations is in keeping with the logistical leadership role entrusted to it by the United Nations since 2005. Furthermore, action in partnership constitutes Sustainable Development Goal 17 of the United Nations, for which WFP is responsible.
38. With air transport, WFP assumes a significant financial, legal and reputational risk with regard to compliance with security rules, the requirement for staff training and its liability in relation to the persons it transports. The question of the financial viability of these operations and the appropriateness of choosing other means of transport is also raised.
39. The aim of the audit will be to examine the transparency, effectiveness and efficiency of WFP's air operations.
40. The key questions the audit will examine are:
  - How does WFP ensure compliance with the rules applicable to aviation activities (arrangements for assessing the compliance of aviation companies with the applicable security standards; compliance with the requirements concerning training of the staff concerned; legal liability of WFP as a carrier)?
  - Are the planning, scheduling and implementation conditions (charter contracts) of the air services and the decision-making process for incurring expenses sufficiently controlled and traceable to assure Member States that their donations are being used wisely and as cost-effectively as possible?
  - Do the air services provided by WFP achieve the expected quality (ease of access to flights, reliability of the flight schedule, capacity of WFP to respond to the mission, environmental concerns)?
  - Is there sufficient transparency and clarity regarding the air operations and communication about how Member State donations allocated to this activity are used?

## **B. Field audits**

41. The terms of reference of the External Auditor state that he will audit each year, a number of regional bureaux and country offices.
42. In selecting the field offices, we took into account our analysis of the risks, the relevance of the offices concerned for our performance audits and how recently the latest audits were carried out by one or other of the oversight bodies.
43. We have also ensured that the list included country offices located in the geographical zones covered by the regional bureaux due to be examined that year.
44. Most WFP interventions are currently carried out in emergencies in zones posing substantial security risks. Given the difficulty of operating in such environments, which are by nature unstable, we do not rule out having to ultimately exclude one or more countries that are scheduled for a visit.
45. The extent of funds involved has been taken into account, yet our professional judgement can lead us to depart from a strictly financial approach in certain cases. Annex II contains the list of anticipated sites.
46. The audits will systematically examine the regularity of management with regard to finance, human resources, asset management and coordination with other bodies.

47. The field audits will also enable the collection of information useful for the two performance audits to be carried out during the year and the completion of additional checks required for the audit of WFP's financial statements.
48. The development of centres of excellence is designed as a means of developing South-South cooperation and is a key element of the WFP Strategic Plan. In due course, the External Auditor may schedule an examination of one or more of these centres in the framework of field visits. If necessary, an overview of this theme would then be included in one of the External Auditor's reports submitted to the Board.

**C. Audit of the financial statements**

49. The preliminary assessment carried out at the beginning of the mandate had led the External Auditor to conclude 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.
50. Experience gained during the financial audits for the financial years 2016, 2017 and 2018 confirmed this initial assessment and resulted in a strong coordination between all audit teams (field, performance and financial audits), in order to ensure that issues arising from the field are appropriately taken into consideration for financial audit purposes.
51. Furthermore, WFP is characterized by high dependence on information systems; the integrated resource management software system WINGS II plays a key role in the keeping of accounts and the preparation of the financial statements. In view of this, in 2016 the External Auditor undertook a review of the general IT controls of WINGS II and the application controls of the procurement process, which led him to issue recommendations on improving the security of the system. Similar observations led the External Auditor to reiterate those recommendations in 2018. During the audit of the 2019 financial year, the External Auditor will continue his work in this area and will evaluate the level of implementation of the recommendations already issued in this respect.
52. Moreover, based on these first three years of experience, the External Auditor identified two areas of significant risks in financial statements:
  - a) Revenue recognition in respect of contributions will be the first area under particular vigilance, because of the importance of the subject for an organization entirely dependent on voluntary contributions. For the 2019 financial audit purpose, the External Auditor will continue to dedicate an experienced auditor to revenue recognition and will rely in particular on in-depth direct confirmation procedures.
  - b) In previous financial years the external auditor determined that cash-based transfers, growing rapidly, constituted an area of elevated risk, resulting in an experienced auditor being specifically dedicated to this area to carry out an in-depth examination and leading to observations and recommendations in the financial audit reports for the 2016 and 2017 financial years. For the 2018 financial year, the external auditor has drawn upon this past experience to examine how the recommendations have been implemented and the ways in which this activity is undertaken in the field. The same type of approach is repeated for the 2019 financial year.

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53. In addition to the significant risks mentioned above and the risk of fraud, the External Auditor concluded that the following accounts are subject to both a high inherent risk and a high control risk:
- a) Cash and cash equivalents
  - b) Inventory
  - c) Vendor accounts, accrued charges, purchases
54. For these important accounts subject to an elevated combined risk, the External Auditor will perform extensive internal control testing during the interim audit and extensive validation testing during the final audit. He will also rely on third party direct confirmation procedures and will take into consideration issues, if any, reported by the field and performance audit teams.
55. Finally, significant estimates were made for the item concerning long-term personnel commitments given the hypotheses and actuarial method used to estimate those liabilities. During the 2019 audit, the External Auditor will continue to pay special attention to this area, which will require direct communication with the actuary employed by WFP.

**ANNEX I****List of audit subjects selected for performance audits for the 2019 financial year and indicative list of possible subjects for performance audits in subsequent periods**

<b>2016–2017–2018 (reminder)</b>	<b>2019 financial year</b>	<b>Subsequent periods (non exhaustive)</b>
Review of decentralization Changes in human resources Losses related to food supplies Scaling up resources during emergency response Country portfolio budget Prevention, detection and punishment of fraud	Air transport services Real estate	Performance measurement Targeting of cash-based transfer beneficiaries Oversight function Cooperating partners Private-sector partnerships for capacity improvement Inter-agency coordination Innovation management Centres of excellence

**ANNEX II****List of sites selected for field audits for the 2019 financial year**

	<b>2019</b>
<b>Regional bureaux</b>	Bangkok Dakar
<b>Country offices</b>	Côte d'Ivoire Democratic People's Republic of Korea Kenya Mali Philippines Senegal