



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

**Executive Board**  
Second regular session  
Rome, 26–29 November 2018

---

Distribution: General	Agenda item 10
Date: 19 October 2018	WFP/EB.2/2018/10/1
Original: English	Administrative and managerial matters
	For approval

Executive Board documents are available on WFP's website (<https://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 set out in document WFP/EB.2/2018/10/1.

### Background

1. On 25 July 2018, the Joint Inspection Unit (JIU) visited WFP Headquarters to conduct interviews in relation to the JIU review of audit/oversight committees in the United Nations system (project number A.434). During the interview of the Secretary to the Executive Board, the JIU observed that the WFP Audit Committee terms of reference could be enhanced by the addition of two updates:
  - a) The full-day induction training provided to all incoming Audit Committee members, which was a matter of practice and followed the format provided to new Members and Observers of the Board with more in-depth focus on areas related to the Committee's remit, should be included formally in the terms of reference.
  - b) The Audit Committee's self-assessment of its performance, which was included in the Committee's rules of procedure, should also be included formally in the terms of reference.
2. At its 25 July 2018 meeting, the Bureau agreed with the recommended additions to the Audit Committee terms of reference and asked the Secretary to update the terms of reference accordingly. During its 4 September 2018 meeting, the Bureau concurred with the addition of language in paragraphs 27 and 38, respectively, based on a best practice review

---

\* 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

---

of the United Nations system terms of reference for independent audit and/or advisory committees.

3. This document presents the additional changes proposed for the revision of the Audit Committee terms of reference.

## 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 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 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 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 five representatives, one from each of the electoral Lists of the Executive Board, appointed by the Executive Board. 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. 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.
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 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. As part of its rules of procedure, the AC shall conduct an annual self-assessment of its performance and report thereon to the Executive Board and the Executive Director.
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 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

35. Members of the AC will provide their services pro bono.
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.

37. The Executive Board Secretariat under the Office of the Assistant Executive Director of the Partnerships and Governance Department shall provide Secretariat support to the AC, in addition to the functional support provided by the Inspector General.
38. As part of onboarding activities, incoming members shall receive a one-day induction, similar to that arranged for new Executive Board Members and Observers, prior to their first meeting.