

FC 107/20 (Section III)

**Executive Board
Annual Session**

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RESOURCE, FINANCIAL AND BUDGETARY MATTERS

Agenda item 6

AUDITED BIENNIAL ACCOUNTS (2002–2003): SECTION III

**Long form Report of the External Auditor with
Comments on Financial Matters**

WFP/EB.A/2004/6 B/1/3

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NOTE TO THE EXECUTIVE BOARD

This document is submitted for approval by the Executive Board.

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 point indicated below, preferably well in advance of the Board's meeting.

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Should you have any questions regarding matters of dispatch of documentation for the Executive Board, please contact the Supervisor, Meeting Servicing and Distribution Unit (tel.: 066513-2328).



REPORT OF THE EXTERNAL A



EXECUTIVE SUMMARY

Overall Results of



Audit Standards

7. My audit was carried out in conformity with the Common Auditing Standards of the Panel of External Auditors of the United Nations, the Specialized Agencies and the International Atomic Energy Agency. These standards require me to plan and carry out the audit so as to obtain reasonable assurance that the financial statements are free from material misstatement. The WFP's management are responsible for preparing these financial statements and I am responsible for expressing an opinion on them based on evidence obtained in my audit.

Audit Approach

8. In accordance with the Common Auditing Standards, my audit included a general review of the accounting systems and such tests of the accounting records and internal control procedures as I considered necessary in the circumstances. The audit procedures are designed primarily for the purpose of forming an opinion on WFP's financial statements. Consequently my work did not involve detailed review of all aspects of financial and budgetary systems and the results should not be regarded as a comprehensive statement on them. My audit included focused work in which all areas of the financial statements were subject to direct substantive testing. A final examination was carried out to ensure that the financial statements accurately reflected WFP's accounting records and were fairly presented.

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within another programme category. In Angola, for example, more than \$2 million of expenditure on a special operation (the Angola Air Operation) had been posted to the country's PRRO due to funding constraints on the Special Operation. My staff identified similar cases in other field offices: expenditure on an emergency operation posted to a special operation



16. My staff found that another cause of inaccurate recording of project expenditure was the utilisation of outstanding balances on projects where operations were completed. They noted several examples where spending authorisations had been issued to field offices for balances on projects which were no longer operational; and where expenditure incurred on a current project had been posted to an old project, even though there was no longer any activity under the programme category in the country. For example, in Armenia and Colombia, expenditure had been posted against the EMOP emergency operations programme category, although the countries in question had no emergency operations at the time of audit. In Albania, no direct support costs had been reported for the first six months of a protracted relief



19. During their visit to the Johannesburg Regional Bureau, my staff found that it had no programme support and administration budget available for its first six months of operation; and that all start-up costs for the office had been posted to the Regional emergency operation budget. They found that the Rome Regional Bureau had been funded entirely from the direct support costs of the Balkans Regional emergency operation and therefore had recorded no programme support expenditure at all. These inconsistencies in treatment are recorded directly in WINGS. In consequence the system is unable to produce accurate management information on actual levels of direct and



accounting treatments in different offices. Examples included accounting for recoverable sales taxes and Value Added Tax; accounting for advances and part payments to suppliers; accounting for the proceeds from the sale of unfit commodities; and issues dealing with the use of exchange rates.

23. My staff found that the relevant WFP finance manual, the Country Office Accounting Guide, was last updated in 1999, before the introduction of WINGS and the electronic cash book used for non-WINGS field offices (COAGSAPInt), and before decentralisation. Furthermore, financial and other guidance was only available in an English language version making it difficult for staff in several parts of the world to gain a full understanding of the requirements.

Recommendation 6. I recommend that management update the Country Office Accounting Guide as a matter of priority to provide a comprehensive manual to field offices which reflects the changes to the finance system introduced since 1999; and consider the issue of French and Spanish language versions of the Guide where appropriate. This recommendation was also made by my predecessors.

24. As a result of the decentralisation process, the responsibilities for financial monitoring and oversight were devolved from Rome Headquarters to the respective Regional Bureaux. During their visits to the seven Bureaux, my staff found that a very limited level of monitoring and oversight was being undertaken. In most cases they found that Regional Finance Officers had been concentrating on financial administrative support to the Bureaux and on the necessary task of clearing data input rejections from the WINGS system; and had spent little time providing support and oversight to the country offices in their region. Country offices which are not functionally linked to WINGS are required to send monthly financial returns to their Regional Bureau and to Headquarters, including expenditure reports, bank reconciliations and information on the status of advances. My staff found little evidence of any review conducted on these monthly returns at either Headquarters or at the related Bureau.

Recommendation 7. I recommend that the Regional Bureaux should have a clear responsibility to oversee and monitor the financial performance of the country and project offices in their region, to be in a position to ensure the integrity of the Programme's systems for budgetary and financial control.

25. The introduction of WINGS to country offices should offer an improved level of financial support and information.



| amounts paid to suppliers for shipping services. This had the effect of understating both income and expenditure by \$200 million in the biennium.



ANNEX I**WFP BUREAUX AND COUNTRY OFFICES VISITED BY THE
EXTERNAL AUDITOR IN THE 2002-03 BIENNIUM**

Regional Bureau	Bureau location	Countries visited
Asia	Bangkok, Thailand	Phnom Penh, Cambodia
Mediterranean, Middle East and Central Asia	Cairo, Egypt	Islamabad, Pakistan Kabul, Afghanistan Mazar-e-Sharif, Afghanistan Termez, Uzbekistan
West Africa	Dakar, Senegal	Bamako, Mali
Southern Africa	Johannesburg, South Africa	Luanda, Angola
East and Central Africa	Kampala, Uganda	Lokichoggio, Kenya Nairobi, Kenya Kigali, Rwanda Dar Es Salaam, Tanzania
Latin America and the Caribbean	Panama City, Panama	Bogotá, Colombia
Eastern Europe	Rome, Italy	Yerevan, Armenia

