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**Executive Board
Annual Session**

Rome, 7–11 June 2010

RESOURCE, FINANCIAL AND BUDGETARY MATTERS

Agenda item 6

For consideration

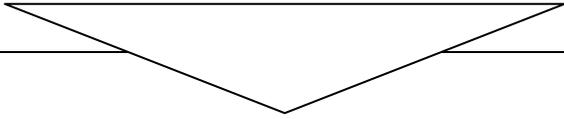
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ANNUAL REPORT OF THE WFP AUDIT COMMITTEE

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NOTE TO THE EXECUTIVE BOARD



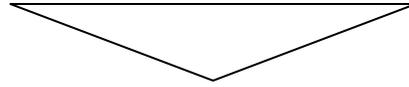
This document is submitted to the Executive Board for consideration

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.

Audit Committee Chairperson: Mr Mirza Qamar Beg e-mail: qbmirza@hotmail.com

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).

DRAFT DECISION*



The Board takes note of “Annual Report of the WFP Audit Committee” (WFP/EB.A/2010/6-G/1).

* 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.

Annual Report of the WFP Audit Committee

April 2010

To the Executive Director and the Board

The WFP Audit Committee is pleased to submit its Annual Report to the Executive Director in line with its “WFP Audit Committee Terms of Reference” (WFP/EB.1/2009/6-B/1) for consideration by the Board, as decided at the 2009 First Regular Session.

The report is intended as a summary of the principal activities and opinions of the Audit Committee from 1 April 2009 to 31 March 2010. The latter date coincides with finalization of the annual financial statements, a prime focus of the Audit Committee.

The Audit Committee stands ready to discuss the report with the Executive Director and the Board.

Mr Mirza Qamar Beg
Chair

April 2010

INTRODUCTION

1. The WFP Audit Committee (AC) was constituted by an Executive Director's circular issued in July 2004 to assist the Executive Director in fulfilling his/her responsibilities for "financial reporting, use of resources, WFP's internal control arrangements, risk management processes and other audit related matters." Following the Executive Board's decision in its February 2009 session, the AC's terms of reference were amended to require it to report to the Executive Director as well as the Board. It was further decided that the AC would present an annual report to the Board for its consideration. The current terms of reference of the AC are attached as Annex I.
2. This sixth annual report of the AC covers the period from 1 April 2009 through 31 March 2010. It provides an overview of the work of the AC during this period and highlights issues considered to require the attention of the Executive Director and/or the Board.

MEMBERSHIP

3. Until 2004 the AC was entirely an internal management committee. In 2004 then the Executive Director introduced new terms of reference and appointed members who were in the majority external to WFP, with the Chair being one of the external members. Since 2007 the AC has consisted entirely of external members, making WFP the first United Nations agency AC to have such a composition.
4. During the period under review, the AC members were:
 - J. Graham Joscelyne: retired Auditor General of the World Bank; a South African national. He served as the chair of the Audit Committee from 6 August 2004 to 6 July 2009.
 - Dianne Spearman: former Director of Strategy and Policy Division of WFP; a Canadian national. Her term ended on 8 October 2009.
 - Libero Milone: retired Chairman/CEO of Deloitte; an Italian national. His term was 2 May 2008 until 2 May 2010.
 - Mirza Qamar Beg: member of the Board of Pakistan's Central Bank and retired Ambassador of Pakistan to Italy and the Rome-Based United Nations Agencies; a Pakistani national. His term is 29 July 2008 until 29 July 2010.
 - Elvira Edith Lazzati: former Chief Financial Officer of JBS Argentina; an Argentinian national. Her term is 9 June 2009 until 8 June 2012.
 - Antoine Antoun: independent management consultant and previous Chief Executive Officer of Ernst and Young; a French/Lebanese national. His term is 7 July 2009 until 6 July 2012.
 - Kholeka Mzondeki: financial director at Masana Petroleum Solutions; a South African national. Her term is 10 November 2010 until 9 November 2012.
5. The Audit Committee serves in an expert advisory capacity to assist the Board and the Executive Director in exercising their governance responsibilities for financial reporting, internal control arrangements, risk management processes and audit-related matters with respect to WFP's operations. The Audit Committee primarily advises on these matters

taking into consideration the Financial Rules and Regulations and policies and procedures applicable to WFP and its operating environment. It does not substitute for the advisory functions provided to the Board by the United Nations Advisory Committee for Administrative and Budgetary Questions or the Finance Committee of the Food and Agriculture Organization of the United Nations.

6. Potential conflicts of interest are avoided by appointing independent members only. To underscore the importance of independence, members are required to register any potential conflicts of interest at each meeting.
7. Annex II gives a high-level overview of the activities of the AC during the last year.

FUNCTIONING OF THE AUDIT COMMITTEE

8. During the reporting period, the AC convened once each quarter at WFP Headquarters, meeting for two or three days each time. Part of each meeting was held in executive session (members only); most of the meetings were attended by Deputy Executive Directors and managers from units such as the Inspector General and Oversight Office (OS), the Finance and Treasury Division, managers responsible for the WFP Information Network and Global System (WINGS) project, the office of the Executive Director and others as appropriate. Senior representatives of the External Auditor also attended. The AC interacted with these participants and sought their views on a wide range of issues. The AC also met regularly with the Executive Director in its executive sessions, and has started to have quarterly meetings with the Executive Board Bureau as well.
9. The AC has sought to provide the Executive Director and the Executive Board Bureau with balanced advice and has sought their input on matters requiring attention and follow-up.
10. The AC systematically monitors follow-up on its decisions and on its recommendations to management.
11. During the current year, over and above its normal activities, the AC has, as required by its terms of reference, assisted the Board with the process of selection and appointment of the new External Auditor, whose mandate will run from 1 July 2010.
12. The AC has referred to the terms of reference of 22 April 2009 to define its activities in the current period. The expanded mandate, as described, has increased and re-focused the interaction of the AC and the Bureau and WFP management. This has required additional time for meetings, which now occupy nearly three full days per session. Additionally, it has caused the AC to review the activities carried out by management and to define more appropriately its reporting relationship. The purpose of this was to improve the level of effectiveness with the Board and WFP management. Because this approach was introduced during the current period and because three of the current AC members were appointed in the same period, it has not yet been possible to implement an appropriate self-assessment procedure. The AC believes, however, that the increased focus in relation to the revised terms of reference is creating benefits for the AC and WFP management.
13. The AC has noted the comments of the External Auditor and senior management that they believe the activities of the AC to be effective and useful to WFP. As the links with the Board develop, the level of effectiveness should increase further.

FINANCIAL REPORTING

International Public Sector Accounting Standards

14. In line with a Board decision of January 2008 and an earlier recommendation of the United Nations High-Level Committee on Management, WFP committed itself to adopting International Public Sector Accounting Standards (IPSAS) for the preparation of its 2008 annual financial statements.
15. The decision to comply with authoritative international accounting standards is in line with the global trend in public and private entities to base financial reporting on uniform and commonly accepted standards.
16. The financial statements for the year 2009 are the second ones prepared after the adoption of IPSAS. The transition to IPSAS was a complex process. The AC notes with satisfaction the adoption of the requisite policies, systems, and processes across WFP that has facilitated this transition.

Financial Statements

17. The AC has formed its own opinion on the financial results and how they were presented under IPSAS. In arriving at an independent opinion on the draft financial statements, the AC took into consideration: i) management's submission of the draft financial statements and the assertions contained in the draft Letter of Representation from the Executive Director to the External Auditor; ii) its understanding of underlying reasoning in areas where management was required to use its judgment to arrive at appropriate line item results; iii) the Office of Internal Audit (OSA) annual report and its opinion on the state of internal controls across WFP; iv) the annual report of the Inspector General; v) an update from management setting out the list of OSA recommendations that had not been implemented in a timely manner; and vi) the views of the External Auditor on all of the above.
18. The AC noted that considerable effort had been made by the Chief Financial Officer and departmental staff to ensure the production of financial results on time.
19. The AC's views and advice were conveyed to management. The AC suggested changes and reviewed management's response when discussing the final versions of the draft financial statements. The consistent and timely advice and direction of the United Kingdom National Audit Office (NAO) – the outgoing External Auditor – proved invaluable to the AC and management throughout the process leading to finalization.
20. The AC agreed with the contents of the Executive Director's Letter of Representation to the External Auditor and advised that the draft financial statements were appropriate for transmission to the External Auditor for audit finalization.

EFFECTIVENESS OF INTERNAL CONTROLS

21. Throughout the period, the AC reviewed the internal control implications of the major initiatives in WFP and by WFP as a whole. Broadly speaking it did so by reviewing: i) the internal control implications of all audit findings of OS and the External Auditor; ii) management's annual submission of its Letters of Representation in support of the annual financial statements; and iii) the adequacy of policies that support good internal

control. With this information, the AC forms its own views and communicates them to the Executive Director.

22. The use of resources, particularly resources available for OS, continued to be an important issue during the review period. The External Auditor noted that its review of internal audit in 2009 had revealed that OS had not been able to complete its intended programme of audits because of a shortage of skilled personnel. OS confirmed that funding was available to complete the team, and indeed by March 2010 seven staff had been appointed, and recruitment for the one remaining vacancy was underway. With regard to the Office of Internal Audit, a Director and two senior auditors had been appointed. That said, adequacy of resources remains an issue deserving continuing attention. The AC will continue to observe this issue and stands ready to support a call for additional resources should the achievement of reasonable assurance be threatened by lack of resources.
23. Concerning the collegial approach to internal controls, evaluations and risks, which was raised in last year's report, the new Resource Management and Accountability Department consolidates budget and programming in a single unit that is accountable as the "one source of truth" in terms of exact financial figures and unified accounting. A framework will be developed in line with procedures of the Committee of Sponsoring Organizations of the Treadway Commission. The External Auditor reported that WINGS II was establishing itself successfully, that risks were being managed and that audit trails were in place.
24. The External Auditor also recommended that WFP's annual financial statements be accompanied by a Statement of Internal Control. Although this is not required by IPSAS, the AC concurs that this statement would be a valuable addition to demonstrate transparency and accountability for risk and control matters.

OFFICE OF THE INSPECTOR GENERAL

General

25. The AC reviewed and accepted the 2009 annual report of the Inspector General to the Board, noting the responsibility of the AC to perform this task so as to be able to support the message of the annual report. The AC proposed that such a message be included in this and future annual reports of the AC.
26. The AC reviewed the quarterly reports of the Office of Oversight. The AC noted the OS staffing situation in this year regarding high turnover, and has kept under review the status of inspection, investigation and audit work.
27. As a result of its work over the year, OS concluded that the risk management, control and governance processes in place provide moderate assurance of accomplishing WFP's objectives in accordance with its rules and regulations, meaning that a sufficient framework of controls exists for objectives to be achieved, but that the control framework needs to be strengthened.

Office of Internal Audit

28. The AC reviewed and commented on the 2009 internal audit plan and was satisfied that the proposed scope of work was in accordance with the WFP Strategic Plan and suited to the objective of providing annual assurance on WFP risk management, control and governance processes. A major feature of the audit plan was the continuation of a functional audit approach to obtain assurance on processes and functions that are put in

place to manage risks and achieve WFP's objectives. Having concluded that the proposed approach would enable the OSA to provide reasonable assurance on key processes and high risk areas, the AC recommended to the Executive Director that it be accepted.

29. Having assessed the annual work output of OSA, the AC agrees that OSA should continually refine its focus in line with WFP's Strategic Objectives and changes to its risk profile. OSA is encouraged to ascertain the sum of its audit work and communicate this to management and the AC at least annually.
30. At each meeting the AC reviewed the performance of OSA against its audit plan. Progress was assessed from quarterly report updates and audit findings. Copies of audit reports were also made available to members of the AC, which notes and seeks explanation of any changes to the agreed audit plan. The AC recommends that OSA continue its efforts to close the long-outstanding audit recommendations and improve the way in which future internal audit recommendations are framed, with a view to improving the timeliness of implementation. The AC also recommends that management prioritize the implementation of recommendations, for example by improving controls.
31. The AC is pleased to note that OSA continues to work according to the International Professional Practices Framework of the Institute of Internal Auditors. The AC notes that OSA has reduced its backlog of audit reports to be issued.

Office of Inspections and Investigations

32. The AC reviews the annual plan of the Office of Inspections and Investigations (OSI) and reviews on a quarterly basis the report on its activities and the outcomes of its investigations. The AC monitors a few specific cases where there is a potentially significant risk to WFP; OSI normally provides more general information regarding its investigations and broad trends or issues emerging from its work. The AC receives information on high-risk areas that may allow fraud and abuse to take place and on management responses to proven allegations of wrongdoing.
33. The AC noted that additional resources had been allocated to the Office of Inspections and Investigations to enable it to comply with the United Nations Administration of Justice Reform.
34. The AC noted investigations of food diversions, the status of a large fraud case and some other cases.
35. The AC noted an internal WFP investigation into allegations of food diversions in Somalia. The investigation recommended:
 - development of alternative operational frameworks to include needs assessment, project approval, distribution monitoring and beneficiary monitoring;
 - review of some of the provisions in the transport manual to enhance controls and clarify existing provisions and enhancement of public information and public relations.

IMPLEMENTATION OF AUDIT RECOMMENDATIONS

36. Through its routine monitoring of the implementation of internal and external audit recommendations, the AC has continued to receive feedback on the status of management response to these recommendations. It has noted that management has followed through a significant number of the issues raised.

37. The AC welcomes steps to group together similar recommendations and the improvements in response to this backlog.
38. The AC continues to consider that management must be accountable to ensure improved internal control. It welcomes the decision to give the Chief Financial Officer overall responsibility for following up and implementing audit recommendations.

ENTERPRISE RISK MANAGEMENT

39. The AC cannot emphasize enough the importance of risk management as an integral part of running an organization, be it a for-profit organization or a non-profit organization such as WFP. The lack of a sufficiently effective enterprise risk management (ERM) framework has been pointed out in previous AC reports. The AC is happy to report the considerable progress made since its last report to the Board. More work needs to be done, however, to entrench the ERM process as part of daily management of WFP. Each manager needs to take ownership of the process and understand where the specific risk lies in their area. Visible leadership and ownership needs to emerge. The Performance and Accountability Management Division has done an excellent job in the task of developing and implementing the project. But because this is a WFP project, it therefore needs to be developed further than ownership by just one division. The AC recommends that to entrench this process the ERM committee led by the Executive Director should have regular meetings to track the status of all risks and ensure that mitigation plans are relevant. Such meetings should take place at least on a quarterly basis. The AC urges the committee to play its part to the full.
40. WFP operates in a global environment where risk is dynamic. There is a need to keep a dynamic risk register that can be shared at meetings of management, the AC and the Board. In order that all parties, including the Board, exercise their fiduciary duties there needs to be a disciplined process of updating the risk register. To be effective, the risk register needs to be relevant and applicable to the environment of the day. A case in point is the Somali media report: if the risk process had been fully implemented, reputational risk could have been reduced or kept to a minimum. The expectation of the AC is that an up-to-date summary risk register be presented at each of its meetings. The AC will in turn report to the Board on what it perceives to be the significant risks facing WFP. The Board remains the ultimate body accountable for risk management, and it is therefore important that it keep open lines with the AC. The AC recommends that the Board make ERM a standing item in its agenda.
41. Further to the points above, the Performance and Accountability Management Division has taken steps to make ERM operational. The AC received a first-draft risk register and feels that WFP is heading in the right direction. The next step is roll-out, with each division assuming ownership and responsibility for its ERM actions. The AC has recommended that a central repository be established to ease consolidation. The tool is to be kept as simple as possible to encourage compliance. It will consolidate all risks, rank them in order of importance and allocate an owner for each risk, who will ensure that appropriate mitigation action is taken. Risk management is not an exact science, so it is imperative that all parties exercise judgement in assessing the risks and potential risks faced by WFP. The Executive Director's leadership will be crucial in ensuring that the register is kept alive, dynamic and – more important – relevant. The Executive Director states in her report that such a mechanism to identify, record and follow up mitigation actions and maintain the risks below ERM tolerance will have been fully implemented by the third quarter of 2010. The AC would like to see ERM rolled out sooner rather than later. This should be managed

in such a way as to prevent the creation another structure, which would merely add to bureaucracy. The AC has also recommended that the Office of Internal Audit work with businesses to ensure that their audit plan is relevant to the risks facing WFP: the division should not work in isolation.

42. The AC wishes to point out that there is a wide range of risks and that they do not result only in direct financial loss, though it may be an indirect result. Risk can be financial, reputational, operational and strategic. The AC draws the Board's attention to the WFP employee benefit liabilities of US\$278.3 million as at 31 December 2009: this will amount to a financial and reputational risk unless appropriate mitigation of the liability is put in place. The AC will monitor progress on this issue.

WINGS II

43. On 1 July 2009 WFP made the transition from WINGS to WINGS II. The transformation put in place all the systems needed to improve organizational performance in line with expectations. With the expected stabilization period nearly complete, WINGS II is functioning effectively.
44. The project focused first on setting up the systems, ensuring that transactions were reliable and permitting common reporting before addressing more specialized use of stored data. Some expected benefits such as improved results-based management will not be available until the end of 2010.
45. The Secretariat has noted that further development of reporting and analysis tools will be needed to enable WINGS II to provide enhanced data that can be used effectively by managers.
46. The Secretariat has made a commitment to assess the benefits of the implementation of WINGS II implementation to the organization and to report to the Board. The benefits will be assessed at the end of 2010 as the organization will then have operated under WINGS II for a full calendar year.

FRAUD PREVENTION

47. A fraud-prevention policy has yet to be introduced, even though it has been recommended by OSA for some time. The AC supports this move.
48. The United Nations has mandated the formation of an Ethics Office in each organization. WFP should be commended for appointing an Ethics Officer without delay and for forging links with the United Nations Ethics Office with a view to providing inputs to United Nations work on ethics issues.
49. The AC notes that WFP's code of ethics is the standard United Nations code. The AC is of the opinion that management should investigate whether or not the United Nations code embodies the demands that WFP makes of its staff given its unique requirements. Management shares this view, and WFP is drafting its own code of ethics. Development of an effective Ethics Office is not accomplished overnight: an Ethics Officer has been appointed and an implementation strategy developed, but it will require sustained work by the Ethics Office and senior management to ensure that this function has the wide impact that is expected. It remains to be seen whether and to what extent the Ethics Officer is seen to have input at the senior management level, in line with best practice elsewhere.

APPOINTMENT OF THE EXTERNAL AUDITOR

50. The AC was requested to participate in an advisory capacity in the selection of the External Auditor. Its work involved the following:
- Comment on and revision of the proposed terms and conditions and the timetable for selection: the AC held working meetings with the Technical Group to discuss the drafts and to review the final version of the documents during its sessions in June and September 2009.
 - Analysis of the technical proposals submitted by bidders: at this stage two members of the AC excused themselves because their countries had submitted bids and there was a potential conflict of interest.
 - A working meeting with the Technical Group was held during the AC session in January 2010 to analyse the criteria used for classification of the bidders.
 - The Evaluation Panel met to discuss the technical aspects of the proposals in January 2010.
 - The AC suggested holding personal meetings with the candidates to receive their input regarding the proposals and to meet the senior managers who would be involve in the audit.
 - A written report was presented to the Evaluation Panel with the AC's advice on the technical qualifications of the five bidders.
 - Participation in the bidders' meetings in Rome in March 2010: the AC was invited to attend the meeting with the qualified bidders; at this stage, one member rejoined the AC because the country concerned had not qualified for the next stage.
 - A working meeting with the Technical Group reviewed the financial proposals of the two candidates that had achieved the highest scores in the technical proposal.
 - Another preparatory session with the Evaluation Panel was held to organize the meetings and define a list of questions to be put to the two short-listed candidates.
 - The AC participated as an observer in the two meetings with the short-listed bidders and provided a written report setting out its opinions.
51. The AC would like to congratulate the Technical Group and the Evaluation Panel for the excellent job done in this complex process.

BOARD INPUT TO THE AUDIT COMMITTEE AGENDA

52. The new reporting relationships between the AC and the Board is just beginning, so the Board should articulate and communicate to the AC any requirements it may have that fall within the technical competence of the AC. The AC will in turn discuss these issues with management and advise the Executive Director and the Board accordingly. The AC suggests that to meet the Board's expectations it should meet periodically with the President and attend Board meetings as appropriate.

EXTRAORDINARY EVENTS

53. The AC did not make any field visits in the year under review. Plans are being made, however, for field visits in the next 12 months.

54. During its 120th meeting in March, the AC was apprised of the issues concerning the press reports on Somalia. The AC was informed of the steps being taken to address the issue and will monitor the process in the coming months.

ANNEX I**Terms of Reference for the WFP Audit Committee**

(Revised to incorporate Board comments; confirmed by the Executive Board Bureau on 22 April 2009)

Purpose

1. The Audit Committee serves in an expert advisory capacity to assist the World Food Programme Executive Board and the Executive Director in exercising their governance responsibilities for the financial reporting, internal control arrangements, risk management processes and other audit-related matters with respect to the Programme's operations. The Audit Committee primarily advises on these matters taking into consideration the Financial Rules and Regulations as well as policies and procedures applicable to WFP and its operating environment. It does not substitute for the advisory functions provided to the Executive Board by the United Nations Advisory Committee for Administrative and Budgetary Questions (ACABQ), or the FAO Finance Committee.

Mandate

2. The Audit Committee shall:
 - a) Advise on all issues arising from its activities under these Terms of Reference and make appropriate recommendations to the Executive Director and/or the Executive Board.
 - b) Review and advise on policies significantly affecting accounting and financial reporting issues; and the effectiveness of the Programme's internal controls, internal audit function and operational procedures.
 - c) Review and advise on the Programme's risk management strategy, processes and issues.
 - d) Review and advise on the Programme's financial statements and reports.
 - e) Promote the understanding and effectiveness of the audit function within the Programme, and provide a forum to discuss internal control and risk management issues, operational procedures and matters raised by internal and external audits.
 - f) Provide comments on the work plans of the internal and external audit functions for consideration in their ongoing review.
 - g) Consider all relevant reports by the internal and external auditors, including reports on the Programme's financial statements and management letters. The Programme is responsible for the fair presentation of financial statements including adequate disclosure.
 - h) Consider the risk and control implications of reports from the Office of Inspections and Investigations (OSI) in terms of its mandate and refer audit issues to the investigations unit as appropriate, with regard to due process and privacy considerations.
 - i) Monitor the implementation by management of internal and external audit recommendations.

- j) Review and advise on the Programme's arrangements for its employees and external parties to raise concerns, in confidence, about allegations of wrongdoing in the management and conduct of operations.
- k) Advise on WFP's fraud prevention policy, code of ethics and whistleblower policy.
- l) Prepare and submit an annual report on its activities for the Executive Director and for presentation to the Executive Board for consideration and discussion.
- m) Provide commentary on the performance of internal and external auditors.
- n) Advise and make recommendations to the Executive Board in relation to the arrangements for the appointment of the External Auditor under the Programme's Financial Regulations.

Access

3. The Audit Committee has the authority to:
 - a) Obtain all information and/or documents it considers necessary to perform its mandate including all audit reports and audit work papers produced by internal and external audit.
 - b) Seek any information from any employee or request information generated from the Programme's systems and require all employees to cooperate with any request made by the Audit Committee in performing its mandate.
 - c) Obtain legal or other independent professional advice if it is considered necessary.
4. The Audit Committee and the External Auditor will meet annually in private session.

Number of Meetings

5. The Audit Committee shall normally meet at least four times a year. The Chairperson, any Member or the External Auditor may request additional meetings.

Convocation of Meetings

6. The meetings of the Audit Committee shall be convened by the Chairperson or by the Secretariat on the instruction of the Chairperson. The members of the Audit Committee shall normally be given at least ten working days' notice of meetings.
7. The Chairperson will approve a provisional agenda for the meetings that should be circulated together with the invitations.

Membership and Quorum

8. The Executive Board shall approve appointment of members of the Audit Committee on the Executive Director's recommendation; the Audit Committee shall comprise five members with recent and relevant financial experience, one or more having some senior level audit experience, and all of whom will be independent of the WFP Secretariat and the Executive Board. Due regard shall be paid to equitable geographic representation in their selection. The appointed Committee members will select their own Chairperson from within their number. Members serve in their personal capacity and cannot be represented by alternate attendees. Three members, one of whom must be the Chairperson, shall constitute a quorum.

9. Former members of Permanent Representations to WFP or the WFP Secretariat shall not be appointed to the Audit Committee within a period of two years following the end of those responsibilities.
10. The term of office shall be three years renewable once after the initial term, phased in so as to provide continuity. Renewal will be subject to a positive assessment of the member's contribution during his or her first term.

Conflicts of Interest

11. A register of interests will be kept to record members' interests in general or on specific matters. Where an actual or potential conflict of interest arises, the interest will be declared and will cause the member/s to either be excused from the discussion or abstain from voting on the matter. In such event, a quorum would be required from the remaining members.

Responsibility and Liability of Members

12. Members shall act in an independent, non-executive capacity while performing their advisory role on the Audit Committee. As such, members shall not be held personally liable for decisions taken by the Audit Committee acting as a whole.

Participation other than in Person

13. It is expected that members will be present for meetings. Members may also participate in a meeting by telephone or video conference link but shall not in such cases be taken into account for the purpose of establishing a quorum.

Attendance

14. The Chairperson may invite members of the Secretariat to attend meetings.
15. The Audit Committee may decide to meet in closed session from time to time as determined by the Committee.

Acting Chairperson

16. If the Chairperson is unable to attend a meeting, the Members will elect an Acting Chair for that meeting from among the members present.

Voting

17. The Audit Committee's decisions are taken by the majority of the members present and voting. Should the votes be equally divided, the Chairperson shall have the casting vote.

Secretariat Function

18. The Secretariat function for the Audit Committee shall be carried out by a member or members of WFP staff designated by the Executive Director who shall not be from the Inspector General and Oversight Services Division and will report directly to the Chairperson on matters relating to the work of the Audit Committee.

Minutes

19. Minutes of meetings will be prepared and kept by the Secretariat. The Audit Committee shall approve the minutes by correspondence, within a month of the meeting.

20. Supporting documents will be prepared by the Chairperson or by the Secretariat on the instruction of the Chair or on their own initiative. Documents may also be submitted by the External Auditor or, with the approval of the Chairman, by other management steering committees e.g. the Investment Committee.

Confidentiality of Meetings and Minutes

21. The deliberations of the Audit Committee and the minutes of its meetings are confidential unless otherwise decided. The documents and informational material circulated for the consideration of the Audit Committee shall be used solely for that purpose and treated as confidential.

Reporting

22. The Audit Committee shall prepare an annual report on its work for the Executive Director and for presentation to and consideration by the annual session of the Executive Board each year. The report will include an annual performance evaluation of its work. The Committee will then periodically review the adequacy of its terms of reference and mandate, where appropriate recommending changes to the Executive Board for approval. The Chair of the Audit Committee shall attend the Executive Board to present the annual report.
23. The Chairperson will interact regularly with the Executive Director on the results of Audit Committee deliberations as well as on forthcoming issues relevant to its business.

Indemnity of Members

24. Audit Committee members are indemnified from actions taken against them as a result of activities performed in the course of business of the Audit Committee, so long as such activities were performed in good faith.

Remuneration

25. Members will not be remunerated by WFP for activities undertaken with respect to their membership of the Audit Committee. WFP will reimburse all committee members for any travel and subsistence costs that are necessarily incurred in relation to participation in Committee meetings. Any payment of honoraria shall be a matter for decision by the Executive Board in the light of advice by the Executive Director.

22 April 2009

ANNEX II

AUDIT COMMITTEE ACTIVITIES				
	JUNE 2009–MARCH 2010			
	JUNE 2009	SEPT. 2009	JAN. 2010	MARCH 2010
Executive session with Executive Board Bureau	√		√	√
Executive session with Executive Director	√		√	√
Strategic Plan		√	√	√
Financial framework review	√	√	√	√
Operations	√	√	√	√
Investment Committee	√	√	√	
Oversight matters:				
– External Audit	√	√	√	√
– Internal Audit	√	√	√	√
Risk management	√		√	√
Performance management			√	√

ACRONYMS USED IN THE DOCUMENT

AC	Audit Committee
ACABQ	Advisory Committee for Administrative and Budgetary Questions
ERM	enterprise risk management
IPSAS	International Public Sector Accounting Standards
NAO	National Audit Office of the United Kingdom (External Auditor, 2002–2010)
OS	Inspector General and Oversight Office
OSA	Office of Internal Audit
OSI	Office of Inspections and Investigations
WINGS	WFP Information Network and Global System