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des  
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l'alimentation  
et  
l'agriculture

Organización  
de las  
Naciones  
Unidas  
para la  
Agricultura  
y la  
Alimentación

## COUNCIL

### Hundred and Thirty-first session

Rome, 20 – 25 November 2006

Report of the 112<sup>th</sup> Session of the Finance Committee  
Rome, 9 February 2006

### Table of Contents

	Paragraphs
Introduction	1 - 4
World Food Programme Matters	5 - 9
REVIEW OF ISC RATE MODALITIES (WFP/EB.1/2006/6-A/1)	5 - 7
REVIEW OF THE ARRANGEMENTS FOR REPORTING POST DELIVERY FOOD LOSSES TO THE EXECUTIVE BOARD: REPORT BY THE WFP EXTERNAL AUDITOR (WFP/EB.1/2006/6-B/1)	8
FOLLOW-UP ON THE RECOMMENDATIONS OF THE EXTERNAL AUDITOR (WFP/EB.1/2006/6-C/1)	9
Other Matters	10 - 11
DATE AND PLACE OF THE HUNDRED AND THIRTEENTH SESSION	11

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**REPORT OF THE HUNDRED AND TWELFTH SESSION OF THE  
FINANCE COMMITTEE  
9 February 2006**

**Introduction**

1. The Committee submitted to the Council the following report of its Hundred and Twelfth Session, which had been convened at the request of the World Food Programme (WFP) to review financial issues that would be presented to the upcoming session of the WFP Executive Board.

2. The following representatives were present:

Chairperson: Mr Aamir Khawaja (Pakistan)  
Members: Mr Søren Skafte (Denmark)  
Mr Eckhard W. Hein (Germany)  
Mr Augusto Zodda (Italy)  
Mr Seiichi Yokoi (Japan)  
Ms Ana María Baiardi Quesnel (Paraguay)  
Mr Roberto Seminario (Peru)  
Mr Ahmed I. Al-Abdulla (Qatar)  
Mr J. Michael Cleverley (United States of America)  
Ms Verónica Mutiro Takaendesa (Zimbabwe)

3. The Chairperson informed the Committee that regretfully Mr Aboubakar Bakayoko (Côte d'Ivoire) would be unable to attend the session. The Committee also noted that this would be the last session attended by Mr J. Michael Cleverley (United States of America) and expressed thanks to him for his contribution to the Committee's work.

4. Mr Augusto Zodda (Italy) was elected unanimously Vice-Chairperson for 2006.

**World Food Programme Matters**

**REVIEW OF ISC RATE MODALITIES (WFP/EB.1/2006/6-A/1)**

5. The Secretariat introduced the *Review of ISC Rate Modalities* highlighting that the initial report would be followed by a review of the Indirect Support Costs (ISC) rate in June 2006. The structural imbalances between Programme Support and Administrative (PSA) expenditure and ISC income and the key role of the PSA Equalization Account were highlighted. Two conceptual models for setting the ISC rate were introduced and the possible re-categorization of support was outlined.

6. The Committee agreed that, as this was only a preliminary paper, it was appropriate at this stage to discuss the conceptual models rather than recommend a specific alternative. The importance of forecasts and cost analysis were however highlighted. The Committee also encouraged WFP to rationalize the ISC rate to bring it as close to actual fixed costs incurred as possible. In this connection, the procedure for revision of the ISC rate should also be examined.

7. The Committee recommended that the Programme Support and Administrative costs of WFP should be reclassified to ensure they reflect only costs of an indirect nature. This would help ensure donor ISC contributions were being used only for actual indirect costs and,

correspondingly, that all costs of a direct nature were being funded from contributions to WFP projects.

**REVIEW OF THE ARRANGEMENTS FOR REPORTING POST DELIVERY  
FOOD LOSSES TO THE EXECUTIVE BOARD: REPORT BY THE WFP  
EXTERNAL AUDITOR (WFP/EB.1/2006/6-B/1)**

8. Following an introduction by the External Auditor, and clarifications provided by the External Auditor and the Secretariat to the Committee on questions raised, the Committee:
- i) endorsed the report of the External Auditor on the arrangements for reporting post delivery food losses to the Executive Board;
  - ii) noted that the recommendations in the report pertained to, *inter alia*, the need for WFP to improve transparency through the monitoring and reporting to the Executive Board of all post delivery losses;
  - iii) further noted that realistic standards of post delivery losses and of the cost effectiveness of planned operational and reporting procedural improvements should be taken into consideration; and
  - iv) looked forward to receiving the WFP management response to the report of the External Auditor at the next session of the FAO Finance Committee.

**FOLLOW-UP ON THE RECOMMENDATIONS OF THE EXTERNAL AUDITOR  
(WFP/EB.1/2006/6-C/1)**

9. Following the introduction of the report by the Secretariat and taking note of comments by the External Auditor and responses by the Secretariat to questions raised by the Members, the Committee:
- i) took note of the information contained in the report; and
  - ii) requested the Secretariat to include, in future reports, estimated time lines for the implementation of the recommendations of the External Auditor.

**Other Matters**

10. The Committee was also presented with two further documents for information comprising *Update on the WFP Biennial Management Plan* and *Progress Report on the Implementation of International Accounting Standards*.

**DATE AND PLACE OF THE HUNDRED AND THIRTEENTH SESSION**

11. The Committee was informed that the 113<sup>th</sup> Session was tentatively scheduled to be held in Rome from 8 – 12 May 2006. The final dates of the session would be decided in consultation with the Chairperson.