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

Executive Board
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Resource, financial and budgetary matters
For approval

Audited annual accounts, 2023

The Secretariat is pleased to submit the audited 2023 financial statements together with the audit opinion and the report of the External Auditor. The financial statements have been prepared under International Public Sector Accounting Standards (IPSAS). The External Auditor has completed the audit in accordance with the International Standards of Auditing and has provided an unqualified audit opinion.

This document is submitted to the Board in accordance with general regulation XIV.6 (b) and financial regulations 13.1 and 14.8, which provide for the submission to the Board of the audited financial statements of WFP and an associated report of the External Auditor. The statements and the report are presented in one document.

This document includes a statement on internal control which provides specific assurance on the effectiveness of internal control in WFP.

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Draft decision*

The Board:

i) approves the 2023 annual financial statements of WFP, taking note of the report of the External Auditor, submitted to the Board pursuant to Article XIV.6 (b) of the General Regulations;

ii) notes the funding from the General Fund of USD 1,915,442 during 2023 for the ex-gratia payments and the write off of cash losses and receivables;

iii) notes losses of commodities and other losses during 2023 forming part of operating expenses for the same period.

* 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.

Section I

Audit Opinion

I have audited the financial statements of the World Food Programme (WFP), which comprise the statement of financial position (statement I) as at 31 December 2023 and the statement of financial performance (statement II), the statement of changes in net assets (statement III), the statement of cash flow (statement IV) and the statement of comparison of budget and actual amounts (statement V) for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of WFP as at 31 December 2023 and its financial performance and its cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS).

Basis for opinion

I conducted my audit in accordance with the International Standards on Auditing. My responsibilities under those standards are described in the section below entitled “Auditor’s responsibilities for the audit of the financial statements”. I am independent of the World Food Programme, in accordance with the ethical requirements relevant to my audit of the financial statements, and I have fulfilled my other ethical responsibilities in accordance with those requirements. I believe that the audit evidence that I have obtained is sufficient and appropriate to provide a basis for my opinion.

Information other than the financial statements and the auditor’s report thereon

The Executive Director of the World Food Programme is responsible for the other information. The other information comprises the Executive Director’s statement for the year ended 31 December 2023 and the Executive Director’s statement of internal control, both contained in Section II below, but does not include the financial statements and my auditor’s report thereon.

My opinion on the financial statements does not cover the other information, and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, on the basis of the work that I have performed, I conclude that there is a material misstatement in the other information, I am required to report that fact. I have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

The Executive Director of the World Food Programme is responsible for the preparation and fair presentation of the financial statements in accordance with IPSAS and for such internal control as management determines to be necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Executive Director of the World Food Programme is responsible for assessing the Programme's ability to continue as a going concern, disclosing, as applicable, matters related to the going concern and using the going-concern basis of accounting unless management intends either to liquidate the Programme or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Programme's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with the International Standards on Auditing, I exercise professional judgment and maintain professional scepticism throughout the audit.

I also:

(a) Identify and assess the risks of material misstatement in the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentation or the overriding of internal control;

(b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the World Food Programme;

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

(d) Draw conclusions concerning the appropriateness of management's use of the going-concern basis of accounting and, on the basis of the audit evidence obtained, whether a material uncertainty exists in relation to events or conditions that may cast significant doubt on the ability of the World Food Programme to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the World Food Programme to cease to continue as a going concern;

(e) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Report on other legal and regulatory requirements

In my opinion, the transactions of WFP that have come to my notice or that I have tested as part of my audit have, in all significant respects, been in accordance with the General Regulations and General Rules and the Financial Regulations of WFP.

In accordance with Financial Regulation 14.8, I have also included information that I deem necessary with regard to the efficiency of financial procedures, the accounting system, the internal financial controls, and, in general, the administration and management of WFP in the long-form audit report on my audit of the World Food Programme.

(Signed) Kay Scheller
President of the German Supreme Audit Institution

15 April 2024

EXTERNAL AUDIT OF THE WORLD FOOD PROGRAMME

AUDIT REPORT

FINANCIAL STATEMENTS OF THE WORLD FOOD PROGRAMME FOR THE YEAR ENDED 31 DECEMBER 2023

Table of contents

Long-form audit report of the External Auditor

Executive summary

Audit opinion

The External Auditor has audited the financial statements and reviewed the operations of the World Food Programme (WFP) for the year ended 31 December 2023. In the External Auditor's opinion, the accompanying financial statements present fairly, in all material respects, the financial position of WFP as at 31 December 2023 and its financial performance and cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS).

Overall conclusion

WFP is a voluntarily funded organization and relies on the support of its donors. In 2023, voluntary contributions decreased by 40.8 percent or USD 5.8 billion to the amount of USD 8.3 billion. Expenses amounted to USD 10.9 billion, compared with USD 11.4 billion in 2022. As a result, WFP incurred a deficit of USD 1.7 billion, compared with a surplus of USD 3.0 billion in 2022. Expenses mainly comprised food commodities distributed, cash-based transfers distributed, distribution and related services, contracted and other services and staff costs.

The External Auditor conducted audit visits to the headquarters in Rome, six country offices, and three regional bureaux.

Key findings

The main findings of the External Auditor were:

Budget

(a) The WFP regulatory framework does not stipulate how to proceed in a situation of decreased funding forecasts after the Executive Board's approval of the Management Plan. WFP should seek clarification from the Executive Board how to proceed in cases of significant funding variances, particularly decreases.

(b) Under the revised organizational structure, WFP has split the budget function between the Chief Financial Officer's office and the Programme Operations Department. Clear instructions on the workstreams of the units, their reporting lines and delegation of authorities are needed to facilitate the goal of streamlined and integrated collaboration.

Financial internal control framework

(c) WFP conducts two separate survey exercises of self-assessment questionnaires regarding internal controls. The External Auditor found that both questionnaires were overlapping and lacked qualitative key performance indicators. The applied software tool was not user friendly, had limited readability and uploading functionalities.

(d) Post factum purchases should be exceptional cases. The External Auditor found that 93 percent of post factum cases referred to poor planning and internal oversight issues, which do not represent exceptional cases.

Financial processes

(e) The analysis of the five-year trend of unrecorded accrual transactions lead to an unadjusted audit difference of USD 30 million in the 2023 financial statements. WFP should further improve the accuracy and completeness of accrual submission at year-end.

Cooperating partner management

(f) The current WFP framework for partner monitoring has room for enhancement, particularly in view of mandatory and coherent risk-based monitoring requirements, and the documentation thereof.

Transfers to schools

(g) The documentation of school-based transfer monitoring was not reconcilable within a reasonable timeframe. WFP conducted reconciliations in very different ways and followed no standard procedure. Country offices were uncertain as to the applicable mandatory steps in the process.

Delegation of authority

(h) WFP established a complex set-up for delegating authorities. WFP sub-delegated authorities via circulars, directives and other documents which were managed by different departments and functions. The flow of delegation also differed. An overview of all authorities was not available. In addition, WFP had defined accountabilities which were not aligned with the flow of delegation.

(i) WFP rolled out a digital dashboard for the delegation of financial authorities at the end of 2022. The External Auditor appreciates the enhanced transparency through the dashboard. However, inconsistent and incorrect entries show that not all offices know how to use the dashboard or completely understand the set-up of authorities, e.g., regarding eligibility criteria and permitted thresholds.

Consultancy services

(j) WFP uses individual consultants for expert advice in a specialized field or to temporarily backfill staff functions on a short-term basis. In 2023, WFP had contracted 4,096 consultants and paid USD 183.2 million honoraria. The WFP staffing framework stipulates several criteria that should be considered when engaging consultants, for example the expected length of time or the availability of skills within WFP. The External Auditor found that WFP had not documented whether it had checked the criteria.

(k) WFP may also obtain consultancy services through a procurement process. In 2023, WFP recorded expenses in the amount of USD 221.6 million for commercial consultancy services. The External Auditor reviewed a sample of procurement files and found that offices had not defined and communicated evaluation criteria adequately. Evaluation criteria are crucial for the transparency and fairness of a procurement process.

Key recommendations

The External Auditor has issued several recommendations based on the audit. They are contained in the main body of the report. The main recommendations are that WFP:

Budget

(a) ***Propose to the Executive Board criteria of required Management Plan revisions in case of variances in the funding projections to enable an amendment of the General Rules or Financial Regulations;***

(b) ***Ensure well-coordinated and aligned roles and responsibilities of corporate and operational budget functions in the new organizational structure;***

Financial internal control framework

(c) ***Review its internal control related questionnaires for overlaps and potential consolidation, complement yes or no questions by objectively calculated key performance indicators and review the software tool in terms of user friendliness and cost-benefit of its functionalities;***

(d) ***Reduce post factum cases in the justification categories poor planning and internal oversight and ensure that post factum cases are limited to exceptional cases***;

Financial processes

(e) ***Improve the accuracy and completeness of accrual submission forms, particularly, request finance units to communicate open purchase orders to the spending units for review if these need to be considered for accrual purposes at year-end;***

Cooperating partner management

(f) ***Review its current framework for cooperating partner monitoring in view of harmonized and mandatory risk-based standards considering applied methods in other United Nations entities, for example well received aspects of the Harmonized Approach to Cash Transfer framework***;

Transfers to schools

(g) ***Improve the reconciliation and financial monitoring process of school-based transfers by promulgating mandatory minimum requirements and corporate templates considering different implementation scenarios and operational models;***

Delegation of authority

(h) ***Establish a one-stop shop for all delegation of authority documents and guidance, streamline the set-up of delegation of authority to the best possible extent and align accountabilities with the set-up*****;**

(i) ***Develop a guidance for the delegation of financial authority dashboard, establish further automated controls to prevent incorrect and non-compliant entries and enhance its monitoring activities;***

Consultancy services

(j) ***Justify the decision to engage or reappoint a consultant by assessing the criteria stipulated in the WFP staffing framework and document the result*****;**

(k) ***Headquarters determine best practices of evaluation criteria for consultancy services and share them with country offices and regional bureaux.***

2023 key facts according to WFP

USD 22.1 billion	Approved operational needs (final budget)
USD 8.3 billion	Contribution revenue (including USD 1.3 billion signed in December)
USD 10.9 billion	Expenses incurred in 2023
150 million	Beneficiaries served
23,955	WFP global workforce (including 11,143 affiliates)
119	Countries and territories of operation, with 84 offices

A. Mandate, scope, and methodology

1. By its decision 2021/EB.2/4, on 16 November 2021 the Executive Board of WFP appointed the President of the German Supreme Audit Institution (Bundesrechnungshof) as the WFP External Auditor to perform the audit of the WFP accounts for a six-year term from 1 July 2022 to 30 June 2028 in accordance with WFP Financial Regulation 14.1.

2. The External Auditor's mandate is set out in Article XIV of the WFP Financial Regulations and their Annex. Pursuant to the Financial Regulations, the External Auditor expresses an opinion on the financial statements and may make observations with respect to the efficiency of the financial procedures, the accounting system, the internal financial controls and, in general, the administration and management of WFP.

3. This document provides the External Auditor's long-form report on the audit of the financial statements of WFP for the year ended 31 December 2023. The Executive Director submits the report of the External Auditor to the Executive Board together with the financial statements to enable the Executive Board to approve the financial statements. The audit was conducted in conformity with the WFP General Regulations and Rules, and Financial Regulations, and, where applicable, the Financial Regulations and Rules of the United Nations, the Food and Agriculture Organization (FAO) Staff Regulations, as well as the International Standards on Auditing.

4. The audit was conducted primarily to enable the External Auditor to form an opinion as to whether the financial statements fairly present the financial position of WFP as at 31 December 2023 and its financial performance and cash flows for the year then ended, in accordance with IPSAS. This included an assessment of whether the expenses recorded in the financial statements had been incurred for the purposes approved by the governing bodies

and whether revenue and expenses had been properly classified and recorded in accordance with the General Regulations and Rules and Financial Regulations of WFP. The audit included a general review of financial systems and internal control and a test examination of the accounting records and external confirmation procedures from banks, donors and suppliers and other supporting evidence to the extent considered necessary to form an opinion on the financial statements.

5. The External Auditor conducted several audit visits to headquarters and to the following regional bureaux and country offices: the Regional Bureau for Eastern Africa, the Regional Bureau for Latin America and the Caribbean, the Regional Bureau for Western Africa and the country offices Burundi, Cameroon, Colombia, Ethiopia, Kenya, and Nigeria.

6. The External Auditor issued management letters to the bureaux and offices visited. Where deemed necessary the External Auditor included audit findings of these management letters in this report.

7. During audit visits to headquarters, regional bureaux and country offices the External Auditor issues audit observation memorandums with facts and findings requesting the respective director to comment in writing. These audit observation memorandums together with the comments by WFP provide the basis of the External Auditor’s management letters to the Executive Director and reports for the Executive Board. The External Auditor shares draft management letters and draft reports with WFP requesting comments again to include them in the letters and reports.

8. In 2023, in addition to the audit of the accounts and the financial statements, the External Auditor focused on two performance audit topics with a focus on economy, efficiency and effectiveness: Delegation of authority and consultancy services. The corresponding findings and recommendations are incorporated into this audit report.

9. The External Auditor coordinated with the Inspector General to avoid unnecessary duplication and gain an understanding of the internal audit function and of internal control of WFP. The External Auditor carried out the audit visit to the Country Office Nigeria together with a team of the WFP internal audit function. Both teams closely coordinated their audit work to avoid overlapping requests and interviews.

10. The present report covers matters that, in the opinion of the External Auditor, should be brought to the attention of the Executive Board. The External Auditor communicated his observations and conclusions to the Executive Director and the WFP senior management, and their views are reflected in the report.

B. Financial overview

11. For 2023, the WFP financial statements resulted in a deficit of USD 1.7 billion compared with a surplus of USD 3.0 billion in 2022. The variance of USD 4.7 billion was attributable to significantly decreased contribution revenues in 2023 while expenses remained at a comparable level as in 2022. Contribution revenues decreased by USD 5.8 billion or 40.8 percent to USD 8.3 billion compared with a record high of USD 14.1 billion in the financial

year 2022. 34.3 percent or USD 4.8 billion out of these revenues were confirmed in the fourth quarter of 2022 and were only transformed into expenses in 2023.

12. 55.7 percent of the voluntary contributions were derived from three top donors (2022: 69.1 percent). One of these donors accounted for 35.8 percent of all contribution revenues (2022: 52.0 percent). Contribution revenues from this donor decreased by USD 4.3 billion. Governments and intergovernmental organizations continued to be the major donors of WFP.

13. Expenses decreased by USD 0.6 billion (5.1 percent) to USD 10.9 billion, from USD 11.4 billion in 2022. Main expense decreases pertained to food commodities distributed (USD 0.6 billion) and cash-based transfers distributed (USD 0.4 billion). At the same time contracted and other services and staff and affiliated workforce costs increased by each USD 0.2 billion.

14. 53.9 percent or USD 1.7 billion of the food commodities distributed pertained to five country operations: Afghanistan and Yemen (each USD 0.5 billion), Ethiopia and the Syrian Arab Republic (each USD 0.3 billion), and Ukraine (USD 0.1 billion). The decreases of cash distributed were mainly attributable to distributions in Ukraine and Afghanistan (each USD 0.2 billion).

15. WFP defines the terminal disbursement date as the last date on which funds of a contribution can be disbursed, that means until when expenses can be recorded. During the period from signature to terminal disbursement date, WFP needs to use the funds for the implementation. The below table I.1 shows the terminal disbursement dates of 2023 contribution revenue.

Table I.1

Contribution revenue by terminal disbursement date

(Billions of United States dollars and percent)

	USD	*percent*
2023	0.4	5.2
2024	4.8	57.4
After 2024	2.7	32.3
Unrestricted	0.4	5.1
Total	**8.3**	**100**

Source: WFP, financial records.

16. Almost 60 percent of 2023 contribution revenue had a terminal disbursement date in 2024. 5.1 percent of contribution revenue were unrestricted in terms of timing.

17. Current assets decreased by USD 2.3 billion or 18.5 percent and amounted to USD 10.4 billion (2022: USD 12.7 billion). The main decreases pertained to contributions receivable which decreased by USD 2.4 billion to USD 4.2 billion in line with the significant decrease in contribution revenue. At the same time short-term investments increased by USD 0.3 billion to USD 1.8 billion.

18. Non-current assets increased by USD 0.2 billion from USD 1.4 billion to USD 1.6 billion. The increase was attributable to a 19.8 percent increase in long-term investments. Long-term investments are held with the aim to cover long-term employee benefits and their value primarily increased due to unrealized gains because of an increase in the market value of bonds and equity investment funds.

19. Current liabilities decreased by USD 0.5 billion from USD 1.5 billion to USD 1.0 billion mainly due to decreased accounts payables and accruals in line with a decreased expenditure trend towards year-end. At the same time non-current liabilities slightly increased by USD 0.1 billion from USD 0.9 billion to USD 1.0 billion. The increase mainly pertained to increased liabilities for after service medical plans due to a decrease of the discount rates of these long-term liabilities.

20. Net assets comprised the accumulated surplus and reserves of USD 9.9 billion. The accumulated surplus decreased by USD 1.7 billion which is comprised of the deficit of USD 1.7 billion, actuarial losses on employee benefit liabilities of USD 0.1 billion, offset by USD 0.1 billion unrealized investment gains. Reserves decreased by USD 0.2 billion due to a decrease in the Programme Support and Administrative Equalization Account.

21. Overall, the key financial indicators improved or remained at a comparable high level. Reason for improved indicators were mainly the decreased current payables and accruals compared with increased short-term investments. The External Auditor’s analysis of the key financial ratios demonstrates that WFP met all its liabilities (see table I.2).

Table I.2
Ratio Analysis

Description of ratio	*31 December 2023*	*31 December 2022*	*31 December 2021 Restated*	*31 December 2020*	*31 December 2019*
Current ratio [a] (current assets: current liabilities)	10.2	8.2	7.2	4.3	4.1
Total assets: total liabilities [b]	5.9	5.8	4.6	2.9	2.6
Cash ratio [c] (cash + current investments: current liabilities)	4.4	2.7	2.7	1.6	1.6
Quick ratio [d] (cash + current investments + short-term accounts receivable: current liabilities)	8.9	7.2	6.3	3.8	3.7

Source: WFP financial statements.

[a] A high ratio indicates an entity’s ability to pay off its short-term liabilities.
[b] A high ratio is a good indicator of solvency.
[c] The cash ratio indicates an entity’s liquidity. It serves to measure the amount of cash, cash equivalents and invested funds available in current assets to cover current liabilities.
[d] The quick ratio is more conservative than the current ratio because it excludes inventory and other current assets, which are more difficult to convert into cash. A higher ratio means a more liquid current position.

C. Findings and recommendations

1. Previous recommendations

22. Out of 82 outstanding recommendations, the External Auditor has assessed that WFP has implemented 35 recommendations (43 percent), 43 are under implementation (52 percent) and 4 have been overtaken by events (5 percent). Details of the status of implementation of the recommendations are shown in table I.3 and the Annex.

Table I.3
Status of implementation of previous recommendations

*Audit report year**	*Total*	*Fully implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*
2020	2	2	-	-	-
2021	2	2	-	-	-
2022	21	7	14	-	-
2023	57	24	29	-	4
Total	**82**	**35**	**43**	**-**	**4**
Percentage	100	43	52	-	5

** Audit report year refers to the year of the annual session for which the External Auditor provided the reports.*

23. Out of the 43 recommendations that are under implementation, 14 (33 percent) relate to the 2022 audit. WFP has moved the target date of some of these recommendations to 2026, when reports and reviews would be available. For other recommendations, WFP stated that the organizational restructuring and related changes, which had not yet been fully completed, continued to hinder their implementation. WFP also moved the target date of several recommendations for which the External Auditor had recommended to introduce or revise directives, circulars, or guidelines. The External Auditor holds that WFP should expedite its implementation efforts for recommendations that are outstanding for more than one period.

24. The External Auditor closed four recommendations as overtaken by event. Three of these related to findings which reoccurred in the financial year 2023 almost unchanged to 2022 and the External Auditor therefore reiterated these recommendations (ref. paras. 131, 159, 219). The External Auditor expects that WFP address these with a high priority. The External Auditor closed the fourth overtaken recommendation due to new information that had not been available in 2022.

2. Budget

a. Funding forecast, normative budgetary framework

25. Pursuant to the WFP General Regulations the Executive Board shall decide on strategic and financial plans and budgets. It shall review, modify, and approve the budgets of programmes, projects and activities, and review the administration and execution thereof. The Executive Director shall submit to the Executive Board for approval the annual WFP budget, which is included in the Management Plan, a three-year comprehensive plan of work approved each year on a rolling basis by the Executive Board.

26. The Executive Director submitted the Management Plan 2024-2026 in the second regular session of the Executive Board from 13-16 November 2023. For 2024, the Executive Board:

- Took note of projected operational requirements of USD 22.7 billion;
- Took note of the provisional implementation plan of USD 11 billion;
- Noted an assumed funding level of USD 10 billion; and
- Approved programme support and administrative appropriation of USD 568.0 million.

27. In December 2023, less than one month after approval of the 2024 Management Plan, WFP informed the Executive Board that the assumed 2024 funding level had to be revised. In February 2024, WFP gave a briefing presentation to the Executive Board informing it that it had reduced the forecasted 2024 contributions by 20 percent from USD 10 billion to USD 8 billion. The reduction of the forecasted income corresponded to a reduction of the programme support and administrative (PSA) budget from USD 568.0 million to USD 456 million, i.e., USD 112 million less than approved.

28. The External Auditor found that there are no stipulations in the WFP regulatory framework how to proceed in a situation of decreased funding forecasts. WFP stated that it intended to provide the Executive Board with an “update” of the Management Plan 2024 during the annual session in June 2024. Pursuant to Financial Regulation 9.8 the Executive Director may propose a revision in the Management Plan, including a supplementary budget, for the financial period in a form and manner consistent with the Management Plan, requiring the approval of the Executive Board. There is no General or Financial Regulation or Rule to further define supplementary budget and revision of the Management Plan. The wording “supplementary” rather implies increases than decreases. The General and Financial Regulations and Rules do not mention a budget update.

29. Since 2016 - as part of the Management Plan - WFP asks the Executive Board for approval of a budget adjustment clause. The clause authorizes the Executive Director to adjust the PSA budget at a rate not to exceed two percent of an anticipated change in income. From the mere wording this authorization would also cover a reduction in the PSA budget. However, in case of the 2024 funding reduction of USD 2 billion, the 2 percent rule would authorize a USD 40 million adjustment and not the necessary USD 112 million. Moreover, the Financial Regulations interpret the budget approval in the meaning of a ceiling: After the

Executive Board's approval of the Management Plan, the Executive Director is authorized to allocate funds and make payments, up to the amount so approved. Thus, a budget reduction is currently not foreseen in the regulatory framework.

30. The External Auditor holds that a revision of the funding forecast by 20 percent within one month of the initial approval casts doubt on the reliability of the forecasting. The External Auditor acknowledges that the Management Plan is drafted by the mid of the year to be presented to the Executive Board at its second regular session in November and that only information that is available at that time can be considered. However, if the underlying assumptions and forecasts change dramatically in the subsequent months, and if better information is available at the time of the November session, WFP should disclose this information to the Executive Board to enable informed and sustained decisions.

31. Moreover, the intended form of a budget "update" is not appropriate in a situation of 20 percent funding decrease. The External Auditor holds that the proposed timing in June - when WFP is already half-way through the 2024 budget year with half of the expenses effected - is not appropriate.

32. WFP should seek clarification from the Executive Board how to proceed in cases of significant funding variances, particularly decreases, after approval of the Management Plan. The Executive Board has the power to establish General Rules and Financial Regulations to govern the management of the WFP fund. Variances in the projected funding happen regularly and have a direct impact on the projected PSA budget and WFP operations in general. WFP should operate under a clear regulatory framework when and in which form, for example a revision of the Management Plan, to seek revised approvals of the Executive Board, particularly regarding funding forecast decreases.

33. Regardless that the 2 percent budget adjustment authorization is not sufficient for the 2024 situation, a repetitive authorization request as part of the Management Plan is not a systematic and correct approach from a legal and technical point of view. The External Auditor holds that WFP should establish regulations at the highest level of its normative hierarchy to regulate WFP management required actions in cases of significant decreases and increases in the funding forecasts. For example, a supplementary note or appendix to the Management Plan could be considered to enable informed decision making of the Executive Board and revised key figures if a revision of the overall Management Plan document is impractical.

34. **The External Auditor recommends that WFP improve the reliability of its funding forecast and set clear thresholds when ad hoc supplementary notifications to the Executive Board are required.**

35. **The External Auditor recommends that WFP propose to the Executive Board criteria of required Management Plan revisions in case of variances in the funding projections to enable an amendment of the General Rules or Financial Regulations.**

36. WFP agreed with the recommendations and agreed that it would be for the Executive Board to decide whether an amendment of the General Rules or Financial Regulations would be deemed necessary. WFP stated that it had already started reviewing the funding forecasting process and would implement changes to improve reliability. WFP stated that in its consultations with the Executive Board on the 2025 Management Plan it

would propose alternative language to the decision regulating changes to the budget in light of changes to the contribution forecast and would explore with the Executive Board whether an amendment to the General Rules or Financial Regulations was appropriate.

b. Annual budget

37. Pursuant to IPSAS 24, original budget is defined as the initial approved budget for the budget period. Financial Regulation 9.4 requires that the Management Plan includes comparative tables setting out the proposals for the following financial period, the approved WFP budget for the current financial period and the modified approved WFP budget for the current period in the light of actual receipts and expenditures.

38. For 2024, the Management Plan indicated an assumed funding level of USD 10 billion, projected operational requirements of USD 22.7 billion, and a provisional implementation plan of USD 11 billion. The Executive Board took note of this information. The Management Plan also contained the 2024 PSA appropriation of USD 568 million, which the Executive Board approved.

39. The PSA component makes up about 5 percent and the provisional implementation plan about 95 percent of the total annual budget. The Executive Board does not approve the projected operational requirements and the provisional implementation plan but takes note of this information.

40. Besides the Management Plan, the Executive Board approves separate country strategic plans of country offices. Country strategic plans contain country portfolio budgets of country offices, which are linked to the two types of activities: A needs-based approach for relief activities (save lives) and a resource-based approach for development activities (change lives). General Rule X.8 indicates that development activities may only be approved if implementable within estimated available resources.

41. The External Auditor found that WFP does not have a single document that contains the approved budget for the budget period. Rather, the Executive Board and the Executive Director within his/her delegated authority approve the budgets of country offices in various separate documents. For example, relevant to 2023, the Executive Board and the Executive Director approved 97 separate country strategic plans. The below table 1.4 provides an overview of the approved 2023 country portfolio budgets:

Table I.4
Country Portfolio Budgets in 2023
(United States dollars)

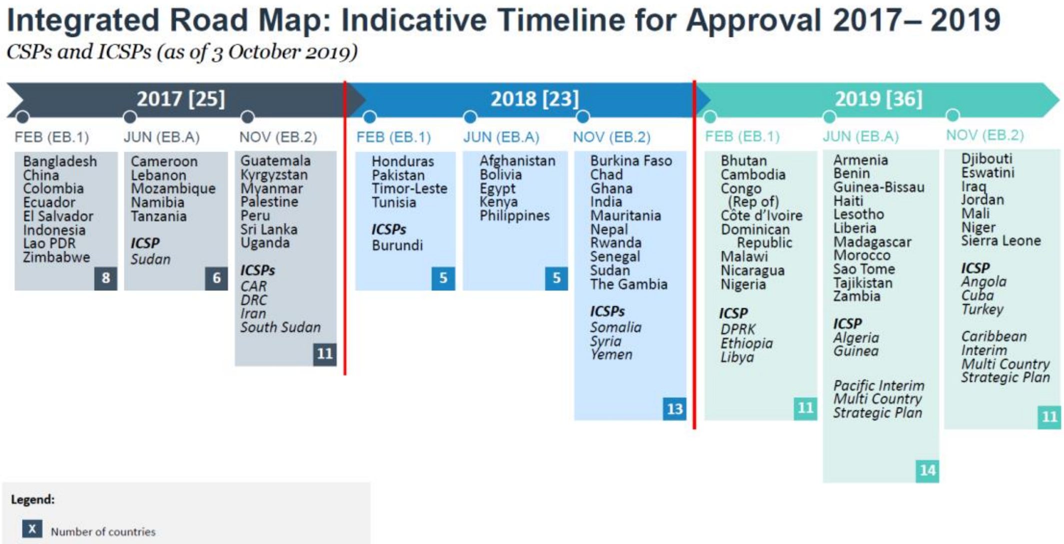
no.	Country Portfolio Budgets (period)	2023
1	CPB Yemen (2023-2025)	2.769.143.318
2	CPB Afghanistan (2018-2025)	2.087.442.639
3	CPB Ethiopia (2020-2025)	1.634.994.448
4	CPB Syria (2022-2025)	1.406.299.517
5	CPB Somalia (2022-2025)	1.404.532.094
6	CPB South Sudan (2023-2025)	1.256.681.028
7	CPB Lebanon (2023-2025)	1.254.766.585
8	CPB Ukraine (2023-2024)	1.066.717.742
9	CPB Congo, Democratic Republic (2021-2025)	589.320.170
10	CPB Sudan (2019-2024)	523.592.576
11	CPB Chad (2019-2024)	514.335.411
12	CPB Burkina Faso (2019-2025)	459.079.645
13	CPB Nigeria (2023-2027)	443.870.270
14	CPB Mali (2020-2024)	313.669.527
15	CPB Haiti (2019-2023)	309.917.324
16-97	Sum of other 82 CPB (2017-2028)	5.388.961.717
1-97	**Grand Total**	**21.423.324.008**

Source: WFP, External Auditor.

42. As can be seen from the above table, the country strategic plans have different duration periods. In most cases they have a duration period of 5 years, and the Executive Board approves a total budget for the 5-year period. For example, during the first regular session 2023, the Executive Board approved the plan for Nigeria for a period of 56 months (1 March 2023 to 31 December 2027) at cost to WFP of USD 2.6 million. The Executive Board had approved the months January and February 2023 with the preceding country strategic plan. To determine the annual 2023 Nigeria country office budget, the Executive Board would need to extract the two months January and February 2023 from the previous country strategic plan and identify and add the amount for March to December 2023 out of the approved USD 2.6 million. WFP does not provide the annual figures of all country strategic plans in a dashboard or document.

43. The below table shows the country strategic plans which the Executive Board approved in the period 2017 to 2019. In total, the Executive Board (and the Executive Director) approved 84 country strategic plans in those three years.

Chart I.1
Approval timeline of country strategic plans 2017-2019



Source: WFP.

44. Since the Executive Board approves 5-year periods of partly needs-based and partly resource-based operational needs separately per country operation, it does not approve an annual, funding forecast based budget. In addition to the country strategic plans, country offices prepare annual implementation plans which are based on the expected available funding. In general, the implementation plans have a level of approx. 60 to 70 percent of the mainly needs based country portfolio budget. However, these plans are approved by the country directors and not by the Executive Board. Thus, the approved country strategic plans represent an upper limit for the later spending of about 60 to 70 percent of the approved needs. In view of the External Auditor, it is questionable, if the Executive Board's approval of the separate mainly needs - but not forecast - based plans truly represent an approval of the annual budget as defined in IPSAS and required in the General Regulations. Moreover, the Management Plan provides a comparison of activities and operational requirements, but unreferenced to approved country strategic plans.

45. The External Auditor holds that the Executive Board - when it approves a single country strategic plan and country portfolio budget - has no overview of the proportion of this plan compared with other already approved ones, and ones which are still to be approved for the same year. The Executive Board is not enabled to compare and strategically decide on focus operations and prioritization of needs and activities if it has no annual comparison and overview of the actual, funding forecast based, realistic budget to be approved.

46. The External Auditor holds that the current WFP budget approval process does not comply with the requirements of the General and Financial Regulations to provide comparative tables of the annual corporate budget proposals for the following financial period, the approved budget for the current financial period and the modified approved budget for the current financial period in the light of actual receipts and expenditures.

47. WFP stated that as emergency response organisation it faced frequent changes in country portfolio budgets. Because the timeline for the preparation of the Management Plan was not aligned with the approval of individual country strategic plans, and their revisions,

including detailed information by country which was subject to changes this might lead to confusion and distract from strategic discussions about the budget. WFP continued to state that table 4.1 of the 2024 Management Plan showed the proposed comprehensive budget as compared to the current year's budget, while several tables in Section III of the Management Plan showed further details and comparisons of the projected operational requirements and provisional implementation plan.

48. The External Auditor holds that table 4.1 does not provide the required level of detail, as it shows the provisional implementation plans of country offices in one cumulative figure of USD 10 billion. The tables in section III of the Management Plan refer to various categories such as activity category, and transfer modality. Overall, the Management Plan in its current version does not provide the approval basis of the annual budget in terms of strategic direction for the organization. Particularly, there is no link to the approved annual country portfolio budgets. The External Auditor noted good practice in other needs based and voluntary funded United Nations entities. In one entity, the final budget represents the contributions received against the Executive Board-approved ceiling and planned for the calendar year. In another entity, approved budgets are the appropriations authorized through Executive Board resolutions. Another entity even quotes the governing bodies' approval decisions in Statement V that add up to the approved annual budget.

49. **The External Auditor recommends that WFP in line with Financial Regulation 9.4 provide the Executive Board with one document that compares the proposed budget with the current approved budget and the modified current budget and allows for the approval of the annual WFP budget, for example in an annex to the Management Plan that contains the country strategic plans of all country offices in the approval periods.**

50. WFP agreed with the recommendation and stated that it would explore and agree with the Executive Board additional information to be annexed to the Management Plan.

c. Movements in reserves (PSAEA)

51. The PSA Equalization Account (PSAEA) was established in 2002 to manage surpluses or deficits between indirect support cost revenue and programme support and administrative expenditures. Its balance mainly results from surplus of previous years which has not been consumed by shortfalls of PSA over indirect support cost revenue. Transfers to and from the PSAEA must be approved by the Executive Board.

52. In the Management Plan, WFP displays a projected balance of the PSAEA. According to the Management Plan 2023, the PSAEA had a projected opening balance of USD 337.7 million as at 1 January 2023. In the 2023 financial statements, WFP disclosed the actual opening balance of USD 634.6 million. According to WFP, the difference of USD 296.9 million mainly resulted from the fact that indirect support cost revenue in the Management Plan were pure estimations.

53. In the 2023 Management Plan, the projected PSAEA closing balance amounted to USD 284.9 million. However, this closing balance did not tie-in with the 2024 Management Plan opening balance of USD 390.0 million. WFP did not provide 2023 comparative figures in the Management Plan 2024 and an explanation of the deviation. The below table 1.5 shows

the variances between the projected balances as per the 2023 Management Plan and the variance in the opening and closing balance of the 2023 and 2024 Management Plan.

Table I.5
PSAEA opening and closing balance as per Management Plan
(Millions of United States dollars)

	2023 opening balance	2023 closing balance	2024 opening balance	variance closing and opening balance
Management Plan (projected balance)	337.7	284.9	390.0	105.1

Source: WFP, External Auditor.

54. The Executive Board has the approval power over the PSAEA. To take informed decisions on the volume of transfers from the PSAEA, its balance is a crucial information. The External Auditor holds that the large discrepancies between projections and actuals are confusing and provide an incorrect decision basis to the Executive Board. As the Management Plan is presented to the Executive Board in November, more reliable estimations for the current year are available and should be displayed. WFP should provide the latest available actual balances and show a three-year comparison of the PSAEA movements.

55. In the 2023 Management Plan, the Executive Board approved a transfer of USD 6.1 million from the PSAEA to the Afghanistan and Yemen operations. The Executive Board approved the 2023 Management Plan in November 2022, and it concerned the 2023 annual budget. WFP recorded the USD 6.1 million transfer in the Financial Statements 2022 already. WFP stated that the grant registration was amended in 2022, and therefore the transfer could not have waited to be processed in 2023.

56. The External Auditor holds that the recording of an Executive Board approval in the wrong financial period represents a violation of the Executive Board's budget authority and shows a lack of transparency in the PSAEA related disclosures and oversight documents.

57. **The External Auditor recommends that WFP rework the programme support and administrative equalization account related information in the Management Plan, provide to the Executive Board the latest available budgetary actuals, ensure that closing and opening balances are reconciled and provide explanations if assumptions change retrospectively.**

58. WFP agreed with the recommendation.

d. Critical corporate initiatives

59. In 2015, as part of the "progress report"[1], the Executive Board endorsed the use of the PSAEA for critical corporate initiatives (CCI). Pursuant to the progress report, the criteria for CCI approval are that the initiative is one-off, not covered by the regular PSA budget, not related to a project, in need of predictable funding, unlikely to generate sufficient additional

[1] WFP/EB.A/2015/6-C/1, Progress on the financial framework review, including indirect support costs.

investment from donors and focused on organizational change. Besides this progress report, there is no definition of CCI, particularly not in the WFP General and Financial Regulations and Rules.

60. In its 2021 performance audit report, the External Auditor noted that CCI had grown since 2015 and that until 2021, WFP had carried out 31 CCI with a total budget of USD 237.5 million.

61. For 2024, the Executive Board approved eight CCI with a total budget of USD 97.9 million. Annex III of the 2024 Management Plan shows the eight proposed CCI for 2024 and includes for each CCI a table with - among others – the amount for Executive Board approval, and lifespan. Out of the eight CCI, four commenced in previous years. WFP indicated in the Annex the amount for which it sought additional approval of the Executive Board in 2024, but not the previous approvals and the carry-over balances. This means, from the information provided in the Management Plan, the Executive Board had no overview of the total budget of the CCI. The below table 1.6 shows the approvals and carry-over balances of eight active CCI in 2024.

Table I.6

Approvals of critical corporate initiatives 2023 and 2024 Management Plans (MP)

(Millions of United States dollars)

				2024 MP				2023 MP	
	Critical Corporate Initiative	Lifespan	**total 2023 and 2024**	Board approval	Request for 2025	Request for 2024	carry over from 2023	Board approval	carry over from 2022
1	Investing in WFP people	2022-2024	**54.0**	27.0		32.4	5.4	27.0	5.6
2	Monitoring, identity management and traceability	2024-2025	**23.7**	23.7	2,9	20.8			
3	Fit for Future in a changed funding landscape	2024-2025	**7.9**	7.9	1,0	6.9			
4	Corporate process optimization	2024-2025	**21.0**	21.0	8,6	12.4			
5	COSMOS	2024	**3.0**	3.0		3.0		3.2	
6	UNSDG efficiency road map	2023-2024	**5.8**	5.8		5.8		6.6	
7	Termination indemnity fund *	since 2021	**0.0**			3.8	3.8		
8	Multi-year initiative on the implementation of the new strategic plan and corporate results framework	2022-2024	**13.6**			12.8	12.8	13.6	2.1
	Total		**138.8**	**88.4**	**12.5**	**97.9**	**22.0**	**50.4**	**7.7**

*Concept note not included as additional funding was not required and there were no changes to its one deliverable.

Source: WFP, External Auditor.

62. In 2023, WFP indicated an original CCI budget of (rounded) USD 58.2 million in Statement V of the Financial Statements. This ties-in to the Management Plan 2023, in which the Executive Board approved USD 50.4 million, and the carry-over balances from funding approved in 2022 in amount of USD 7.7 million. However, pursuant to Statement V, the final 2023 CCI balance amounted to USD 78.6 million. WFP stated that the increase of USD 20.4 million was due to the carry-over balance at the end of 2023 relative to the two CCI “implementation of the new strategic plan and corporate results framework” of USD 11.4 million and “termination indemnity fund” of USD 9.0 million.

63. WFP stated that at year end, an analysis was undertaken, and any unspent balance was carried forward for utilisation in the following year. Because the annual amounts in the Management Plan were based on estimated carry-over, there could be a variance when the actual carry-over was higher or lower.

64. In November 2023, WFP did not seek an additional Executive Board approval for the two CCI “implementation of the new strategic plan and corporate results framework” and “termination indemnity fund”. It disclosed to the Executive Board that a carry-over of USD 12.8 million and USD 3.8 million was available for the two CCI. Actually, both CCI had a total carry-over balance of USD 37.0 million.

65. The termination indemnity fund had been established in 2021 in amount of USD 10 million. Already in 2022, it had an unspent balance of USD 9.0 million. The “implementation of the new strategic plan and corporate results framework” CCI had a carry-over of USD 11.7 million in 2022. This means, from 2021 to 2023 WFP had spent USD 1.0 million out of USD 10.0 million from the CCI termination indemnity and USD 1.6 million out of USD 13.6 million from the CCI implementation of the new strategic plan and corporate results framework.

66. The External Auditor holds that long-time unspent balances do not support the nature of “critical” corporate initiatives. Moreover, high unspent balances indicate a lack of progress and achievements of the initiatives. The need for additional approvals is not transparent with the information disclosed in the Management Plan and the financial statements. CCI may only be approved if they are not covered by the regular PSA budget. In view of a closing balance of the PSAEA of USD 401.5 million as at December 2023, WFP should transparently disclose the reason and need for additional funding through CCI.

67. The External Auditor holds that due to the - over the years - increased volume and number of critical corporate initiatives, there should be a specific regulation at a high level in the WFP normative hierarchy when and under which conditions and timeframes such additional funding sources can be requested in addition to the programme support and administration budget component.

68. **The External Auditor recommends that WFP improve the approval request of its critical corporate initiatives in the Management Plan, present the historical movement of the single initiatives, prior year carry-overs, and expenditures.**

69. **The External Auditor recommends that WFP propose to the Executive Board definitions and criteria when and under which conditions funding can be set aside for critical corporate initiatives. The proposal should enable the Executive Board to execute its governance role and consider an amendment of the General Rules or Financial Regulations.**

70. WFP agreed with the recommendations and stated that it would enhance the information on CCI for the reader to more easily understand the financial position of each CCI. WFP would propose a definition of CCI and discuss with the Executive Board whether the General Rules or Financial Regulations should be amended to include the definition.

e. Budget function, budgetary framework and budget related guidance

Organizational restructuring of the budget function

71. WFP headquarters recently underwent a restructuring of its departments. It merged its previous five departments into three. Under the revised structure, the budget function was split between the Chief Financial Officers' office and the Programme Operations Department.

72. Budget interfaces financial and resource management on the one hand and results, i.e., programming and implementation on the other hand. Therefore, in view of the External Auditor, it is of utmost importance, that budget units in finance and programme are well-coordinated and informed. WFP stated that the new organizational structure had been developed through an extensive consultative process which included active engagement from the former directors of the concerned divisions. WFP quoted the Executive Director's announcement that the "reconfigured departments and divisions would reinforce efforts to ensure everyone works together as one united team in a more streamlined, integrated and collaborative way." The External Auditor supports this statement and holds, that particularly for the corporate and operational budget functions clear instructions on the collaboration and information workstreams, reporting lines, delegation of authorities are needed to facilitate the goal of streamlined and integrated collaboration.

73. **The External Auditor recommends that WFP ensure well-coordinated and aligned roles and responsibilities of corporate and operational budget functions in the new organizational structure.**

74. WFP agreed with the recommendation and stated that in line with the overall objectives of the new proposed structure the recommendation would be addressed.

Budgetary framework and budget related guidance

75. Budget regulations are spread over various documents, such as Executive Board decisions, directives, circulars, and decision memoranda. The General Regulations and Rules contain very few budgetary regulations. Similarly, also budget related guidance is contained in various manuals and guidance documents.

76. In terms of the budgetary framework, for example, in absence of a General Rule or Financial Regulation, every year, the Executive Board approves certain budget related thresholds or authorizations, like the 2 percent PSA adjustment. The term "critical corporate initiative" is defined in an Executive Board approval document and not in a general rule of financial regulation. The External Auditor holds that WFP should put more efforts into a clear structure, informative value, and user-friendliness of its budgetary framework.

77. The External Auditor found that budget related guidance is outdated - to a large extent it has not been updated since 2016 - and uses terms which are partly not existent anymore. It is difficult to navigate through the various documents, they are partly overlapping, do not have a clear structure, correlation, and hierarchy. From an overview perspective and for transparency purposes, WFP should strive for well structured, and condensed guidance documents accessible at one place. WFP stated that it intended to update the budgetary

guidance and provide a centralised repository of normative guidance, with cross reference to key frameworks, circulars, and decision memoranda.

78. **The External Auditor recommends that WFP update and consolidate its budget related manuals and guidance documents, establish review dates to ensure that the documents are kept up to date, and set up a systematic file keeping of the applicable budgetary framework at one place.**

79. WFP agreed with the recommendation and stated that several updates started in 2023 were expected for finalization in early 2024 while the completion of all updates would continue subject to resources availability.

80. **The External Auditor recommends that WFP review budget related definitions and decisions at a level below the General Rules and Financial Regulations for the need to transform these into General Rules or Financial Regulations and make a corresponding proposal to the Executive Board.**

81. WFP agreed with the recommendation and stated that budget related definitions and decisions would be reviewed. WFP would discuss with the Executive Board whether changes to the General Rules or Financial Regulations would be beneficial.

f. Annual performance plan

82. The Annual Performance Plan (APP) is the corporate tool that helps any office in WFP define how it will transform the financial, human, or physical resources into programmatic results within a given calendar year and with available resources. The APP is fully owned by the country offices and informed by and combined with the risk register review.

83. During one of its audit visits, the External Auditor found that the Country Office’s 2023 APP was lacking comprehensive key performance indicators, comprehensive information on planned budgets and resources, figures, or tabular presentations of the financial, human, or physical resources intended for transformation into programmatic results. Moreover, the Country Office had not received feedback from headquarters and the Regional Bureau on the submitted 2022 final and 2023 planning APP. The Country Office informed the External Auditor that it perceived the APP process as cumbersome and not worth the efforts. Individual country office information would get lost in the process of consolidation at the level of the regional bureaux and the process would not support their country specific needs.

84. In 2022, the Corporate Planning and Performance Division launched a critical corporate initiative that inter alia covers the APP process and has the aim to streamline processes and systems to cover end-to-end resources to results analysis and reporting. In a workshop held in October 2023 followed by online consultations throughout November 2023, participants mentioned that the APP tool was not adapted to the task, and was lacking certain features, that the process involved lots of manual work, was not efficient, too complex, not useful, and that the effort was not worth the impact. WFP stated that the main findings were that WFP lacked effective steering mechanisms for performance, with the APP being an optional, static document that did not allow for continuous performance review.

85. The findings of the External Auditor underline the comments of the workshop, that the current APP process is overly time consuming and does not align efforts to achieved output and impact. Country offices must invest time and efforts to compile the APP but the usability for them is limited. As the mandatory APP exercise consumes the resources of country offices, urgent action is required to improve the outcome and benefit of the exercise.

86. The External Auditor holds that the APP in general offers strong opportunities to country offices and WFP to organize their multi-functional workstreams, and to facilitate the measuring of planned and achieved results. As the APP of all country offices are consolidated at level of the regional bureaux and inform the performance measuring of WFP, they are of corporate relevance. Moreover, the APP plays a role for WFP's risk management, as the APP is informed by and combined with the risk register review. WFP should streamline and shorten the narrative information in favour of tabular presentations of key figures, derived from data available in the systems, extracted in a standardized and automized manner. Tabular presentations provide visual information that is easier and faster to understand. The regional bureaux should proactively support country offices in producing meaningful APP.

87. **The External Auditor recommends that WFP review and improve the content and format of its Annual Performance Plan, particularly shorten the narratives in favour of tabular presentations of system integrated budget and financial data to better enable the performance measurement and management.**

88. WFP agreed with the recommendation to review the content and format of its Annual Performance Plan and noted that improvements to it were already ongoing as part of the Strategic Plan Implementation CCI.

3. Financial internal control framework

a. Internal control questionnaires

89. WFP conducts two separate survey exercises of self-assessment questionnaires regarding internal controls: The letter of representation exercise and the Executive Director's assurance exercise. The two exercises focus on different areas and have a distinct purpose. The letter of representation attestation is an integral part of the annual accounts preparation that focuses primarily on financial accounting misstatements. The Executive Director's assurance exercise takes a broader view of WFP's control environment and requires inputs from all functional areas beyond finance to inform the preparation of the Executive Director's Statement on Internal Control. In essence, both exercises focus on internal controls, are conducted by way of a self-assessment questionnaire, and country offices, headquarters' units, and other WFP entities submit the answers to the questionnaires through the Risk and Recommendation Tracking Tool (R2).

90. The External Auditor found that many questions in both exercises were overlapping or at least similar. Country offices informed the External Auditor that for them the different purpose and angle of the two separate exercises was not very clear. They perceived both exercises as cumbersome and not easy to handle. They stated that the R2 tool was not user friendly, had limited readability and uploading functionalities.

91. In more detail, the External Auditor found that:

- Both exercises mainly comprised questions in a yes or no format and summed up to a total number of about 225 questions;
- Many of the questions and requested statements were broad and difficult to answer with a simple yes or no;
- There was no obvious link between the questionnaires and corporate risk matrixes;
- Country offices tended to answer the questions more positively than true;
- One Country Office responded differently in both exercises without consequences.

92. The External Auditor holds that if questions are too broad and respondents answer more positively than true, a questionnaire is less meaningful and reliable. In view of the External Auditor, WFP should narrow down and specify the questions. The External Auditor further holds that the number of questions should be reviewed and reduced to make the survey more to the point and better to handle – particularly for smaller country offices. This would improve accuracy and reliability of the answers.

93. The External Auditor holds that yes or no questions should be complemented by objective and measurable information and qualitative key performance indicators that can be extracted from the enterprise resource planning system, for example, lead times of open commitments, ageing of inventories, expiry of terminal disbursement dates. Such an approach has already been applied by other United Nations organizations.

94. The External Auditor holds that a visible link of the questionnaire to corporate risks would be beneficial for the process. It would enable respondents to better understand the gravity of some of the questions and the reasons why the questions were of relevance for the specific year.

95. In terms of the user friendliness of the R2 system, WFP should analyse if the system supports the exercise in a cost-efficient manner for example by providing analysis tools and value added which a normal excel macro function cannot provide.

96. **The External Auditor recommends that WFP review its internal control related questionnaires for overlaps and potential consolidation, complement yes or no questions by objectively calculated key performance indicators and review the software tool in terms of user friendliness and cost-benefit of its functionalities.**

97. WFP agreed with the recommendation and stated that it would carefully assess the feasibility to reduce overlap and potentially consolidate the two questionnaires, maintaining focus on their respective purposes. WFP would also continue to explore additional links to existing dashboards where possible to enhance objectivity. WFP agreed on the need for a review of the R2 system for its user friendliness and cost-benefit which was already underway.

b. Monitoring and oversight

98. WFP commits itself in its oversight framework to continuously improve the oversight function and to reinforce highest standards. Pursuant to the three lines model, country offices, regional bureaux and headquarters have different roles in the process. Particularly, regional bureaux and headquarters independently monitor risks and controls and set policies and standards for the control environment and review the compliance of country offices with the regulatory framework. Important tools to carry out the oversight are inter alia segregation of duties, approvals, checks, due diligence, and internal monitoring.

99. The External Auditor noted several weaknesses at country office level during the sample check and the audit visits, for instance:

- School-based transfers were not immediately reconcilable to accounting records and did not provide a proper audit trail;
- Reviews by the special post factum Purchase and Contract Committee were lacking completeness. However, the self-assessment internal control questionnaires did not inquire as to the completeness of reported post factum purchases;
- A Country Office had paid advances for cash-based transfers for previous implementation periods and not reconciled their utilization. In contrary with existing guidelines, the country office paid new advances before old advances had been (fully) cleared.

100. The External Auditor holds that the awareness of country offices on the importance of monitoring and reconciliation should be enhanced. This is relevant to ensure the continuous improvement of processes and controls. Such improvements would strengthen the internal control system within WFP. The External Auditor holds that improvements could be achieved by addressing relevant areas in the self-assessment internal control questionnaires.

101. **The External Auditor recommends that WFP strengthen the awareness of country offices on the importance of monitoring and reconciliation for example in the areas of procurement, school-based transfers and cash-based transfers and their documentation, and request country offices to report on their monitoring and reconciliation activities in the self-assessment internal control questionnaires.**

102. WFP agreed with the recommendation and stated that it would continue to review whether the corresponding sections in the Executive Director’s assurance exercise required strengthening for the next cycle in line with evolving corporate guidance.

c. Anti-fraud and anti-corruption procedures

103. WFP as a voluntary funded organization depends on contributions from its donors. This applies particularly in a donor structure with few large donors. In 2023 and 2022, WFP received almost 60 and respectively 70 percent of its funding from three top donors.

104. As per the WFP anti-fraud and anti-corruption policy, suppliers must not be listed in the consolidated United Nations Security Council Sanctions list and must not have performed fraudulent, unethical, or illicit acts. Pursuant to the financial management manual, prospective suppliers are vetted to ensure that they are not included in the United Nations Security Council Sanctions list.

105. In the 2022 audit, the External Auditor found a case in which an owner of a supplier was listed in a sanction list and the supplier provided services to WFP. In response to the External Auditor’s 2022 audit observation, WFP agreed to amend its processes but has not done so far.

106. The External Auditor holds that the financial dependency of WFP on a small number of key donors constitutes a risk. If key donors decide to reduce or terminate their funding due to potential non-compliance with anti-fraud and anti-corruption policies, this immediately impacts WFP’s ability to implement its mandate.

107. **The External Auditor recommends that WFP consider additional procedures to ensure compliance with its anti-fraud and anti-corruption policy particularly in view of sanctioned vendors and donor requirements.**

108. WFP accepted the recommendation and stated that it would consider additional procedures for compliance with the anti-fraud and anti-corruption policy.

d. Post factum purchase orders

109. According to the goods and services procurement manual, a post factum purchase is defined as a legally binding obligation to procure goods or services prior to the commitment being formally recorded in the system. The manual outlines further that post factum purchases constitute a serious contravention of WFP rules and regulations and shall be deemed exceptions.

110. Among others, the manual also determines the following:

- The Purchase and Contract Committee shall review all post factum cases biannually at headquarters and quarterly in offices outside headquarters;
- WFP offices shall submit a summary of all post factum purchases executed by their own office in a given year to the Goods and Services Procurement Unit;
- The Goods and Services Procurement Unit shall review the information received and compile a consolidated report of global activities every year including related analysis and comment; and
- The final report shall be reviewed by the Director of the Supply Chain Division and submitted to the Deputy Executive Director and Chief Financial Officer for their information and further action, should they deem necessary.

111. The External Auditor requested a list of all post factum purchases in 2023 and the two latest consolidated reports of global activities including related analysis and comment provided to the Deputy Executive Director and Chief Financial Officer. WFP provided an excel summary of post factum cases for 2023 and informed the External Auditor that the requested final reports were not available by March 2024.

112. WFP had not conducted Purchase and Contract Committee reviews biannually in the period July 2021 to December 2023. Post factum cases had a monetary value of up to USD 73 million per year.

113. WFP categorises post factum cases into three categories. The External Auditor found that 93 percent of the cases pertained to the categories “poor planning” and “internal oversight” and 7 percent to the category “emergencies”. Audit visits to country offices and regional bureaux confirmed these findings. The External Auditor found that WFP did not include any of the post factum cases identified during the audit visits in the provided excel summary. The below table I.7 shows the reasons of submitted cases in country offices and at headquarters in the period July 2021 to December 2023.

Table I.7
Reasons of post factum purchases in the financial year 2023
(Number of cases and percent)

	Poor planning or oversight	*Emergencies*	*Total cases*
Headquarters	153	13	166
Country offices	37	2	39
Total cases	**190**	**15**	**205**
percent	**93**	**7**	**100**

Source: WFP, External Auditor.

114. In line with the manual, the External Auditor agrees that post factum purchases should be exceptional cases. The External Auditor holds that cases of “poor planning” and “internal oversight” do not represent “exceptional cases” in the meaning of the manual. 93 percent of the cases referred to these categories while emergency reasons were by far the minority with 7 percent. The External Auditor holds that WFP should implement measures to reduce the categories of poor planning and internal oversight.

115. Since WFP does not comprehensively track post factum cases, the reviews by the Purchase and Contract Committee are lacking completeness. The External Auditor considers it necessary that WFP introduce measures to identify and track all post factum cases. This is crucial for adequate monitoring and to identify process weaknesses and root causes for post factum cases.

116. The External Auditor notes that WFP has not complied with the manual. It has not conducted biannual Purchase and Contract Committee reviews and has not monitored the cases in time to improve the processes. WFP has not prepared the report of global activities and has not informed the Deputy Executive Director and Chief Financial Officer as required.

117. **The External Auditor recommends that WFP conduct reviews of post factum cases at headquarters biannually based on a complete list of post factum cases, prepare the final global activities report including analysis and comments, and submit the report to the Deputy Executive Director and Chief Financial Officer for their information and further action, should they deem necessary, on yearly basis.**

118. **The External Auditor recommends that WFP reduce post factum cases in the categories poor planning and internal oversight and ensure that post factum cases are limited to exceptional cases.**

119. WFP agreed with the recommendations and acknowledged the importance of strengthening the processes for post factum cases. WFP stated that it was committed to reviewing and reinforcing its reporting of post-factum cases and would implement measures aiming at a reduction of occurrences.

e. Ex gratia and write-off authorizations

120. Ex gratia payments are payments made based on moral obligations without legal liability. Pursuant to Financial Regulation 12.3, the Executive Director shall report on ex gratia payments to the Executive Board. Note 9 of the financial statements includes disclosures of ex gratia payments and is subject to external audit. Pursuant to Financial Regulation 12.4, the Executive Director may authorize the writing-off of losses provided that a statement of all amounts written off is submitted to the External Auditor.

121. In its 2022 audit report, the External Auditor had expressed concerns on the case-by-case approval and documentation of ex gratia payments and writing-off of losses. Due to the lack of reconcilable documentation, the External Auditor had refrained to express assurance on the 2022 ex gratia payments and write-offs.

122. In 2023, WFP provided documents in the same manner as in 2022. WFP had in no way responded to the External Auditors' concerns expressed in the 2022 audit report.

- WFP provided the External Auditor with nine ex gratia decision memoranda that summed up to USD 6.2 million. Some of the memoranda reflected estimated or up-to amounts. The recorded amount of ex gratia payments was USD 2.9 million. Upon the External Auditor's repeated request, WFP manually created a reconciliation file;
- For the writing-off of losses, WFP provided 16 documents of write-off approvals. Based on these documents, it was - except for one case - not possible to reconcile the amount disclosed in the financial statements.

123. **The External Auditor recommends that WFP enhance its internal controls over ex gratia and write-off authorizations.**

124. WFP agreed with the recommendation.

4. Financial processes

a. Grants management - terminal disbursement date

125. Pursuant to IPSAS, assets are resources controlled by an entity as a result of past events. The financial management manual stipulates that assets - such as inventories - are recorded when they are physically received. The manual also defines that contribution unspent

balances occur when WFP fails to utilize a contribution, in whole or in part, that was fully received within its period of availability. Most of the contributions consist of several grants. The terminal disbursement date is the last date on which grants can be disbursed, that means until when expenses can be recorded. Generally accepted accounting principles, e.g., true and fair view, require that transactions are recorded in line with factual circumstances, at the correct date and in the correct amount.

126. Pursuant to the WFP guidance documents WFP has three mitigation options if the terminal disbursement date is about to expire:

- Request for grant extension;
- Reallocation processes through which previous programming and spending actions are reviewed and changed from one activity to another; and
- Refinancing processes through which previous programming and spending actions are reviewed and changed, from one grant to another.

127. In all three options, WFP must consider donor restrictions and should not have issued the donor report, yet.

128. The External Auditor found several cases in which WFP did not comply with IPSAS accounting standards and its own financial management manual. Country offices recorded factually incorrect transactions to avoid the expiration of terminal disbursement dates. Neither the country offices nor headquarters consulted with the donors in any of these cases.

- In one case, a Country Office recorded inventories although it had not physically received the food commodities. In a note for the record, the Country Office stated that it was aware that this approach did neither comply with the WFP regulations nor with IPSAS and generally accepted accounting standards;
- In another two cases, a Country Office reallocated earmarked funds from one grant to another of the same donor, and from a grant of one donor to a grant of another donor without consultation of the donor;
- In another case, WFP posted expenses that factually related to the financial years 2021 and 2022 in the financial year 2023. WFP stated that the reposting was necessary because it had recorded the grant incorrectly in 2021 and 2022.

129. The External Auditor holds that WFP should segregate accounting and donor reporting. WFP shall not violate accounting principles for donor reporting purposes. Postings contrary to factual circumstances such as a recording of inventory stock without physical receipt, and postings of prior period transactions undermine the true and fair view of the financial statements. In the cases mentioned above, WFP was lacking an internal compliance process to ensure correct accounting. The External Auditor holds that WFP in view of its reputational risks should improve the awareness of staff members on how important the compliance with accounting standards is.

130. **The External Auditor recommends that WFP improve compliance of country offices with existing guidance on grants management in terms of grant utilization within the terminal disbursement dates. WFP should, for example, request mandatory functional consultation of headquarters, and avail mandatory and additional trainings and capacity building measures to country offices.**

131. **The External Auditor reiterates its recommendation that WFP ensure that corrections for donor reporting purposes are not recorded in subsequent financial years.**

132. WFP agreed with the recommendations and stated that it would re-enforce existing corporate guidance by additional training to relevant functional groups and by strengthened communication channels between headquarters and country offices for effective coordination and support to country offices in understanding and application of corporate guidance.

b. Inventory management

Food commodities on stock

133. The financial management manual stipulates that WFP has to count all food commodities in a physical stock count exercise and verify it against the system stock on a regular basis, at least once every quarter.

134. According to a directive of the Supply Chain Division, WFP must check the system stock records regularly against physical stocks and reconcile based on stock count information from manual stack cards. Stack cards should include inter alia the batch numbers, type of commodity, date of arrival, quantity originally stacked, quantity out and the balance. WFP needs to update inventory positions on the stack card and system stock immediately to provide accurate inventory positions.

135. The External Auditor requested – among other documents – stack cards for 22 samples of inventory on hand to follow up on the movements and balance of a specific batch. WFP provided almost all samples after due date and uploaded stack cards for 14 samples. For 8 samples WFP did not provide stack cards even after several requests of the External Auditor. The External Auditor found that in 5 samples, the stack card did not match with posted quantities. The External Auditor also found that headquarters did not request stack cards or other suitable documents from country offices or third-party location management companies for spot check purposes.

136. WFP stated that stack cards normally can be found in WFP managed warehouses, whereas for the food commodities stored at a third-party location (e.g., ports, custom clearance areas, processing facilities) stack cards were not available. Moreover, if the commodities were pending in a port or custom area for clearance, access was restricted by the port authorities for security reasons. WFP stated that it relied on the information of qualified surveyors and inspection companies at such locations. WFP stated that the delay in providing stack cards to the External Auditor could have been attributed to the volume of manually maintained stack cards. Additionally, if the selected batch was among the

commodities that were moved a long time ago, it was challenging to retrieve and provide the requested stack card.

137. The External Auditor holds that a diligently maintained and up to date stack card is of utmost importance for WFP inventory management and oversight. The stack card is the proof that the required stock count has taken place and that the system stock and physical stock has been reconciled. Moreover, a diligent inventory count and documentation thereof is needed for accurate disclosure of the inventory value in the monthly financial closure reports and the financial statements. The External Auditor holds that a proper documentation must be available at any time regardless of the time when the food commodities have been moved and could also support the selection of random spot checks. Headquarters and regional bureaux should underline the importance of stack cards by requesting country offices to attach them to WINGS.

138. **The External Auditor recommends that WFP headquarters and regional bureaux strengthen their oversight role and request stack cards from country offices on spot check basis to review if they are accurate and up to date.**

139. WFP agreed with the recommendation and acknowledged the importance of strengthening oversight mechanisms and to ensure the accuracy and timeliness of stack cards, as well as alignment with monthly financial closure information. WFP stated to include implementation of spot checks in the standard guidelines and oversight terms of references.

140. **The External Auditor recommends that WFP ensure that its staff physically inspect food commodities stored at third-party locations such as ports, processing facilities, or custom clearance areas, at least annually.**

141. WFP disagreed with the recommendation and stated that it relied on qualified surveyors and inspection companies at such third-party locations. It would be both impractical and ineffective that such inspections were carried out by WFP, particularly considering the access restrictions in such facilities.

142. The External Auditor adheres to the recommendation. WFP is responsible and accountable for the food commodities until distribution because WFP has physical custody and control over the food commodities. As a mitigation of access restrictions, WFP could request the stock keepers to provide a confirmation of stock under their custody.

Food commodity losses

143. Pursuant to the financial management manual delivery losses are included in the cost of commodities distributed. The Financial Regulations stipulate that losses of food commodities should be recognized as an expense in the financial period when they occurred. Additionally, “the Executive Director may, after full investigation, authorize the writing-off of losses of cash, commodities and other assets, provided that a statement of all amounts written off shall be submitted to the External Auditor with the financial statements” according to Financial Regulation 12.4.

144. The External Auditor reviewed 10 cases of food commodity losses and found that in three cases the incident of food losses took place in previous years and the expense recognition was in 2023. In one of the samples, the Country Office recognized expenses 24 months after the food commodities had been lost. The Country Office did not provide a reason for the delayed expense recognition. Neither the concerned regional bureau nor headquarters had knowledge about the delayed loss recognition.

145. WFP stated that in some cases of food losses several country offices, regional bureaux, headquarters units, third parties, and national authorities were involved in the decision process which could result in delays. Although there were appropriate standard operating procedures, the actual handling might differ in rare cases. WFP was aware of this and intended to improve the processes with the support of the regional bureaux.

146. The External Auditor holds that WFP has not complied with IPSAS accounting principles and the financial regulation to recognize losses on food commodities in the period they occur. WFP has not provided any reasons to explain late expense recognition. This shows that country offices have not documented comprehensible reasons for the delayed loss recognition in these cases.

147. **The External Auditor recommends that WFP expedite and improve the information collection of food commodity losses and ensure that the write-off decision of the Executive Director is available in-time of the preparation of the financial statements as required by Financial Regulation 12.4.**

148. **The External Auditor recommends that WFP headquarters in collaboration with the regional bureaux establish additional controls, such as spot checks, to cross-check inventory loss reports and inventory on hand records.**

149. WFP agreed with the recommendations and acknowledged that the information collection processes for food commodity losses should be enhanced. WFP stated that it would continue its efforts to improve that losses are recognized in a timely manner. WFP stated to review existing controls and enhance the capabilities to support country offices in adhering to standards and procedures.

c. Equipment Management

150. The Global Equipment Management System (GEMS) module in WINGS is the WFP corporate asset management tool to track all assets throughout their life cycle. Asset focal points are responsible to record assets in GEMS when received. The Enhanced Goods Receipt Transaction (MIGO) is the application that aims to streamline the equipment management process through automation.

151. MIGO was rolled out to country offices and regional bureaux in July 2022. Headquarters participation is planned for 2024. According to a report of the Asset Management Unit, out of 120,000 new items almost 52,000 items, equivalent to 43 percent, were created through the MIGO process in 2023.

152. The automated population of data through MIGO ensures data accuracy and consistency, avoids duplication of effort, and enhances data quality. The External Auditor holds that WFP has not used MIGO to the full extent. WFP should raise the asset focal points' awareness to use the MIGO functionality to a greater extent and widely promote the benefits of MIGO automation of a better data quality and time savings.

153. **The External Auditor recommends that WFP promote the use of the MIGO application to automate the process of equipment management to a greater extent.**

154. WFP agreed with the recommendation and stated that management would continue promoting the use of the MIGO application across the organization to benefit from the automated process of asset management.

d. Accrual recognition

155. In the 2022 audit the External Auditor identified transactions that would have required additional accrual recognition of USD 17.4 million. The External Auditor recommended that WFP should mitigate the risk of goods and services received but not yet recorded as at year-end through a standing accrual based on the trend of unrecorded transactions over the past five years. WFP analysed the trend of unrecorded accrual transactions and determined that in average additional accrual recognition of USD 30 million would have been required in the past five years. WFP notified the External Auditor, that it would consider this amount as unadjusted audit difference for the financial year 2023.

156. During the 2023 audit, the External Auditor recommended to a Country Office that it should enhance its processes of accrual reporting by forwarding all pending purchase orders to the spending units for review. The Country Office agreed and adjusted the process accordingly. As a result, the Country Office reported 146 transactions relevant for accrual recognition (prior year: 20 transactions) of USD 10.5 million (prior year: USD 2.3 million). Due to paused operations for relief and refugee assistance in 2023, the Country Office had a significant lower budget compared to 2022.

157. The External Auditor holds that the increased number of reported accrual relevant transactions shows that the process of the Country Office had improved. This supports the accuracy and completeness of accrual submission at year-end. The Country Office had a five times higher number of reported transactions compared to the prior year even though the budget of the Country Office decreased, which means in general a lower number of expected transactions relevant for accrual recognition.

158. The External Auditor acknowledges that WFP, in response to the 2022 recommendation, has put additional emphasis on the accrual basis of accounting in the interim and annual closure guidance and covered this area during the closure related webinars. However, the External Auditor holds that an unadjusted audit difference of USD 30 million still calls for additional mitigation measures. The above notification of year-end open purchase orders has proofed efficient. Thus, the External Auditor holds that the communication of all pending purchase orders to relevant spending units for review if these need to be considered for accrual purposes should be considered as a mandatory process and best practice throughout WFP.

159. **The External Auditor reiterates the recommendation that WFP improve the accuracy and completeness of accrual submission forms, particularly, WFP should - as a best practice and standard year-end closure activity - request finance units to communicate open purchase orders to the spending units for review if these need to be considered for accrual purposes at year-end.**

160. WFP agreed with the recommendation and stated that it would emphasize the importance of open purchase orders review and request country offices to use the review of open purchase orders in the country office financial dashboard to improve the accuracy and completeness of accrual submission.

5. Staff costs and employee benefits

161. In 2023, staff costs amounted to USD 1.2 billion compared with USD 1.0 billion in 2022. Education grant was the second largest entitlement category with USD 30.2 million in 2023 and USD 22.6 million in 2022. WFP stated that education grant entitlements increased by 33.6 percent due to a significant increase in staff in 2022 who applied for the first time in 2023, an increase in the boarding lumpsum, and an increase after COVID school years.

Unjustified education grant payment

162. Education grant supports staff members by covering education related costs of their dependent children, mainly tuition fees. Pursuant to the human resources regulatory framework, WFP reimburses between 75 and 86 percent of claimed eligible costs. Overall, education grant payments are limited to USD 34,845 per dependent child per year.

163. The External Auditor noted a systematically erroneous calculation: For five children a staff member received USD 174,226 education grant compared with equivalent costs of USD 12,000, an overcompensation of 1,400 percent.

164. In line with the human resources manual, the staff member submitted his education grant claim in the local currency, Lebanese Pound. In line with IPSAS requirements, WFP translates transactions in currencies other than the United States dollar into its functional and reporting currency United States dollars at the prevailing United Nations operational rates of exchange (UNORE) at the time of transaction. Converted with UNORE, the Lebanese Pound claim translated into USD 230,341 eligible costs. WFP correctly applied the limitations according to the human resources regulatory framework and paid out the maximum grant of USD 174,226. In this case, the UNORE deviated significantly from the market rate. Converted with the market rate, the Lebanese Pound claim translated into USD 12,000.

165. Currently, there are other more than 10 high inflation countries, for example Ethiopia, Haiti, Sudan, Turkey, Venezuela. The External Auditor is concerned that overcompensations may systematically arise in such countries, because these currencies are highly volatile and the official UNORE are not as frequently adjusted as the market rates fluctuate.

166. The WFP human resources regulatory framework does not address in a systematic manner cases of local currency claims for which the UNORE translation leads to factual overcompensations.

167. The External Auditor holds that the overcompensation in the above case is not in line with the rational of education grants. The reimbursement of 1,400 percent of actual costs represents an unfair and unbalanced approach and exceeds actual costs in an unjustifiable manner. The External Auditor holds that in high inflation countries, WFP should ensure that it does not overcompensate actual costs incurred by the staff members. WFP should monitor deviations between UNORE and market rates in these countries and perform manual adjustments if necessary. This does not impact the overall UNORE concept.

168. **The External Auditor recommends that WFP monitor deviations between UNORE and market rates (preventive control), disburse education grant only up to actual foreign currency expenses converted into United States dollars based on market rates and issue a respective binding regulation.**

169. WFP agreed with the recommendation and stated that it would look into the internal rules governing educational grant claim settlements with a view to monitoring and addressing, as deemed necessary and feasible, foreign currency exchange discrepancies in countries with high inflation rates.

6. Cooperating partner management

a. Partner monitoring framework

170. WFP implements many of its activities through cooperating partners. Due to the decentralized nature of WFP, these partnerships are managed at country level.

171. The programme guidance manual offers overall guidance on how to build, manage and assess partnerships with non-governmental organizations. For example, the manual contains the requirement of standard operating procedures, spot checks[2], invoice verifications based on thresholds and risk categories, partner capacity assessments, performance evaluation, and the request to establish, and document improvement plans for all partners based on their performance. The manual also states that WFP must include staff from the programme and cooperating partner management team and finance team in its monitoring activities. It does not specify how monitoring activities other than spot checks shall be executed on a risk-based approach.

172. In its 2023 audit, the External Auditor found weaknesses and improvement points in partner management in terms of risk-based monitoring, and documentation of multi-functional team monitoring, and partner capacity assessment. For example, the audit visits to six country offices showed that out of the six offices:

- Few had cooperating partner specific standard operating procedures in place, or when they had them, these had mostly been issued shortly before the audit visits;

[2] Spot checks seek to verify that funds provided to the partners by WFP are well accounted for by accurate financial records relating to the activities performed by the partners. WFP aims at better defining how partners are budgeting and sharing these costs across other United Nations agencies (programme guidance manual, chapter 5.4.

- None had documented a risk-based approach to financial verification of partner expenses;
- None used a structured and risk-based plan to organize its spot checks;
- None used a risk-based approach to plan and executed financial monitoring in conjunction with performance monitoring;
- One had not carried out performance evaluations of its partners.

173. Further, the External Auditor noted during the audit visits and the financial audit sample checks that the documentation of risk assessments and assurance activities differed very much from one country office to another. There was no coherent format and structure of such documentation.

174. WFP did not provide capacity assessments for 43 percent of the samples reviewed. When country offices provided capacity assessments these fed into the capacity development plan. However, the country offices did not document if and to what extent shortcomings and risks influenced their monitoring and assurance activities.

175. The External Auditor sees the above findings as indicators that the current WFP framework for partner monitoring has room for enhancement, particularly in view of mandatory and coherent risk-based financial and performance monitoring requirements, and the documentation thereof.

176. The External Auditor noted that other United Nations entities have put more emphasis on their partner monitoring, partly by applying the Harmonized Approach to Cash Transfer (HACT) framework issued by the United Nations Sustainable Development Group. The External Auditor also noted that another United Nations agency has introduced a specific toolkit for risk-based performance monitoring.

Harmonized Approach to Cash Transfer

177. The United Nations Sustainable Development Group endorsed the revised HACT framework in 2014. It aims at a harmonized common operational framework of agencies with a standardized approach and tools for partner management. Currently, four United Nations entities apply or use HACT.

178. One important process in HACT is the micro assessment. It assesses the partner's financial management capacity (particularly accounting, procurement, reporting, internal controls) to determine the overall risk rating and required assurance activities. It applies to both, governmental and non-governmental partners.

179. In terms of assurance activities HACT requires the development of a comprehensive assurance plan, previous assessments, and monitoring of implementation progress by management at country and headquarters levels. The frequency of assurance activities depends on the risk obtained by the micro assessment.

180. HACT outlines certain mechanisms to gain assurance of transferred funds to partners. For example, besides spot checks of partners' financial records, HACT emphasizes the complementary ongoing programmatic monitoring with a view on the state of programme

implementation and use of agency resources. HACT also recommends special audits of the internal control system of the partners.

181. HACT provides standardized templates such as terms of references for macro and micro assessments, spot checks, management letters and audits, micro assessment plans and questionnaires, assurance plan.

Another humanitarian agency's monitoring approach

182. Another United Nations agency has introduced a specific toolkit to support the effective management of partner projects. The toolkit defines risk-based project control as a structured and systematic approach throughout the implementation cycle of a project or programme with integral parts of monitoring, implementation review, reporting, audit, and evaluation.

183. Risk considerations form the base for the type, depth and frequency of verification and monitoring activities and their documentation. The toolkit requires that financial monitoring and verifications correlate with achievements monitoring based on performance and target indicators. For all monitoring steps, the toolkit comprises templates, for example a risk catalogue, risk weighing, risk assessment, monitoring schedule.

184. At year-end the agency engages external third parties to audit projects of its partners based on certain criteria. The agency uses a balanced scorecard mechanism to decide which partners to audit. These external audits provide assurance over the financial accuracy of partner expenses and the internal control system of the partners in general.

Review of the monitoring framework

185. In the view of the External Auditor, WFP should review its existing guidelines and requirements and strive to achieve a harmonized approach across country offices with a clear focus on risk-based financial and performance partner monitoring.

186. The External Auditor deems it necessary that country offices can rely on clear and strong guidance how to best monitor their partners. Partner monitoring guidance should consider country, programme, and partner specific risks. The outcome should be the best possible assurance over partner financial and programme performance considering limited resources.

187. For example, when country offices do not have partner specific standard operating procedures in place, they are at risk of uncoordinated implementation and oversight activities and lack of responsibilities and accountabilities of concerned staff members.

188. The External Auditor holds that the current programme guidance manual provides general guidance but lacks clear requirements and practical instructions for the configuration and the extend of risk-based monitoring of cooperating partners and its documentation.

189. The External Auditor holds that monitoring processes and templates should be harmonized to the extent feasible in the operational context. A common monitoring approach for all country offices has the advantage that staff members who rotate between country offices will more easily adapt using the same processes and forms. A common corporate approach facilitates the internal control framework. Standardized processes and forms also

enhance headquarters' ability to assess and aggregate risks and assurance at regional or corporate level. Moreover, harmonized documentation represents better audit evidence to internal and external audit, and evaluation.

190. The HACT framework and the example of toolkit of another entity show examples of clear guidance for partner monitoring. Both have in common that they put a strong emphasis on risk assessment as the basis for monitoring and assurance activities, both for the environment the partner operates in as well as the partner's individual capacities and performance. Both approaches use a clear and well-established relationship between the assessed risk of the partner and the necessary assurance activities.

191. The HACT framework uses a clear and uniform risk assessment approach, executed mainly by external service providers. Other United Nations entities already have framework agreements with external service providers in place. The External Auditor holds that WFP should consider piggybacking on such agreements and introducing (parts of) the HACT framework.

192. In the view of the External Auditor, one of the main advantages of the HACT framework is that already four United Nations entities participate. This results in shared costs for risk assessment and some areas of assurance as well as audit.

193. **The External Auditor recommends that WFP review its current framework for cooperating partner monitoring in view of harmonized and mandatory risk-based standards considering applied methods in other United Nations entities, for example well received aspects of the HACT framework.**

194. **The External Auditor recommends that WFP enhance and harmonize documentation of cooperating partner monitoring.**

195. WFP agreed with the recommendations. WFP stated that over 80 percent of WFP's programme were delivered by cooperating partners, and that therefore monitoring their activity delivery was inherently integrated into WFP's corporate monitoring mechanisms. WFP stated that the existing corporate guidance would be extended to include linkages to the relevant sections of existing monitoring guidance to bolster overall controls on partner management.

b. Spot checks

196. According to the programme guidance manual, the frequency of spot checks should be determined by the country offices based on a risk-oriented prioritization considering context and staff availability. However, country offices should conduct at least one spot check during each period of programme implementation.

197. During the audit visits in 2023, the External Auditor noted that the six country offices visited had about 300 active agreements with more than 170 partners in place. In 2023, the country offices conducted 18 spot checks in total. Three of the country offices did not conduct spot checks at all.

198. In more detail, the External Auditor found that country offices:

- Had no structured process in place to determine spot checks or did not plan their spot checks on a risk-based prioritization of their partners;
- Tracked their partner agreements with a manual sheet, some of which contained outdated data and were not suitable as spot check prioritization basis;
- Did not document the spot checks in a coherent and reconcilable manner using available templates; and
- Did not always use multi-functional teams.

199. Moreover, spot check reports did not contain sufficient information or were too abstract for a follow up process to improve the performance of the partners. Some reports did not refer to well-known problems with the partner, such as delayed or incorrect invoicing.

200. The External Auditor holds that spot checks are an essential tool for assurance of efficient and effective use of funds by partners. As spot checks are only conducted for six percent of the active agreements, this indicates that there is no risk-based approach. WFP should undertake all steps necessary to achieve risk-based, adequate, and well documented spot checks considering the specific conditions in the field.

201. **The External Auditor recommends that headquarters monitor more closely whether country offices comply with the spot check requirements as per the corporate guidance and support country offices in improving their respective processes.**

202. WFP agreed with the recommendation.

7. Transfers to schools

a. Background and re-organization

203. Cash-based school feeding covers all programmes where WFP transfers cash (and not food) to a partner who then procures commodities, prepares school meals, and distributes these meals to students. Those projects show characteristics of both, cash transfer projects and in-kind assistance. They are influenced by decisions of several headquarters' units responsible for programmatic questions and delivery.

204. In February 2024, WFP underwent a re-organization of its headquarters' structure. The main units involved with school feeding, "delivery assurance" and "school meals and social protection", are now located in two different divisions. This increases the need for cooperation and coordination between the units and with it the need for clear guidance.

b. Consolidation and update of guidance materials

205. School-based programme guidance is spread over several documents within WFP. The programme guidance manual, which should provide the overall, end-to-end guidelines, includes information on the programmatic planning, implementation, output monitoring and

evaluation of school-based programmes. Other aspects of school-based programmes, e.g., selection of the transfer agent, field monitoring, transfer reconciliation and accounting, are included in other guidance. The programme guidance manual is not up to date to reflect the evolution of school feeding and WFP corporate guidelines.

206. The External Auditor found that under the current WFP framework it is difficult to navigate through the separate guidance documents and identify the right guidance that applies to the specific case and stage of school-based transfers.

207. WFP is currently drafting a set of new guidance. One guidance will treat direct assistance through governments (including school feeding), and shall cover the whole programme cycle, including e.g., budgeting, implementation, and monitoring. Another guidance shall address all projects involving commodity vouchers (including school-feeding). WFP also intends to set new minimum requirements on monitoring as part of the ongoing corporate global assurance project. The intended guidance documents will thus also not cover all parts of a school-based programme in one common document.

208. **The External Auditor recommends that WFP update and consolidate its guidance on school-based programmes, ensuring that related guidance in various documents is cross-referenced and interlinked to facilitate the implementation of school-based programmes by country offices through all stages of a project cycle.**

209. WFP agreed with the recommendation and stated that the school meals and social protection service was updating the guidance in collaboration with other units.

c. Reconciliation of transfers to schools

210. In terms of oversight and monitoring of school feeding programmes, WFP needs assurance that the intended beneficiaries received the intended meals at the intended time. Such assurance is also the precondition for further performance monitoring and results-based measurement of the programme. The main standard procedure to gain this assurance is the reconciliation of school feeding-related expenses, i.e., the comparison between payment instructions and actual transfers.

211. In contrast to other cash-based transfer modalities, for school-based transfers, reconciliation is not done at the level of the beneficiary because it would be a high burden on schools and conflict with the protection of personal data of students. According to WFP’s guidance, this should be partly mitigated by monitoring activities carried out by the partner that verifies the correctness of underlying documentation, such as transaction records or attendance lists. Neither guidance on the reconciliation nor guidance on monitoring include details on the requirements and do not lay out standard procedures. Monitoring must be carried out only annually, which is not sufficient as reconciliation for each distribution cycle.

212. The External Auditor reviewed a sample of school-based transfers. In two out of five cases the documentation was not reconcilable within a reasonable timeframe. WFP did the reconciliation in very different ways and did not follow a standardized procedure. Country offices were uncertain about the applicable mandatory steps in the process. This was especially the case for the underlying documentation.

213. **The External Auditor recommends that WFP improve the reconciliation and financial monitoring process of school-based transfers by promulgating mandatory minimum requirements and corporate templates to support the reconciliation process, the monitoring and the documentation, considering different implementation scenarios and operational models.**

214. WFP agreed with the recommendation and stated that it would explore the feasibility of using "School Connect", a digital platform, to monitor and manage all WFP school meal programmes. This would significantly strengthen the reconciliation and monitoring process in all country offices.

d. Financial treatment of school-based transfers

215. WFP defines commodity vouchers as vouchers that are exchanged for fixed quantities of specified foods and the beneficiaries do not have the choice of type or quantity of food. This includes cash-based school feeding. WFP categorizes commodity vouchers as a separate category of cash-based transfers in its financial statements. The fact that commodity vouchers also include programmes such as school feeding is not disclosed in the notes to the financial statements, nor do they include a definition of commodity voucher transfers.

216. In its 2022 audit report, the External Auditor had pointed out that commodity vouchers were recorded inconsistently, and that WFP's policies and guidance documents included contradictory information on the classification of commodity vouchers.

217. In 2023, the External Auditor noted that commodity voucher transactions were again recorded inconsistently. More specifically, 57 percent (USD 49.8 million) of school-based transfer expenses were wrongly classified as cash or value voucher transfer. Conversations with country offices showed that they lacked clear guidance on how to account for the expenses.

218. The External Auditor also noted that the segregation between transfer value and transfer costs was inconsistent. For school-based transfers, the transfer value comprises the cost for the procured food and all costs related to the preparation and distribution of the meals, e.g., costs for the kitchen, the workers, and the transport. For other cash-based transfers, the transfer value comprises the cash or the value of the voucher provided to the beneficiary while distribution costs are not included in the transfer value. Capacity strengthening costs should not be included in the transfer value for any modality but were hard to separate from other costs for school-based programmes.

219. **The External Auditor reiterates its recommendation that WFP revisit the definition of commodity vouchers, establish an appropriate accounting category, and ensure the correct classification and notes disclosures of different types of commodity vouchers, for example school-based transfers.**

220. **The External Auditor recommends that WFP highlight the importance of segregation between transfer costs and transfer value in its updated consolidated guidance for school feeding.**

221. WFP agreed with the recommendations. WFP stated that it would continue to streamline guidance, policies, manuals, and other documents regarding the categorization of commodity vouchers and the consequences for accounting and reporting.

8. United Nations sustainability efficiency roadmap

222. In 2017, the United Nations Secretary-General issued a report to facilitate a better response of the United Nations to the 2030 Agenda for Sustainable Development. The report identified particularly common business services and common back office functions as potential areas for simplification. The initial aim was to achieve projected savings of USD 310 million a year throughout the United Nations system by 2022; the timeline of the efficiency roadmap was extended to the end of 2024.

a. United Nations Fleet

Legal and financial Framework

223. In response to the United Nations efficiency roadmap, WFP and the United Nations High Commissioner for Refugees (UNHCR) set up United Nations Fleet (UN Fleet) as a joint operation to lease out light vehicles to other United Nations organizations.

224. UN Fleet went operational in September 2022. By the end of 2023 it had 250 vehicles on lease and 11 United Nations entities participated. For 2024, UN Fleet is expected to lease out up to 900 vehicles to 14 entities. WFP and UNHCR themselves do not participate in UN Fleet but maintain their own separate light vehicle leasing programmes. In 2023, the leasing programmes of WFP and UNHCR comprised round 3,000 and 5,700 vehicles, respectively. Currently, both organizations together acquire each year about 1,500 vehicles to release them to their leasing programmes. WFP stated that it might participate in the UN Fleet programme in the first half of 2025. So far, WFP has not conducted a cost benefit analysis on its share of the savings of the programme in view of the Sustainable Development Agenda.

225. In September 2022, WFP and UNHCR signed a memorandum of understanding pursuant to which UNHCR would establish and maintain a separate accounting area for UN Fleet. UNHCR would be responsible to release payments, maintain financial records, and provide financial reporting. According to the memorandum, ownership of proprietary rights would jointly vest in both parties, both parties would be jointly and equally liable for payments. The memorandum states that UN Fleet does not have an independent legal personality.

226. As at April 2024, the parties had neither signed an agreement for the staffing of UN Fleet, nor for the detailed financial reporting requirements. WFP stated that the financial framework and accounting model was still being prepared, under technical assessment, and expected to be finalized in the course of 2024. The External Auditor found that other legal aspects of the joint operation still needed clarification. For example, there were no stipulations in the memorandum of understanding in terms of legal ownership of the vehicles, proceeds from the sale of the vehicles, and overall, the share in the joint operation. UNHCR

operates the UN Fleet bank account under its own legal personality. The memorandum of understanding does not contain stipulations for downsizing and dissolution.

227. The External Auditor holds that the operation is lacking an overarching legal framework.

228. For the 2023 financial statements, WFP informed the External Auditor that it was unable to record assets and liabilities resulting from its participation in UN Fleet. UNHCR had not provided the financial information in due time before the closure of the WFP accounts. WFP notified the External Auditor that it would consider the outstanding postings of USD 6.3 million as unadjusted audit difference for the financial statements 2023.

229. The External Auditor holds that – in view of the expected significant growth of the operation - the parties should urgently finalize the detailed financial framework and accounting model and stipulate clear due dates by which UNHCR must provide the financial information to WFP for its monthly, quarterly, and year-end closure procedures. Moreover, the External Auditor holds that certain legal aspects of the joint operation should be urgently stipulated in binding legal documents.

230. **The External Auditor recommends that WFP insist on and enforce the urgent finalization of the financial and legal framework of the joint operation UN Fleet and request financial information in time for inclusion in the financial statements.**

231. WFP agreed with the recommendation. WFP stated that there was an ongoing WFP and UN Fleet effort to finalize the financial and legal frameworks in due time for the next financial statements cycle.

Funding and budget approval

232. In terms of funding, the parties agreed to provide USD 20.0 million in equal shares of each USD 10.0 million as initial funding for the operation to acquire the vehicles. WFP transferred a first tranche of USD 4.4 million in 2023 and a second tranche of USD 5.6 million in 2024. The WFP Chief Financial Officer approved the WFP share of the initial funding in April 2023 and February 2024, respectively. Based on projected leasing fee income and proceeds from the sale of the vehicles, a repayment plan stipulates that UN Fleet repays the received funding within 72 months up to 2030. WFP stated that it expected additional annual funding requests of UN Fleet, the amount of which were unpredictable.

233. In addition to the initial funding, UN Fleet requested USD 2.6 million with a share of 50 percent from the parties for its 2023 operating expenditures. For its share of USD 1.3 million, WFP requested an Executive Board approval of USD 1.4 million in the 2023 Management Plan. For 2024, WFP did not include UN Fleet operational cost in its budget approval request. WFP stated that it expected UN Fleet to be self-financed by 2024. The UN Fleet forecasts indicate a break-even point in 2027.

234. Currently UN Fleet offers participants two options: The residual value method or the full cost recovery method. The residual value method leads to lower leasing fees because the proceeds from the sale of the vehicles belong to the lessor. The full cost recovery method entails higher leasing fees but the proceeds from the vehicle sales belong to the lessee. All participants in UN Fleet, so far, opted for the residual value method. The leasing programme of UNHCR also operates under the residual value method, whereas WFP currently applies the

full cost recovery method. So far, WFP has not conducted a thorough analysis of costs and rewards of its own participation in UN Fleet under consideration of the two different leasing models.

235. The External Auditor holds that WFP has only retroactively disclosed to the Executive Board the extent of its participation in the UN Fleet operation. The Chief Financial Officer had approved the investment of USD 10.0 million in the UN Fleet operation in 2023 and 2024. When the Executive Board had approved the 2023 operational costs of USD 1.4 million, WFP had not provided the overall projected costs of the UN Fleet engagement, the projected break-even point, the projected cost-benefits and cost savings compared with the ongoing own vehicle lease programme. While WFP stated that it had transparently disclosed the UN Fleet budget in the 2024 Management Plan, in the External Auditor's view the retroactive mentioning of budget already transferred does not represent an upfront, transparent, and sufficient disclosure.

236. The expected growth of the operation will lead to additional funding requirements. The External Auditor holds that future cash transfers to UN Fleet are unclear and expose WFP to a certain financial risk. If WFP and UNHCR join UN Fleet with an annual need of round 1,500 yearly vehicle acquisitions, this will lead to a large amount of additional funding requests. UN Fleet will need more capacity to meet the requirements and manage the growing fleet. The approval for 2024 operational cost has not been requested yet, although the budget year has already started. Moreover, WFP has not - until April 2024 - developed a costed participation plan for its own leasing scheme. A shift to the residual value method would impact country offices' budgets as the country offices are entitled to the proceeds under the current WFP leasing scheme.

237. **The External Auditor recommends that WFP improve its UN Fleet related budget processes by providing the Executive Board with comprehensive and transparent budget plans and including updates of the cost structure of the operation**.

238. WFP agreed with the recommendation and stated that a specific section on UN Fleet would be included in the 2025 Management Plan to continue informing the Board.

239. **The External Auditor recommends that WFP conduct a cost-benefit analysis of its share in the UN Fleet operation.**

240. **The External Auditor recommends that WFP develop a costed plan and time schedule for its own participation in the UN Fleet operation under consideration of the ongoing Global Vehicle Leasing Programme and the different applied leasing models**.

241. WFP agreed with the recommendations and stated that a detailed cost-benefit analysis would be developed and included as part of the update to the Management Plan. Further WFP would prepare a costed plan and schedule for its participation in UN Fleet.

b. Common back office

242. The United Nations Sustainable Development Group Business Innovation Group is responsible for the common back office project. 50 suitable countries were identified. The Group agreed on 66 mandatory services that participating United Nations entities have to use: 35 administration services, 13 human resources services, 9 information and communication technology services, and 9 procurement services. Not using the mandatory services should be the exception and the process of the opt-out protocol should be followed.

243. WFP participated in common back offices. However, it decided not to use the information and communication technology services based on the opt-out protocol. WFP stated that strategic functions were centralized. WFP was of the opinion that it needed to maintain control and visibility of its information technology assets. Otherwise, the quality of services, interoperability, and security standards would be at risk. WFP emphasized that common information and communication technology services remained a complex challenge as its information technology security required strong global governance and did not align with the proposed common back office model. Furthermore, WFP stated that all data should be managed by WFP to ensure control and visibility. WFP also stated that current common back office initiatives did not always achieve the intended cost efficiency gains for information and communication technology.

244. The External Auditors holds that common back offices can help to standardize across United Nations entities, reduce costs and in general achieve efficiency gains. Organizations and in particular organizations with a significant budget such as WFP should participate to meet the goals formulated by the General Assembly. Therefore, WFP should continue to liaise with United Nations Sustainable Development Group Business Innovation Group to analyse the difficulties and find a solution regarding the information and communication technology services.

245. **The External Auditor recommends that WFP continue to liaise with United Nations Sustainable Development Group Business Innovation Group to find a solution which allows WFP to use the information and communication technology services by common back offices to achieve effectiveness and efficiency gains as requested by the General Assembly.**

246. WFP agreed with the recommendation. WFP stated that it would continue to engage with other United Nations organizations, including those with similar concerns, to explore solutions collaboratively and identify viable approaches to minimize cybersecurity risks and preserve efficiency gains, including defining options for an interoperability model.

9. Delegation of Authority

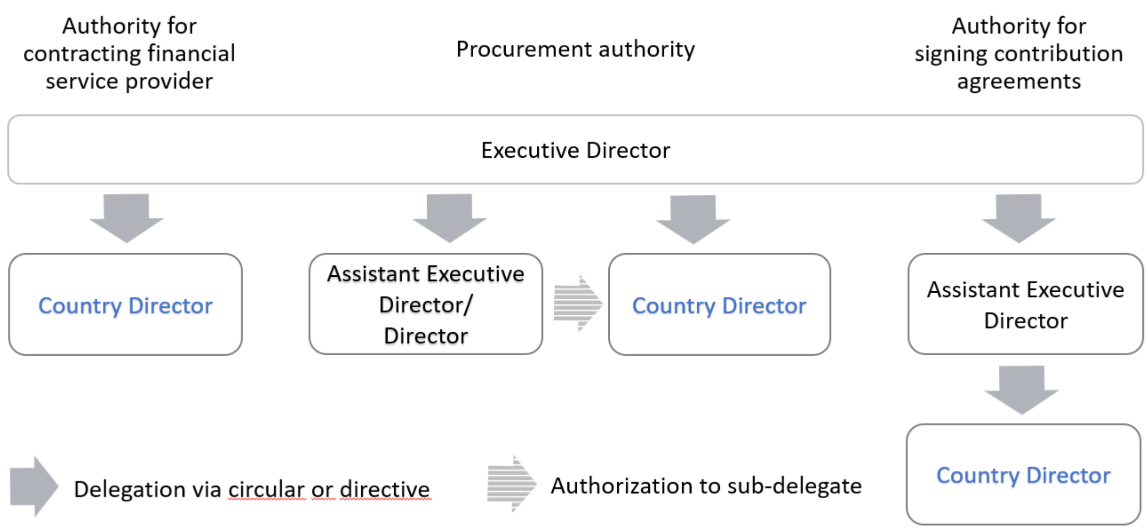
a. Set-up of delegation of authority

Overview

247. According to General Regulation VII, the Executive Director has the authority to administer and implement WFP programmes, projects, and other activities. The Executive Director may delegate authorities to other officials as deemed necessary. Financial Rule 103.1 stipulates that all officials are accountable to the Executive Director for the actions taken by them in the course of their official duties.

248. In general, the Executive Director delegated authorities to a function, not to a person. In some cases, the Executive Director delegated the authority only to one function, e.g. an Assistant Executive Director. In other cases, the Executive Director delegated the authority directly to several functions, e.g. directors and chiefs at headquarters and country directors. In some cases, the Executive Director also authorized functions to sub-delegate the authority further.

Chart I.2
Examples of delegation of authority flow to country directors



Source: Executive Director's circulars OED2018/006, OED2022/010, OED2023/13, directive PA2023/001, External Auditor.

249. Different departments managed the circulars, directives, memoranda and guidance. No overview of all authorities was available. Several circulars included exception-clauses. For example, the Executive Director delegated the authority to sign contribution agreements to the Assistant Executive Director, Partnerships and Innovation, "with the exception of those contributions for which authority is otherwise specifically delegated to other officials of WFP." The footnote provided one example for such an exception and referred to the Legal Office "in

case of doubt as to the appropriate WFP official with delegated authority for a particular type of contribution”.[3]

250. The financial management manual stipulated following accountability:

Table I.8
Accountability

Function with authority	*Accountability*
Secretariat and other WFP staff including Liaison Office Directors	To the Executive Director and/or the immediate supervisor
Regional Director	To the Executive Director
Country Director	To the Regional Director

Source: Financial management manual.

251. The External Auditor holds that the rationale behind delegating authority first to officials at headquarters and then to country directors or directly to country directors is not clear. In addition, a comprehensive overview of all authorities is lacking. It is not transparent to incumbents of specific positions which authorities they have. In addition, WFP did not align accountability with the flow of delegation of authority, as regional directors do not sub-delegate authorities to country offices, but country directors are accountable to them.

252. **The External Auditor recommends that WFP establish a one-stop shop for all delegation of authority documents and guidance, streamline the set-up of delegation of authority to the best possible extent, and align accountabilities with the set-up.**

253. WFP agreed with the recommendation. WFP stated that it would review the existing delegations of authority to ensure that the authorities are aligned with the new structure of the organization. Also, WFP would establish a centralized repository for all delegations of authority. It would examine best practices from within the United Nations system to develop a cost-efficient process for delegation of authority, taking into consideration the recent funding adjustments.

Additional and optional sub-delegations of authority

254. The Executive Director and other headquarters’ functions delegated additional authorities, for example for overland contracting. The delegation was done via memoranda. The External Auditor found that the memoranda did not always have an expiry date, and some had been valid for more than 20 years. For example, the External Auditor asked a Regional Bureau for an overview of all authorities. The Regional Bureau provided a memorandum for overland contracting from 2014 and considered the authority valid. Headquarters stated that this memorandum had been replaced several years ago and was no longer valid.

[3] Executive Director’s circular OED2023/013.

255. Functions in the field also sub-delegated parts of their authority. They recorded the sub-delegations either in the digital delegation of financial authority dashboard or issued a memorandum. Headquarters had no visibility of the memoranda in the field.

256. The External Auditor holds that the sub-delegation of authority via memoranda is cumbersome and error-prone. Offices may not even be aware of memoranda issued 20 years ago. A digital solution would provide transparency and clarity. It would also make revoking authorities easier. At least, WFP should limit the validity of sub-delegated additional authorities.

257. **The External Auditor recommends that WFP consider a digital solution for sub-delegating authorities instead of issuing memoranda to ensure transparency and clarity, and delegate additional authorities only for a limited period of time.**

258. WFP agreed with the recommendation, recognizing the importance of ensuring transparency and clarity in sub-delegating authorities. WFP stated that it would review the feasibility and efficiency of implementing a digital tool. Furthermore, it would consider limiting the validity period for additional authorities delegated to ensure accountability and effectiveness.

Human resources related authorities

259. In accordance with General Regulation VII, the Executive Director shall administer the staff in accordance with FAO Staff Regulations and Rules and such special rules as may be established. The Executive Director delegated certain human resources related authorities to other functions through a circular.[4] The External Auditor reviewed the authority to establish and revise fee rates and the monthly subsistence living sum for consultants.

Fee rates for consultants

260. In line with the FAO Staff Regulations and Rules, the Executive Director shall determine the fee rates for consultants. The External Auditor found that the Executive Director had not delegated the authority. However, the WFP human resources manual, approved by the Director of the Human Resources Division, stipulated that the Director of the Human Resources Division had the authority to establish the rates. In 2023, WFP paid USD 183.2 million of consultant's honoraria.

261. WFP stated that when it revised the consultancy rates in 2022, the Human Resources Division followed an extensive consultation process which included the Chief Financial Officer, Budget and Programming, Legal, the Inspector General and others.

Monthly subsistence living sum

262. In 2008, WFP introduced the payment of a monthly subsistence living sum for international recruited consultants at headquarters. In 2012, the Executive Director extended the application of the living sum to internationally recruited consultants in field-based offices. The Executive Director authorized the Director of the Management Services Division, and

[4] Executive Director's circular OED2018/001.

where applicable, jointly with the Director of the Human Resources Division, to issue relevant administrative instruments.[5] WFP stated that only the Management Services Division decided on the monthly subsistence living sum rates. The External Auditor noted that the travel and the human resources manuals contained respective stipulations. In 2023, WFP paid USD 45.1 million of monthly living subsistence sum.

263. The External Auditor notes that the fee rates and the monthly subsistence living sum for consultants have a notable financial impact. Nevertheless, the regulatory framework is determined at director-level and stipulated in manuals. In case of the fee rates, the Executive Director has not even authorized the Director of the Human Resources Division. The External Auditor holds that WFP should regulate fees and entitlements in binding policy documents approved by the Executive Director rather than in manuals.

264. **The External Auditor recommends that WFP base fees and entitlements on a proper legal basis approved at the right level.**

265. WFP disagreed with the recommendation. WFP was of the opinion that there was a legal basis in place. Nonetheless, WFP was willing to review and, if needed, more explicitly confirm the delegation of authority and level.

266. The External Auditor adheres to the recommendation. Considering the notable financial impact, fees and entitlements should be approved by the Executive Director and regulated in a binding policy document instead of a manual.

b. Delegation of financial authorities

Delegation of financial authority dashboard

267. In December 2022, WFP rolled out the delegation of financial authority dashboard. Instead of paper-based sub-delegations, financial authorities such as approving and certifying authorities are delegated through an online tool and recorded in the dashboard. The sub-delegation is processed through the WFP self-service tool.

268. The External Auditor noted that the delegation of financial authority dashboard was mainly used by the field. Headquarters had only recorded six sub-delegations of authorities in the dashboard and still used other means to record sub-delegations. The External Auditor found several inconsistencies and incorrect entries:

- In accordance with the policies, country directors may sub-delegate the authority to approve competitive goods and services purchases to their deputies (up to USD 200,000) and to international professional staff (up to USD 30,000).[6] The dashboard showed that they had sub-delegated authorities that exceeded the permissible thresholds. Furthermore, they sub-delegated the authority to approve purchase orders up to USD 30,000 to national staff members. Some

[5] Executive Director's circular OED2012/010.
[6] Executive Director's circular OED2018/006.

country directors recorded their authority to approve goods and services purchases in the dashboard, although this was not required.

- According to the policies, consultants and special service agreement holders are not eligible to perform financial authorities.[7] Exceptionally, the Executive Director or the Chief Financial Officer can authorize a sub-delegation. The External Auditor found, however, that country directors had sub-delegated approving authorities to consultants without obtaining the authorization. In other cases, the authorization had expired.

269. WFP stated that it would review the cases. It elaborated that it had prioritized the field to record sub-delegations in the dashboard. It also stated that the supply chain colleagues extended the sub-delegation of authority to approve purchase orders up to USD 30,000 to national professional staff members.

270. The headquarters' Finance Transformation and Field Support Unit reviewed the data in the delegation of financial authority dashboard and shared the findings with the offices. For example, in April 2023, the Unit found that some country offices had not used the dashboard and that other country offices had not revoked authorities of separated staff members. In December 2023 and January 2024, the Unit asked finance officers in the field to regularly monitor and update data recorded in the dashboard.

271. The External Auditor appreciates the enhanced transparency through the delegation of financial authority dashboard. The External Auditor notes that WFP still needs to implement the dashboard fully, especially at headquarters. With regard to the field, the incorrect entries indicate that some country offices and regional bureaux do not know how to use the dashboard or do not completely understand the authorities (e.g., eligibility criteria, thresholds, exceptional authorizations). The External Auditor holds that WFP should make better use of the dashboard by implementing further controls. When staff members are not eligible for an authority or a threshold is exceeded, the system should block the sub-delegation. Furthermore, WFP should expand its monitoring activities to cover thresholds and eligibility criteria. Finally, WFP should develop guidance on the use of the dashboard and ensure that all offices record sub-delegations in the dashboard. In case that WFP wishes to revise eligibility criteria defined by the Executive Director, it must request an approval by the Executive Director.

272. **The External Auditor recommends that WFP develop a guidance for the delegation of financial authority dashboard, establish further automated controls to prevent incorrect and non-compliant entries and enhance its monitoring activities.**

273. WFP agreed with the recommendation. WFP stated that it planned to improve the delegation of financial authority dashboard to streamline and strengthen monitoring. These improvements envisaged incorporating eligibility criteria, introducing automated checks and exploring system integration solution. Furthermore, WFP planned to develop a guidance to optimize the usage of the dashboard.

[7] Executive Director's circular OED2015/003, decision memorandum OED 418 – 20/07/2023.

WINGS roles

274. Financial authorities are executed in WINGS. The “Role Administration Procedure” dated 1 October 2021 outlines the procedure for provisioning of WINGS roles. Among others, role administrators shall verify that the employee has the authority to perform the activity, ensure that no breaches in the segregation of authority will be generated, and verify if the person is really encumbering the position. The WINGS role request is processed through the WFP self-service tool.

275. The External Auditor cross-checked for some authorities whether the staff members with authorities had the related WINGS roles and for some WINGS roles whether they were only assigned to staff members with the respective authorities. The External Auditor found that authorities and WINGS roles were often not aligned:

- 57 staff members in the field had the WINGS role to release purchase orders for goods and services, but they did not have the relevant authority. 92 field staff members had the authority to approve purchase orders, but not the related WINGS role.
- 125 staff members had the WINGS role to release micro purchase orders, but they did not have the relevant authority. 236 field staff members had the authority to approve micro purchase orders, but not the related WINGS role.
- 107 field staff members had a WINGS role for bank signatories without having the corresponding authority.

276. WFP stated that delegated staff members were expected to request the WINGS role to activate their authorities. Should technology and resources permit it, WFP might explore the possibility of integration between WINGS role requests and delegation of financial authority forms.

277. The External Auditor holds that the workflows for the sub-delegation of financial authority and for the provisioning of WINGS roles should be better aligned. Before the introduction of the delegation of financial authority dashboard, the role administrator was responsible for performing specific checks. However, this is not done anymore. The External Auditor holds that WFP should review automating parts of the process or at least implement automatic checks to ensure that staff members have the authority before the WINGS roles are assigned. Furthermore, it is important that staff members with authority have the respective WINGS role to execute the authority.

278. **The External Auditor recommends that WFP link the workflows for the delegation of financial authority and the respective WINGS roles and ensure that only staff members with the required authorities are granted the WINGS roles.**

279. WFP agreed with the recommendation.

c. Oversight and monitoring

280. The Executive Director did not include any reporting requirements or key performance indicators to measure the exercise of delegated authorities in the circulars for the sub-delegation of authorities. Furthermore, neither the Executive Director nor headquarters' departments asked staff members with authorities for such reports.

281. The External Auditor asked headquarters' divisions whether and how they monitored sub-delegated authorities in their area. The Procurement Branch provided one "Oversight, Compliance and Support Mission" report. The Human Resources Division stated that it had requested regional bureaux to provide oversight reports in the area of human resources and that it had reviewed the reports. WFP did not provide further reports or analysis. In general, the Divisions responded that they did not carry out a specific monitoring. They stated that regional bureaux were responsible for monitoring and oversight.

282. Headquarters prepared checklists for oversight by the regional bureaux. In particular, the checklist for finance included questions concerning delegation of authority. However, the checklists did not consider the implementation of the delegation of financial authority dashboard. Furthermore, headquarters did not request regional bureaux to report on their oversight missions and observations related to sub-delegation of authorities. The External Auditor reviewed a sample of oversight mission reports of the Regional Bureaux Dakar, Nairobi and Panama with a focus on finance and joint missions. While the reports concentrated on other issues, they also included observations regarding delegation of authority, for instance that staff members approved appointments or field level agreements without having the authority.

283. The External Auditor notes that WFP has not established any reporting requirements for the exercise of delegated authority. While regional bureaux may cover delegation of authority in oversight missions, they do not have to report the results. The External Auditor holds that delegating officers are responsible to ensure that sub-delegated authorities are exercised properly. In case of the incorrect exercise of authorities, delegating officers have to suspend or even revoke authorities.

284. **The External Auditor recommends that WFP establish monitoring and reporting processes and procedures with performance indicators for the exercise of delegated authority.**

285. WFP agreed with the recommendation. WFP stated that as part of the organizational realignment, WFP was reviewing the existing delegations of authority and the need to define monitoring and reporting processes and procedures.

10. Consultancy services

286. WFP may choose following options to obtain consultancy services:

- Hire an individual consultant following the rules and procedures for human resources management.

- Award a commercial consultancy contract which is regulated by procurement rules.

287. In 2023, WFP recorded USD 243.7 million expenses for honorarium, travel and security for consultants and USD 221.6 million for commercial consultancy services. WFP has not established criteria for the decision whether to obtain consultancy services through a human resources process or a procurement process.

a. Individual consultants

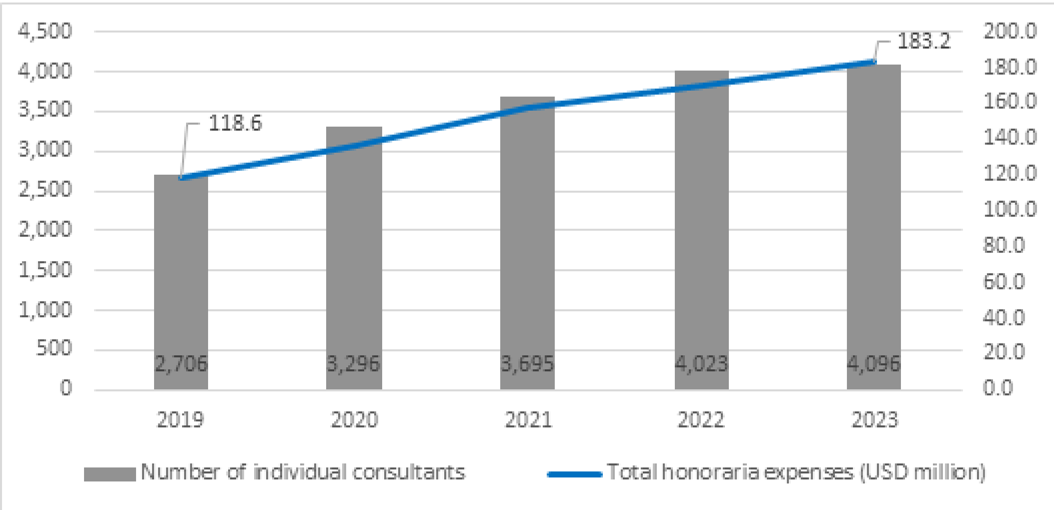
Overview

288. In accordance with the WFP staffing framework[8], individual consultants are employees at the professional level. They provide expert advice in a specialized field not readily available in WFP or to temporarily backfill staff functions on a short-term basis. In contrast, staff members perform functions of a continuous and on-going nature. WFP can also hire staff members on a short-term basis to temporarily backfill staff absences or a vacant post.

289. In 2023, a total of 4,096 individual consultants worked at WFP. The honoraria expenses amounted to USD 183.2 million in 2023. Over the past five years, their number increased steadily.

Table I.9

Increase of individual consultants and honorarium from 2019 to 2023



Source: Data WFP.

290. In addition to honoraria, WFP paid USD 45.1 million monthly subsistence living sum to consultants in 2023. The monthly subsistence living sum is a lump sum specific to a location intended to contribute to the consultant's living expenses at the place of assignment. The lump sum ranges from USD 1,200 to USD 5,600 per month. Some country offices had no

[8] Executive Director's circular OED2021/017, WFP staffing framework.

subsistence living sum in place. The subsistence living sum amounted to more than 50 percent of the total honoraria in ten countries.

Reappointment of consultants

291. According to the WFP staffing framework, the maximum duration of a consultant contract is 11 months. After a break-in-service of one month, a consultant may be reappointed. The maximum period is 44 cumulative months of service on the same position. The WFP staffing framework clarifies that staff members shall perform roles that are required on a medium to long term basis (normally one year or more). The FAO Staff Rules define short-term as a period of less than one year.[9]

292. WFP introduced the limit of 44 months of service for consultants with the WFP staffing framework in 2021. Consultants who had a contract with WFP at the time of the issuance of the WFP staffing framework might be reappointed without the maximum limit until the end of 2025. The External Auditor noted that other organizations used shorter maximum periods of employment. For example, FAO defined a maximum period of 33 months, the United Nations Secretariat a maximum period of 24 months.

293. In 2023, 84 percent of consultant contracts were reappointments. This means that the consultants had worked for WFP before, either on a consultant contract or on another contract modality.

294. WFP emphasized that the WFP staffing framework allowed reappointing consultants up to 44 months. Several reappointments could take place up to the maximum period of appointment. Consultants might also choose to apply and be successfully selected for other positions. Since they had a pre-existing employment history with WFP, that would automatically be registered as a reappointment. WFP did not see a high number of reappointments as an item of concern.

295. The External Auditor holds that constant reappointments of the same personnel contradicts the purpose of short-term experts. If a consultant's expertise is required for more than 11 months, WFP needs to review whether the demand is still of a short-term nature. If this is not the case, WFP needs to engage a staff member or qualify its active staff members.

296. **The External Auditor recommends that WFP analyse the reasons for the high number of reappointed consultants and use the results for its workforce planning.**

297. WFP agreed with the recommendation and stated that it would analyse the reasons. While the use of consultants was already typically factored into operational workforce planning and organizational alignments, WFP would further take the reasons for reappointing consultants into account. WFP considered reappointing consultants, who already had WFP knowledge and expertise, a benefit to the organization.

[9] FAO Staff Rule 4.103.

United Nations pensioners

298. WFP may engage retired staff members who are in receipt of pension benefits from the United Nations Joint Staff Pension Fund and other United Nations pensioners. However, United Nations pensioners may not earn more than USD 22,000 per year. This limit has been established by the General Assembly which emphasized that the engagement of United Nations pensioners should be limited to exceptional cases.[10]

299. According to WFP, 108 consultancy contracts were with United Nations pensioners in 2023. In 29 of these cases (27 percent), WFP had waived the earning ceiling and the consultants earned more than USD 22,000. The maximum excess amount was USD 109,800 in one year. In one case, WFP engaged a retired staff member as a consultant in 2012. WFP reappointed the retired staff member 26 times as consultant until 2023. In five years, the fee exceeded the maximum amount of USD 22,000. In 2022 the retired staff member earned USD 107,400.

300. The External Auditor holds that WFP should review its practice first to engage United Nations pensioners and second to agree on a fee exceeding USD 22,000 per year.

301. **The External Auditor recommends that WFP reduce the engagement of United Nations pensioners as consultants and comply with the limits for such engagement.**

302. WFP agreed with the recommendation. WFP stated that it would review and strengthen its practice of engaging United Nations pensioners, with a view to reducing their numbers and more strictly enforcing limits for such engagements.

Justification of demand

303. The WFP staffing framework stipulates that the following aspects should be considered when determining whether to fill a position by a staff member or a consultant: expected length of time; availability of skills within WFP and whether the position has any decision-making authority or supervisory responsibility.

304. According to WFP, the terms of reference and the request for issuance form were the relevant documents. In the terms of reference, WFP lists the tasks and deliverables to be provided by a consultant. In the request of issuance form, WFP justifies why it is necessary to engage a specific consultant.

305. The External Auditor reviewed the terms of reference and the request for issuance forms for a sample of consultants and found that the justifications were rather general. WFP had not documented whether it had checked the criteria listed in the WFP staffing framework for determining the contract modality. The tasks and responsibilities were often of a continuous nature, such as “build productive relationships with beneficiaries, civil societies, and national NGOs” or “bring together and oversee essential elements of the organisation”. As a result, it remained unclear whether a consultant contract was the correct contract modality or whether staff members should have fulfilled the tasks. For example, a consultant had been working for WFP as a pharmacist for more than 15 years. The consultant worked

[10] A/37/237, A/51/475.

for the same unit and performed tasks of ongoing nature (e.g., removal and replacement of expired pharmaceuticals). In cases of reappointments after 11 months of service, WFP did not elaborate whether the consultant had not completed the tasks during the contract period. Neither did WFP assess whether tasks were of medium-term or continuous nature to be fulfilled by staff members.

306. The External Auditor holds that WFP has not properly documented the decision to engage the consultants. The need to reappoint the consultant after 11 months of service was also not clear. In some cases, as with the pharmacist, it is very doubtful that the tasks should be performed by a consultant. WFP should at least document: the demand, the duration, and the associated tasks; why existing staff cannot perform the task; and the assessment of the criteria of the WFP staffing framework.

307. **The External Auditor recommends that WFP justify the decision to engage or reappoint a consultant by assessing the criteria stipulated in the WFP staffing framework and document the result.**

308. WFP agreed with the recommendation.

Performance measurement

309. WFP used the tool "performance and capability enhancement" to measure the performance of consultants as well as of staff members. In this tool, performance planning, work goals, deliverables, and/or key performance indicators should be defined. They should be specific, measurable, achievable, relevant, and time-bound (SMART).

310. The External Auditor reviewed the personnel files and the performance measurement data of a sample of consultants. The External Auditor found that the performance evaluation was not available or not up to date in more than half of the cases. Furthermore, work goals, deliverables, and/or key performance indicators were mainly not "SMART" formulated. In general, the work goals for the planning phase were often only signed shortly before the end of the contract.

311. WFP confirmed that the performance measurement compliance rate for consultants only reached 75 percent in 2023 and 74 percent in 2022. WFP stated that it defined the activities, deliverables, milestones, and objectives in more detail in individual work or project plans. However, WFP could not provide the plans.

312. The External Auditor holds that the evaluation of the performance is a crucial element in the management of consultants. In order to evaluate the performance, WFP must formulate the required output right at the beginning of the engagement. Clearly formulated work objectives, results and/or performance indicators are a prerequisite.

313. **The External Auditor recommends that WFP formulate work goals, deliverables, and key performance indicators in a specific, measurable, achievable, relevant, and time-bound manner at the start of the contract, evaluate the performance without exception, and document the results.**

314. WFP agreed with the recommendation and stated that it would enhance accountability mechanisms to increase the quality and compliance of consultant performance assessments. WFP stated that efforts included enhancing engagement with managers on their responsibilities and available supporting resources and including the compliance rate in the supervisors' own performance assessment.

b. Commercial consultancy services

Overview

315. In 2023, WFP recorded expenses in the amount of USD 221.6 million for commercial consultancy services. The majority pertained to headquarters' expenses. In total, headquarters raised 636 purchase orders for consultancy services. 338 purchase orders were for information technology consultancy services, 176 purchase orders for "consultancy services – other".[11]

Table I.10
Headquarters' purchase orders for consultancy services in 2023

Source: WINGS.

Waiver

316. Financial Regulation 12.5 stipulates that WFP shall use competitive tenders. However, the Executive Director may authorize exceptions (waivers). The Executive Director defined the categories and processes for waivers in a circular (OED2020/015). Among others, competition can be waived when only one supplier can reasonably meet WFP's requirements. The circular does not define the waiver categories further. According to the circular, requesting units are responsible for providing justifications and supporting documentation.

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[11] Recently, WFP changed the taxonomy of material groups. WFP introduced "professional services - consultancy services" which excluded IT services.

317. Until October 2023, the goods and services procurement manual reflected the waiver process as stipulated in the circular. A waiver request template provided further information on the waiver categories and defined minimum supporting documentation. In October 2023, the Director of the Supply Chain Division revised the manual: The requesting unit shall send the purchase requirements to the procurement unit. Procurement staff shall conduct market research activities to ascertain the appropriate market approach for the request. The Executive Director's circular was still valid.

318. WFP stated that it had discontinued the previous waiver documentation. It emphasized that the Director of the Supply Chain Division was authorized to amend the manual.

319. The External Auditor found that WFP often waived a competitive process when purchasing consultancy services. In 2023, headquarters had waived competition in 149 of 636 purchases orders (23.4 percent). In the cases reviewed, neither the requesting units nor procurement units had properly justified the waivers:

- In 2020, a requesting unit asked for an exception to competitive tendering. The unit elaborated that the supplier had been selected in a competitive process in 2012 and provided excellent services. Replacing the supplier would cost USD 800,000 and require between six months and one year. The procurement unit did not add any comments.

- In December 2023, the procurement unit prepared a waiver request for consultancy services. The request mainly provided information about the supplier. Its experience would make the supplier a "more suitable recipient of this scope of work". The donor had requested WFP to engage with "partners such as [name of the supplier]."

320. While the Director is authorized to amend the manual, such amendments must comply with the Executive Director's circular and other policies. Also, the External Auditor notes that the waiver categories and required documents are neither defined in the manual nor in the circular. WFP should revise the circular and ensure that staff members understand the waiver categories and the justification needed. It is not sufficient to describe the advantages of one supplier. Rather, it must be demonstrated that other suppliers cannot meet the requirement.

321. **The External Auditor recommends that WFP update the Executive Director's circular (OED2020/015) for the waiver process to ensure that procurement staff members decide on the appropriate market approach; and include information about the waiver categories and the required documents either in the circular or the goods and services procurement manual.**

322. WFP agreed with the recommendation. WFP stated that it would ensure alignment between the Executive Director's circular (OED2020/015) and the procurement manual section on the waiver process.

Evaluation and negotiation

323. According to Financial Rule 112.6, all procurement actions shall be in line with the public procurement principles of best value for money, competition, fairness, and transparency. The goods and services procurement manual stipulates that evaluation criteria should be objective, unambiguous, reliable, fair, and balanced. In a competitive procurement process, WFP may negotiate with a supplier following finalization of the evaluation, but prior to formal award of the contract. Negotiations must not be used to materially alter the terms and conditions of the contract. In general, entering into negotiations with a supplier should be avoided.

324. The External Auditor reviewed a sample of headquarters' procurement files for consultancy services.

Negotiation

325. In one case, WFP issued a request for proposals for the provision of climate services. One of the received proposals requested several changes to the long-term agreement template and the standardized United Nations General Terms and Conditions, e.g., regarding liability and insurance requirements. WFP did not take these requests into consideration during evaluation. WFP decided to award a contract to this supplier and five additional suppliers. When WFP informed the supplier about the award, the supplier reminded WFP of its change requests. WFP reviewed the requests and amended the agreement and the United Nations General Terms and Conditions. It did not inform the other suppliers.

326. The External Auditor holds that the case does not meet the principles of transparency and fairness. WFP reviewed the change requests and started negotiations only after the award decision which is not allowed. Furthermore, WFP did not inform the remaining suppliers and offered the same changes.

327. **The External Auditor recommends that WFP ensure that negotiations as part of a competitive procurement action take place before the award decision in accordance with the stipulation of the goods and services procurement manual.**

328. WFP agreed with the recommendation and acknowledged the importance of adherence to the goods and services procurement manual. WFP stated that it was committed to strengthen its procurement process with regards to negotiations.

Evaluation of proposals

329. In another case, WFP issued a request for proposals for the design, development, delivery, and administration of a programme. In the solicitation documents, WFP did not inform about the criteria to evaluate the technical proposals. Instead, it requested suppliers to submit the proposal in line with the terms of reference which listed 19 aspects. The invited suppliers had several questions regarding the solicitation documents and WFP had to extend the submission deadline. After the receipt of the proposals, the evaluation panel evaluated 12 technical criteria of which 4 were considered mandatory. The panel members could not agree whether the proposals met the mandatory criteria. The financial evaluation led to further discussions. In the end, WFP needed more than one year to sign the agreement after the issuance of the solicitation documents.

330. Furthermore, the External Auditor found that country offices and regional bureaux had not defined evaluation criteria adequately. For instance, the offices scored mandatory criteria instead of evaluating them on a pass/fail-basis. Furthermore, evaluation panel members had not justified their scoring.

331. WFP stated that it had designed an evaluation criteria matrix which it shared on ad hoc basis.

332. The External Auditor notes that procurement staff at headquarters and at field offices have difficulties with the evaluation. Evaluation criteria are crucial for the transparency and fairness of a procurement process. In the case described, headquarters has not developed adequate and unambiguous evaluation criteria. Furthermore, WFP has not informed the invited suppliers properly about the criteria. The uncertainty led to several questions and delayed the process. The findings at the country offices and regional bureaux support the observations.

333. **The External Auditor recommends that WFP headquarters determine best practices of evaluation criteria for consultancy services and share them with country offices and regional bureaux.**

334. WFP agreed with the recommendation. WFP acknowledged the importance of standards for the evaluation of consultancy proposals. WFP stated that it was committed to reinforce its evaluation capacities at all levels and that it would disseminate best practices throughout the organization.

Information technology consultancy services

335. The External Auditor reviewed a sample of purchase orders for information technology consultancy services. The External Auditor noted that WFP issued single purchase orders to request the services of a person for a specific number of days. Then it raised the next purchase order for the same person.

- Since August 2019, one specific senior developer had been supporting WFP with the development of an application. WFP contracted the supplier directly without conducting a competitive tender. WFP approved the waiver but did not establish a long-term agreement. Since then, WFP had issued several purchase orders to the supplier. In 2022, the supplier charged Euro 390 per day, later Euro 690 per day.

- WFP raised 10 purchase orders for services of a specific data architect in 2023. The purchase orders had a value of EUR 138,939.50 and covered 185.5 days. Among others, WFP issued three purchase orders in September 2023, for 16, 13.5 and 15 days. The External Auditor found that the delivery terms and the invoices did not match. According to the quote for one purchase order, the days were to be delivered between February and April. WFP paid invoices for services in January and in May 2023, outside the agreed contract period. WFP explained that a long-term agreement was not established at the time of the hiring.

336. WFP did not comment on the specific cases but stated that it had proper procedures for managing information technology projects. All purchase orders were issued in accordance with long-term agreements or contracts. It was not possible to alter fees. Information technology projects were planned annually or over multiple years.

337. The External Auditor holds that the cases show a lack of adequate procedures. No long-term agreement or contract was available. Some purchase orders seem to overlap. The incorrect posting of invoices against purchase orders shows further deficiencies in the process. In the first case, the developer increased the fee significantly. Once a person has been engaged, it seems to be difficult for WFP to change the person or even the supplier.

338. **The External Auditor recommends that WFP review the use of information technology consultancy services in order to improve the processes and to avoid dependencies on contracted personnel and elaborate corrective measures.**

339. WFP agreed with the recommendation. WFP stated that it would work towards optimizing the purchasing process, with a focus on enhancing it through secondary bidding competitions for pools of long-term agreements. Additionally, WFP would implement mechanisms aimed at transferring the knowledge of an application to onboard new suppliers, whenever possible, to ensure business continuity. This initiative aimed at streamlining the onboarding process for new suppliers across various systems or platforms.

D. Disclosures by management

1. Losses, write-offs, and ex-gratia payments

340. WFP reported in note 9 of the financial statements details of losses of cash, food commodities and other assets in a total amount of USD 54.5 million. The reported losses comprised food commodity losses of USD 49.9 million, contributions receivable losses of USD 1.4 million, losses of other assets and cash of USD 1.6 million, and losses of non-food items of USD 1.6 million. WFP also reported that it had made ex gratia payments of USD 2.9 million.

341. WFP provided the External Auditor with a decision memorandum from the Director of the Corporate Finance Division to the Executive Director dated 27 March 2024, i.e., after closure of the accounts. The Executive Director approved the recommendation of the Director of the Corporate Finance Division to write-off these losses and to grant ex-gratia payments on that date.

342. Several of the documents provided by WFP contained lump sums, related to previous years, were approved in previous years, and did not add up to the amounts disclosed in note 9 of the financial statements. Therefore, the External Auditor issued in this report a recommendation that WFP enhance its internal controls over ex gratia and write-off authorizations. The External Auditor does not express any assurance on these amounts.

2. Cases of fraud and presumptive fraud

343. In accordance with the International Standards on Auditing (Standard 240), the External Auditor plans its audits of the financial statements so that he has a reasonable expectation of identifying material misstatements and irregularities (including those resulting from fraud). The External Auditor's work, however, should not be relied upon to identify all misstatements or irregularities. The primary responsibility for preventing and detecting fraud remains with WFP management.

344. During the audit, the External Auditor made enquiries of management regarding their oversight responsibility for assessing the risks of material fraud and the processes in place for identifying and responding to the risk of fraud, including any specific risks identified by management or brought to its attention. The External Auditor also enquired as to whether management had knowledge of any actual, suspected or alleged fraud, including enquiries by Internal Audit.

345. During 2023, WFP reported 103 cases of fraud valued at USD 8.2 million (2022: 1.3 million). Thereof, USD 0.4 million (2022: 0.3 million) were recovered. The cases mainly represented fraudulent practices of cooperating partners (USD 5.2 million). In addition, WFP reported 158 cases of theft and embezzlement valued at USD 102.0 million (2022: USD 14.8 million). Thereof, USD 1.1 million (2022: 8.9 million) were recovered. The cases mainly related to thefts in the Sudan Country Office (USD 96.5 million). WFP reported 45 cases of presumptive fraud valued at USD 4.6 million (2022: USD 9.8 million). Cases of presumptive fraud related to ongoing investigations where amounts could be reasonably estimated and mainly involved fraudulent practices by cooperating partners and WFP personnel.

E. Acknowledgement

346. The External Auditor wishes to express his appreciation for the cooperation and assistance extended to his staff by the Executive Director, the Deputy Executive Director and Chief Operating Officer, the Chief Financial Officer, and the Assistant Executive Directors and their staffs.

(Signed) Kay Scheller

President of the German Supreme Audit Institution

(External Auditor)

15 April 2024

Annex

Status of implementation of recommendations up to 31 December 2022

No	Report reference	Report Name	Recommendation	Management Response	External Auditor's assessment	Status after verification			
						Implemented	Under implementation	Not implemented	overtaken by events
1	WFP/EB.A/2020/6-G/1 chap. III, para 50	Air transport services	The External Auditor recommends that WFP management: a) update and revise the financial and budgetary framework for aviation activities to ensure a comprehensive and transparent presentation of the financial flows arising from such activities; and b) reconsider the rationale for a special account for aviation services in light of the desired degree of autonomy in determining the operating resources for such services.	Implemented. The Supply Chain and Delivery Division's and the Chief Financial Officer's joint directive on administrative, accounting and reporting procedures for the Aviation Special Account was approved on 15 March 2024. The directive provides updated guidelines on the management, administrative, accounting and reporting procedures of financial transactions for the Aviation Special Account and between the Aviation Special Account and aviation operations within the country strategic plans.	WFP issued a new directive on the administrative, accounting and reporting procedures for the Aviation Special Account. The recommendation is considered to be implemented.	X			
2	WFP/EB.A/2020/6-G/1 chap. III, para 160	Air transport services	The External Auditor recommends that further consideration be given to the introduction in the Takeflite flight management system of a system for verifying authorizations of organizations that use UNHAS and individual lists of authorized persons provided by those organizations.	Implemented. The Supply Chain and Delivery Division improved the internal control mechanisms of Takeflite and the United Nations Booking Hub to enhance eligibility verification processes for passengers and organizations. Takeflite and the Hub developed capabilities to upload employee lists reinforcing passenger's eligibility verification process. Also, the Hub augmented functionalities of the Digital Office for aviation field operations to manage access of authorized organizations to UNHAS and effectively manage booking portal mandatory fields to strengthen verification and approvals for non-employee bookings. The Supply Chain and Delivery Division continues to promote the digital platform as a comprehensive web system to facilitate online services for WFP chartered flights. As of December 2023, the online booking system was launched in all 21 aviation field operations.	WFP enhanced its systems. The recommendation is considered to be implemented.	X			

No	*Report reference*	*Report Name*	*Recommendation*	*Management Response*	*External Auditor's assessment*	*Status after verification*			
						Implemented	*Under implementation*	*Not implemented*	*overtaken by events*
3	WFP/EB.A/2021/6-G/1 chap. III, para 128	Management of information on beneficiaries	The External Auditor recommends that a central plan for deployment and harmonization of beneficiary information management systems in target countries be established and that, in particular, a timetable for the deployment of SCOPE be set.	Implemented. The WFP cash assurance directive issued in March 2022 endorses the use of corporate systems available through the cash-based transfer systems menu including reliance on United Nations High Commissioner for Refugees systems and processes, especially for registration and case management in refugee contexts to mitigate and minimize digital risks associated with management of beneficiary information. The cash-based transfer systems menu endorses systems and tools such as MoDA, SCOPE, NEST, PIT, RapidPro, DAT among others, offering solutions for both cash-based and in-kind transfers, which meet the operational needs of country offices with due diligence to WFP standards for information technology security.	While WFP did not implement SCOPE in all country offices as mandatory system, it endorsed the use of its corporate systems through cash-based transfer systems menu and WFP cash assurance directive. Therefore, the External Auditor considers the recommendation as implemented.	X			
4	WFP/EB.A/2021/6-G/1 chap. III, para 128	Management of information on beneficiaries	The External Auditor recommends that SCOPE and COMET be linked in 2021.	Implemented. In April 2023, WFP completed the integration of SCOPE and COMET in production with the implementation of an automated data flow from the cash-based transfers dataset aggregated by two geolocations. The integration aligns with the WFP corporate results framework (2022-2025) and allows country offices to import monthly cash-based transfers data from SCOPE to COMET.	The External Auditor notes that WFP implemented an automated data flow of cash-based transfer data from COMET to SCOPE which allows country offices to import monthly cash-based transfer data. The recommendation is considered to be implemented.	X			
5	WFP/EB.A/2022/6-H/1 chap. III, para 22	Management of Cooperating Partners	The External Auditor recommends that the registration of cooperating partners by country offices be made more reliable by completing the clean-up of their identifiers by the end of 2022 and preparing a guide for country offices on how to record data.	Extended to December 2024. Open. WFP is strengthening the management of cooperating partner data through continued investments in digital tools: the DOTS-based dashboards of "Cooperating Partners 360" and "Field Level Agreement Partnerships Tracker" provide a 360° view of operational and financial data of non-governmental partners by integrating cooperating partner-related data from WFP information network and global systems. Supported by the information sessions and online tutorials,	WFP introduced two DOTS-based dashboards, the "Cooperating Partners 360" and the "Field Level Agreement Partnerships Tracker". Both dashboards integrate data on non-governmental partners from WFP's corporate databases WINGS and COMET. The External Auditor notes that WFP has not yet prepared a guide for country offices on how to record data of their cooperating partners to improve the		X		

No	*Report reference*	*Report Name*	*Recommendation*	*Management Response*	*External Auditor's assessment*	*Status after verification*			
						Implemented	*Under implementation*	*Not implemented*	*overtaken by events*
				clarification on mandatory data recording, further advancement of the cooperating partner digitalization, and with the additional guidance to be developed, the country offices review and update the data entry practices for further improving cooperating partner data quality.	quality and completeness of the respective data in WINGS and COMET. The supporting material and tutorials focus on how to analyse data and do not cover the data input. Therefore, the recommendation remains under implementation.				
6	WFP/EB.A/2022/6-H/1 chap. III, para 27	Management of Cooperating Partners	The External Auditor recommends that a database of cooperating partners be created in order to facilitate their administration and reporting on their management.	Extended to December 2024. Open. In line with the management's update to paragraph 22, the cooperating partners database and automated data integration will facilitate and address the functional needs of country offices, regional bureaux, and headquarters divisions, including administration and reporting. Through filtering a wide range of data in the "Field Level Agreement Partnerships Tracker", cooperating partner managers and other relevant stakeholders can deep dive into partnerships data. The country offices will be guided on good data entry practices with additional guidance materials to be developed.	WFP introduced two DOTS-based dashboards, "Cooperating Partners 360" and "Field Level Agreement Partnerships Tracker". The "Field Level Agreement Partnerships Tracker" highlights in red the completion rate of underlying data. For the year 2023, the completion rate was below 50 percent, in some country offices below 10 percent. In the External Auditor's view, such low completion rates reduce the effectiveness and jeopardize the goal to facilitate cooperating partners management. The recommendation remains under implementation.		X		
7	WFP/EB.A/2022/6-H/1 chap. III, para 41	Management of Cooperating Partners	The External Auditor recommends that the WFP central governance arrangements for cooperating partnerships be clarified and unified by consolidating responsibilities in a single unit or division at headquarters and by adapting the Corporate Guidance on WFP Management of nongovernmental organization partnerships and the contractual agreement template to take into account government partners.	Extended to June 2024. Open. In mid-January 2024, the draft guidance was circulated among relevant stakeholders with valuable input received from various sources including programme areas, the regional bureaux, the Office of Evaluation, and the Risk Management Division. Efforts are underway to address the comments and refine the guidance, including clarifying the scope and form with the global assurance project team and developing a legal template in collaboration with the Legal Office. WFP notes that resource allocation challenges stemming from the organizational realignment have left uncertainties about completing this	The External Auditor takes note of WFP aim to clarify and consolidate guidance and organisational structure for cooperating partner management as part of its - not yet completed – global assurance plan. The recommendation remains under implementation.		X		

No	*Report reference*	*Report Name*	*Recommendation*	*Management Response*	*External Auditor's assessment*	*Status after verification*			
						Implemented	*Under implementation*	*Not implemented*	*overtaken by events*
				workstream. Therefore, delays on this deadline may occur until clarity on resource allocation and team leadership is obtained.					
8	WFP/EB.A/2022/6-H/1 chap. III, para 52	Management of Cooperating Partners	The External Auditor recommends that a partner capacity strengthening strategy be proposed as of 2022.	Extended to December 2024. Open. Following organization-wide restructuring, the responsibility for proposing a partner capacity strengthening strategy has been transferred to the Delivery Partnerships Unit, now situated within the Supply Chain and Delivery Division. Given the current financial constraints, WFP is planning to adjust the current approach to focus on providing technical guidance to help country offices align capacity building activities to the global assurance standards and to the forthcoming policy on localization.	The External Auditor notes WFP plans to finalize the non-government organizations capacity strengthening strategy by the end of 2024 and holds that WFP should expedite the finalization and implementation of the strategy. The recommendation remains under implementation.		X		
9	WFP/EB.A/2022/6-H/1 chap. III, para 76	Management of Cooperating Partners	The External Auditor recommends that consideration be given to extending the duration of field-level agreements to match that of country strategic plans, including both a framework agreement and a financing addendum.	Implemented. WFP's regulatory and legal framework allows country offices to enter into long-term field level agreements upon consideration of own operational, legal, and budgetary factors. The Delivery Partnerships Unit organized information sessions in 2023 for internal and external stakeholders, aimed at clarifying the nature of field level agreements framework that allows flexible arrangement of its duration without necessitating a full financial commitment. Concurrently, the Delivery Partnerships Unit developed a specific field level agreements guidance note to encourage country offices and non-governmental partners to contemplate longer-term partnership building, contingent upon the operational and risk contexts of their respective offices.	WFP has developed a specific guidance note on field level agreements to encourage country offices and partners to contemplate long-term partnership building, contingent upon the operational and risk contexts of their respective offices. The recommendation is considered to be implemented.	X			
10	WFP/EB.A/2022/6-H/1 chap. III, para 101	Management of Cooperating Partners	The External Auditor recommends that risk analyses be conducted systematically in the selection of cooperating partners and that the results be shared at the regional and central levels.	Extended to September 2024. Open. WFP is in the process of reviewing its internal risk control mechanisms for cooperating partner management processes, including systematic risk analysis in the selection of cooperating partners, informed by the results of the	The External Auditor notes that WFP is still in the process of reviewing internal risk control mechanisms for cooperating partners and plans to consider the results of the implementation of the global		X		

No	*Report reference*	*Report Name*	*Recommendation*	*Management Response*	*External Auditor's assessment*	*Status after verification*			
						Implemented	*Under implementation*	*Not implemented*	*overtaken by events*
				implementation of the global assurance plan and ongoing inter-agency discussions. Also, in view of the continuing efforts to harmonize partnership processes among the United Nations organizations, WFP actively participates in inter-agency discussions of the United Nations Partner Portal risk and capacity module, which will lead to developing a common guidance note and a standard procedure for sharing risk information through the United Nations Partner Portal.	assurance plan. The recommendation remains under implementation.				
11	WFP/EB.A/2022/6-H/1 chap. III, para 114	Management of Cooperating Partners	The External Auditor recommends that provision be made for the review by the local cooperating partner committees of any difficulties encountered in monitoring distributions	Extended to September 2024. Open. The Delivery Partnerships Unit will update the terms of reference for cooperating partners committee as part of WFP's efforts to strengthen the corporate guidance for non-governmental partnerships management. The updated terms of reference will encompass the review of partners' performance along with the corresponding performance improvement plan, including in the areas of distribution reporting, beneficiary targeting, financial management, and other internal control issues linked to activity implementation. Meanwhile, the ongoing global assurance plan corporate initiative necessitated a comprehensive review of current cooperating partners management control mechanisms. The updates on cooperating partners committee's terms of reference will be guided by the completed global assurance plan.	The update of the terms of reference for cooperating partners committee is still pending. The recommendation remains under implementation.		X		
12	WFP/EB.A/2022/6-H/1 chap. III, para 122	Management of Cooperating Partners	The External Auditor recommends that an improvement plan be presented to the cooperating partner committees for any partner with weaknesses, before any renewal of an agreement.	Extended to September 2024. Open. In line with the management's update to paragraph 114, the cooperating partners committee's terms of reference will be updated in the guidance framework to reflect strengthened procedures for the renewal of agreements.	The update of the terms of reference for cooperating partners committee is still pending. The recommendation remains under implementation.		X		

No	Report reference	Report Name	Recommendation	Management Response	External Auditor's assessment	Status after verification			
						Implemented	Under implementation	Not implemented	overtaken by events
13	WFP/EB.A/2022/6-H/1 chap. III, para 130	Management of Cooperating Partners	The External Auditor recommends strengthening the role of the regional bureaux in training, facilitation, verification and reporting to headquarters with regard to cooperating partners.	Implemented. In 2023, WFP allocated additional funding to reinforce the cooperating partners management function at regional bureaux, establishing the staffing structure and building appropriate capacity. All regional bureaux established a staffing structure designed to enhance the effectiveness of the cooperating partners management function and offer technical support to their respective country offices. Regional bureaux have completed the recruitment for the function while some will continue to hire and build functional capacity, as needed. Simultaneously, the Delivery Partnerships Unit continues to provide second line support and strengthen the corporate standard framework for the function. The new structure also reinforces the reciprocal flow of information concerning cooperating partners management standards and guidance.	WFP strengthened the cooperating partner management function at regional bureaux in 2023 by establishing longer-term staffing structure and providing training. The recommendation is considered implemented.	X			
14	WFP/EB.A/2022/6-H/1 chap. III, para 135	Management of Cooperating Partners	The External Auditor recommends that annex IX of the annual performance report, insofar as it relates to cooperating partners, be supplemented.	Implemented. The Delivery Partnerships Unit, with support from the Corporate Planning, Budgeting and Reporting Service, upgraded annex VIII of the 2022 annual performance report, which provides enhanced quantitative and qualitative information including: • the total number of global and local non-governmental partners; • insights on the percentage of funding channelled via local actors; • overview of all cooperating partners by entity type (international and local non-governmental organizations, government counterparts, academia, private sector); and • percentage of cooperating partners by programme area.	The External Auditor notes that WFP enhanced annex VIII of the 2022 annual performance report with quantitative and qualitative information on non-governmental organisations acting as partners of WFP (e.g. total number of global and local non-governmental partners, number of the funds channelled through non-governmental partners and an overview of joint actions by WFP and the non-governmental partner to advocate on their partnerships). The recommendation is considered implemented.	X			

No	*Report reference*	*Report Name*	*Recommendation*	*Management Response*	*External Auditor's assessment*	*Status after verification*			
						Implemented	*Under implementation*	*Not implemented*	*overtaken by events*
15	WFP/EB.A/2022/6-H/1 chap. III, para 138	Management of Cooperating Partners	The External Auditor recommends that quantitative data on partnerships with local non-governmental organizations be included in annual country reports.	Extended to March 2025. Open. WFP embedded a new mandatory sub-section on localization in the 2023 annual country reports allowing country offices to articulate annual results from a qualitative and quantitative perspective. This was complemented by an in-person training and five global webinars provided to regional bureaux and focal points focusing on the new report structure, including the increasing importance of localization, and reporting measurable results on partnerships. As ongoing development of a WFP localization policy would form key considerations for advancing the agenda, the annual country reports reporting requirement will further be specified and standardized to allow cross-country analysis.	WFP added a new mandatory sub-section on localization in the 2023 annual country reports. The External Auditor found, however, that WFP did not set up mandatory minimum reporting requirements for this new sub-section. Thus, the information provided by the country offices varied, e.g., some country offices reported in absolute figures, while others used ratios; and some provided one figure including all partnerships. The diversity in the data does not allow for comparison between the country operations. Also, best practices are difficult to identify. The recommendation is considered to be under implementation.		X		
16	WFP/EB.A/2022/6-I/1 chap. III, para 28	Oversight by Management	The External Auditor recommends that the concept of oversight as used at WFP be clarified and standardized.	Extended to February 2026. Open. By end 2025, WFP will reinforce its approach to holistic accountability through a stand-alone accountability and oversight framework considering results of various oversight reviews, including the Joint Inspection Unit accountability framework review, the ongoing governance review commissioned by the WFP Executive Board in 2023 and the 2022 External Auditor review of oversight by management. WFP will submit the accountability and oversight framework to the Executive Board for approval at its first regular session in February 2026. Through this exercise, WFP will clarify the definition of oversight in relation to first-, second-, and third-line responsibilities in an updated accountability and oversight framework.	The External Auditor takes note of the ongoing reviews and the plan of WFP to submit an updated accountability and oversight framework in February 2026. The recommendation is considered to be under implementation.		X		

No	Report reference	Report Name	Recommendation	Management Response	External Auditor's assessment	Status after verification			
						Implemented	*Under implementation*	*Not implemented*	*overtaken by events*
17	WFP/EB.A/2022/6-I/1 chap. III, para 35	Oversight by Management	The External Auditor recommends that the roles performed by the various oversight structures be clarified.	Extended to June 2024. Open. WFP concluded the second phase of organizational restructuring in January 2024 with a new structure, effective 15 February 2024. The Office of the Chief of Staff is revising the Executive Director's circular on executive management (OED2020/017) to create two separate circulars covering the Leadership Group, the Senior Management Group and the Oversight and Policy Committee, aiming to enhance clarity on management's oversight roles. Given the wide implications of the changes, including the new composition of the Leadership Group, the two circulars will be issued following consultations, and as part of broader ongoing efforts to refine the governance process at headquarters level.	The External Auditor takes note of the ongoing organizational restructuring and its impact on the definition of roles. Therefore, the recommendation is considered to be under implementation.		X		
18	WFP/EB.A/2022/6-I/1 chap. III, para 35	Oversight by Management	The External Auditor recommends that the Enterprise Risk Management Division be repositioned at a level better suited to the role it plays in respect of risk management.	Implemented. WFP concluded the second phase of its organizational restructuring in January 2024 with a new structure, effective 15 February 2024. The revised structure aims to foster a more streamlined, integrated, and collaborative work process across WFP headquarters. As part of the changes in the new structure, the Risk Management Division is repositioned with direct reporting to the Deputy Executive Director and Chief Operating Officer. This realignment is designed to enhance risk leadership throughout WFP, ensuring the seamless integration of risk management into decision-making across the organization, as recommended by the External Auditor.	Since January 2024, the Risk Management Division reports directly to the Deputy Executive Director and Chief Operating Officer. The recommendation is considered to be implemented.	X			
19	WFP/EB.A/2022/6-I/1 chap. III, para 48	Oversight by Management	The External Auditor recommends that the meaning of the term "monitoring" be clarified in order to better distinguish the responsibilities of the three lines of defence.	Extended to February 2026. Open. In line with management's update to paragraph 28, the Risk Management Division will update the 2018 WFP oversight framework and clarify the use and understanding of the word "monitoring" from the perspective of the first and second lines.	In view of the ongoing reviews and the planned updated accountability and oversight framework in February 2026, the recommendation is considered to be under implementation.		X		

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						Implemented	Under implementation	Not implemented	overtaken by events
20	WFP/EB.A/2022/6-I/1 chap. III, para 72	Oversight by Management	The External Auditor recommends that the regional bureaux more accurately and reliably measure the number of oversight missions they undertake and the respective weight of their oversight, technical support and strategic direction activities.	Implemented. WFP endorsed a straightforward approach for regional bureaux to estimate the weight of their management oversight activities to enable a better allocation of resources to meet their responsibilities. Furthermore, the monitoring and accounting for the number of oversight missions is embedded in the annual oversight planning exercise of the regional bureaux. In March 2023, WFP issued the Executive Director's circular on framework for management oversight at WFP (OED2023/007) clarifying the expectations for oversight conducted by regional bureaux and global functions in their second line capacity, while emphasizing that oversight is enabled by continuous activities stemming from the various oversight processes in WFP.	The External Auditor takes note of the endorsed approach to estimate the weight of regional bureaux oversight activities and the Executive Director's circular on framework for management oversight at WFP (OED2023/007). The recommendation is considered to be implemented.	X			
21	WFP/EB.A/2022/6-I/1 chap. III, para 85	Oversight by Management	The External Auditor recommends the introduction in all country offices of a mechanism for following up recommendations made by the regional bureau, as is done for recommendations from internal and external audits, for example in the R2 risk and recommendation management tool.	Extended to December 2024. Open. Regional bureaux have internal follow-up mechanisms in place for the monitoring and reporting of management oversight recommendations and some have developed relevant standard operating procedures and guidance notes. In view of the External Auditor's recommendations, WFP will review the existing follow-up mechanisms and identify areas for improvement and standardization to ensure a robust monitoring process at regional level. Also, WFP will continue to explore opportunities to automate through the corporate risk and recommendation tracking tool (R2).	The External Auditor visited three Regional Bureaux and found that each Regional Bureau had developed its own follow-up mechanism. The solutions were often manual and country offices did not have access to the data. The External Auditor holds that WFP should explore further options - besides the corporate risk and recommendation tracking tool (R2) - for a harmonized approach to the follow-up process. The recommendation remains under implementation.		X		
22	WFP/EB.A/2022/6-I/1 chap. III, para 103	Oversight by Management	The External Auditor recommends that automated risk reporting be strengthened through the use of data input forms that make it possible to transfer information to the R2 software and to track successive changes.	Extended to December 2024. Open. The Risk Management Division implemented the automation of uploads of risks to the risk and recommendation tracking tool (R2) using robotic processing in the fourth quarter of 2023. The tracking tool currently holds risk registers since 2019 and the live data entry of	The External Auditor takes note of the WFP plan to roll out the enhancements by the end of 2024. The recommendation remains under implementation.		X		

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				risks and mitigating actions is being piloted in five country offices starting in May 2024, with an expected roll out to all country offices in the third quarter of 2024.					
23	WFP/EB.A/2022/6-A/1 sec. 1, chap. III, para 45	Audited Annual Accounts 2021	The External Auditor recommends to update all documents relating to the management of funding agreements, in particular with regard to delegations of authority and agreement templates.	Implemented. Executive Director's circular on the delegation of authority to sign contributions agreements and accept contributions from donors to WFP (OED2023/013) issued in August 2023 delegates the authority to sign contribution agreements and accept contributions from donors to WFP to the Assistant Executive Director, Partnerships and Advocacy. Paragraph 5 of the circular notes that the Assistant Executive Director, Partnerships and Advocacy also has the authority to sub-delegate this authority to other WFP officials in writing, as deemed appropriate. Furthermore, the update of funding agreement templates is addressed in the ongoing changing donor landscape project.	The Executive Director issued a new circular on delegation of authority for signing and accepting contribution agreements. The External Auditor considers the recommendation as implemented.	X			
24	WFP/EB.A/2022/6-A/1 sec. 1, chap. III, para 47	Audited Annual Accounts 2021	The External Auditor recommends to revise the directives, circulars and guidance documents on the management of funding agreements to ensure consistency and to include, as appropriate, a decision tree that specifies the consultations and decisions at each stage, depending on the circumstances and types of contributions.	Extended to December 2024. Open. Following the issuance of the Executive Director's circular on the delegation of authority to sign contributions agreements and accept contributions from donors to WFP (OED2023/013), the changing donor landscape working groups have drafted decision trees for different types of non-standard clauses in contribution agreements, including the update of funding agreement templates, to streamline the decision making process and ensure consistency and appropriate consultation at each stage of negotiation. The determinations of the working groups have been translated into guidance for partnerships officers, pending approval.	Working groups have drafted decision trees and templates. The approval of the new guidance is still pending. The External Auditor considers the recommendation as under implementation.		X		

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25	WFP/EB.A/2022/6-A/1 sec. 1, chap. III, para 47	Audited Annual Accounts 2021	The External Auditor recommends to formally include in applicable directives, circulars and guidance documents the requirement to seek the advice of the Chief Financial Officer, prior to any decision to offer a donor a reduced rate of indirect support cost recovery and prior to the approval of any contribution with such a reduced rate.	Implemented. Paragraph 6 of the Executive Director’s circular on the delegation of authority to sign contributions agreements and accept contributions from donors to WFP (OED2023/013) requires the approval of the Chief Financial Officer on departures from the principle of full-cost recovery, which includes the application of a rate other than the standard indirect support cost rate established by the Executive Board, in accordance with the relevant administrative issuances before a contribution is accepted or a contribution agreement is signed.	The Executive Director issued a new circular on delegation of authority for signing and accepting contribution agreements which includes the recommended requirement. The External Auditor considers the recommendation as implemented.	X			
26	WFP/EB.A/2023/6-G/1 chap. C, para 27	Fuel management	The External Auditor recommends that WFP evaluate the contract duration of the long-term agreements for the provision of aviation fuel and consider using the option to extend their duration instead of starting a new tender.	Implemented. WFP extended contracts for the provision of aviation fuel, where possible and acceptable to the vendor, and entered new contracts to ensure adequate supply. The fuel supply contracts are for a duration of two years with an option to extend annually up to a maximum of five years.	The External Auditor takes note of the extended contracts and the prolonged standard duration period. The External Auditor considers the recommendation as implemented.	X			
27	WFP/EB.A/2023/6-G/1 chap. C, para 29	Fuel management	The External Auditor recommends that WFP explore how to attract more suppliers for aviation fuel, for example by going to market with other United Nations entities or by creating suitable baskets to cover as many required airfields as possible.	Implemented. WFP initiated discussions with the United Nations Secretariat to promote cooperation on the procurement of Jet A-1 fuel, as the United Nations Secretariat is the only other United Nations entity procuring large quantities of this fuel type. In late 2022, WFP issued the first tender including quantities and locations provided by the United Nations Secretariat, applying the concept of baskets (i.e., location and type of service required based on location), ensuring that WFP selects the most appropriate suppliers based on specific services needed. As a result, the United Nations Secretariat is currently using WFP contracts for the provision of aviation fuel for efficiency gains.	WFP collaborates with the United Nations Secretariat in the area of aviation fuel. The External Auditor considers the recommendation as implemented.	X			

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28	WFP/EB.A/2023/6-G/1 chap. C, para 31	Fuel management	The External Auditor recommends that WFP ensure that a long-term agreement for the provision of aviation fuel be signed before it calls-off fuel under its terms.	Implemented. The Supply Chain and Delivery Division reviewed long-term agreements for the provision of aviation fuel ensuring that all agreements are signed.	The External Auditor reviewed contracts amendments and new contracts and found that they were signed in time. The recommendation is considered to be implemented.	X			
29	WFP/EB.A/2023/6-G/1 chap. C, para 38	Fuel management	The External Auditor recommends that WFP review and update the supplier roster at least once per year.	Extended to July 2025. Open. In June 2023, the Supply Chain and Delivery Division established the Supplier Relationship Management Unit, which aims to harmonize and optimize the management of WFP suppliers, improving due diligence, transparency, and effectiveness at every stage of the process. The Supply Chain and Delivery Division will implement a unified and harmonized vendor qualification/registration process mapping including due diligence process, appropriate internal controls mechanism, segregation of duties, supplier roster management, and defined timelines, in phases for food and goods and services vendors with extension to fuel vendors in 2024 and 2025.	WFP is in the process of implementing a unified and harmonized vendor qualification/registration process. The recommendation remains under implementation.		X		
30	WFP/EB.A/2023/6-G/1 chap. C, para 52	Fuel management	The External Auditor recommends that WFP monitor how country offices and regional bureaux manage fuel provision for vehicles; evaluate the reasons for the lack of long-term agreements; and support offices by sharing best practice.	Extended to June 2024. Open. WFP engaged a fuel expert to identify gaps in bulk fuel management practices to inform the preparation of corporate guidance to address them. The survey conducted across all country offices indicated that the absence of long-term agreements for fuel procurement stems from the fixed pricing structure in certain offices while others have relatively modest fleet size, thus, reducing potential suppliers' interest in these contractual engagements. To support country offices in fuel management best practices, the Management Services Division enhanced the annual internal controls survey to incorporate additional fuel procurement related questions and is	The External Auditor takes note of the ongoing reviews and the planned improvements. Until results are available, the recommendation remains under implementation.		X		

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				developing a comprehensive fleet training course (completion by June 2024).					
31	WFP/EB.A/2023/6-G/1 chap. C, para 54	Fuel management	The External Auditor recommends that WFP reduce cash payments for vehicle fuel.	WFP conducted a desk review which indicated that cash payments were utilized mostly in areas where WFP's contracted fuel suppliers have no presence or for suppliers requiring cash payments only, particularly during fuel crises. Similarly, the global survey determined that the use of cash was for emergencies only or locations where contracted suppliers are not available. WFP will continue to improve its processes and provide guidance to effectively manage fuel cash payments including providing visibility to field offices to avoid emergency fuel requirements and upgrading the Fleet Management System fuel module to capture all payment modalities.	The External Auditor takes note of the survey and the planned improvements. The recommendation remains under implementation.		X		
32	WFP/EB.A/2023/6-G/1 chap. C, para 63	Fuel management	The External Auditor recommends that WFP monitor the launch of the fuel application and evaluate its impact on the data quality in the Fleet Management System.	Implemented. WFP developed the fuel application (Fleetwave) implementation dashboard, which is currently available to all country offices that have implemented Fleetwave. This tool streamlines the evaluation process and allows country offices to track implementation of fuel application in real time and includes an analysis of the impact of data quality in terms of completeness, accuracy, and timeliness. The Management Services Division has been tracking various metrics to ascertain improvements in Fleet Management System data quality including data entry time, data validation, completeness of fuel transactions, and drivers' utilization of Fleetwave.	The External Auditor takes note of the reviews by the Management Services Division. The External Auditor considers the recommendation to be implemented.	X			
33	WFP/EB.A/2023/6-G/1 chap. C, para 65	Fuel management	The External Auditor recommends that WFP explore further options on how to improve data quality in the Fleet Management System, e.g., by automated data transfers from the supplier's database or by uploading data reports.	Extended to September 2024. Open. WFP engaged the Fleet Management System supplier to upgrade the fuel module for light vehicles and to explore the possibility of integrating Fleet Management System with fuel suppliers by automating the data transfer from the supplier's database, thus, improving	The External Auditor takes note of the WFP plan to roll out the fuel application and explore options to improve the data quality. The recommendation remains under implementation.		X		

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				data quality. The project's first phase was completed in March 2024, with focus on assessing and defining the business requirements to enhance the fuel module. The second phase involves the development of the Fleet Management System fuel module (completion by September 2024). For heavy vehicles, the Supply Chain and Delivery Division plans to complete the roll-out of Fleet Management System Fuel App to all country offices with global fleet trucks by the end of the third quarter of 2024.					
34	WFP/EB.A/2023/6-G/1 chap. C, para 79	Fuel management	The External Auditor recommends that WFP revise the dashboard of the Fleet Management System to provide a concise and visual summary of key information in a way that is easy to understand and to analyse; and inform country offices about the changes and how to use the dashboard for decisions.	Implemented. WFP streamlined the Fleet Management System dashboard for light and heavy vehicles to provide concise and relevant key performance indicators which are useful to country offices and regional bureaux. The redesign allows field users to focus on the most critical indicators and enhances overall user experience. The standard operating procedures are under finalization while a comprehensive fuel analysis reporting was developed and launched in April 2024. The development of the training materials in the areas of fleet management systems are expected to be completed by June 2024.	WFP has redesigned the dashboard. The External Auditor considers the recommendation to be implemented.	X			
35	WFP/EB.A/2023/6-G/1 chap. C, para 81	Fuel management	The External Auditor recommends that WFP consider abolishing the quarterly reports after the revision of the dashboard of the Fleet Management System.	Implemented. WFP launched a dashboard to replace the quarterly reports. The dynamic dashboard offers comprehensive interactivity, encompassing fleet summary, fleet asset, fleet utilization, fleet fuel analysis, fleet maintenance, and fleet operational cost. The dashboard also features key performance indicators at the global, regional, and country office levels and ensures real time access to data. The dashboard is intended for country office management, heads of administration, and fleet managers, catering to diverse stakeholders with relevant and customizable data.	WFP launched a new dashboard that replaces the quarterly reports. The recommendation is considered to be implemented.	X			

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						Implemented	Under implementation	Not implemented	overtaken by events
36	WFP/EB.A/2023/6-G/1 chap. C, para 83	Fuel management	The External Auditor recommends that headquarters track the implementation status of its "Fleet Optimization Mission" recommendations.	Implemented. WFP developed a global tracking tool for the implementation of its "Fleet Optimization Mission" recommendations. In addition, the format of the fleet optimization report was streamlined to highlight key recommendations, making it easier to monitor and track progress of implementation.	WFP developed a tracking tool. The External Auditor considers the recommendation as implemented.	X			
37	WFP/EB.A/2023/6-G/1 chap. C, para 90	Fuel management	The External Auditor recommends that WFP establish a process to record the provision and reversal of accruals under the same expense accounts as the actual expense postings.	Implemented. WFP revised the accrual process from second quarter of 2023 and actual accounts are used for posting rather than adjustment accounts.	WFP revised the accrual process from second quarter of 2023. The External Auditor considers the recommendation as implemented.	X			
38	WFP/EB.A/2023/6-G/1 chap. C, para 94	Fuel management	The External Auditor recommends that WFP ensure that corrections for donor reporting purposes are not recorded in subsequent financial years.	WFP Finance in consultation with the partnership teams updated the guidelines on United Nations contributions which mostly have budget restrictions that are impacting donor reporting. The guidelines were disseminated to the country offices in November 2023, emphasizing the importance of timely action and within the respective financial year. The business process was also improved to start following up with the country offices ahead of time to ensure any corrections are processed timely.	The 2023 sample review revealed that WFP recorded expenses in subsequent years to comply with terminal disbursement dates and donor reporting. The External Auditor reiterates the recommendation as part of the current audit report and considers the previous recommendation as overtaken by events.				X
39	WFP/EB.A/2023/6-G/1 chap. C, para 100	Fuel management	The External Auditor recommends that WFP capitalize fuel that is held on stock to improve oversight on fuel management.	Extended to December 2024. The new accounting model was planned to be piloted in one country office at the end of 2023, however, due to the start of the conflict it was postponed. The new pilot country is selected for the roll-out, the global roll-out plan will be confirmed after the pilot run.	Due to a crisis situation, WFP had to change the pilot country which delayed the introduction process of the new accounting model. The recommendation is considered to be under implementation.		X		

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						Implemented	*Under implementation*	*Not implemented*	*overtaken by events*
40	WFP/EB.A/2023/6-G/1 chap. C, para 104	Fuel management	The External Auditor recommends that WFP establish a corporate guidance on the accounting processes of aviation, vehicle and facility fuel providing instructions on the consistent asset recognition and management of fuel.	Extended to December 2024. The implementation of this recommendation is conditional on the implementation of the recommendation in paragraph 100.	Due to a crisis situation, WFP had to change the pilot country which delayed the introduction process of the new accounting model. The recommendation is considered to be under implementation.		X		
41	WFP/EB.A/2023/6-G/1 chap. C, para 116	Fuel management	The External Auditor recommends that WFP record and regularly monitor the data on energy production of its solar power systems and analyse the reasons for low energy production.	Extended to June 2024. Open. WFP undertook an inventory and verification of its solar power systems and established a repository for operational solar systems in over 110 locations across 35 countries where WFP operates or has presence. Also, WFP will adopt the “Unite Field Remote Infrastructure Monitoring” which will enable live monitoring of solar energy production and consumption, improving data quality and reducing manual data collection. WFP completed a proof-of-concept for network compatibility at headquarters and selected field locations and purchased energy meters for deployment to WFP offices and installation of these energy meters in approximately 500 locations covering 75 percent of energy consumption globally starting in the second quarter of 2024.	The External Auditor takes note of the planned actions. The External Auditor holds that WFP should make best possible use of the available systems. Before new solutions are considered, WFP must justify the need. Also, WFP must ensure a cost-effective solution. The recommendation remains under implementation.		X		
42	WFP/EB.A/2023/6-G/1 chap. C, para 118	Fuel management	The External Auditor recommends that WFP analyse the reasons for low energy production of its solar power systems and ensure that all systems are properly operated and maintained.	Implemented. WFP undertook an analysis of the low energy production of its solar panels. The factors affecting optimal efficiencies include environmental site conditions, lack of employee capacity, and lack of energy production monitoring for timely resolution of inefficiencies. WFP established an operational solar systems repository as part of WFP’s Annual Environmental Footprint exercise to be completed by November 2024. To support enhanced reporting of WFP’s solar system energy production, another module was added with a new solar reporting tab.	WFP has analysed the reasons and implemented first measures to address the recommendation. The recommendation is considered to be implemented.	X			

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						Implemented	Under implementation	Not implemented	overtaken by events
				Also, WFP issued the Solar Photovoltaic System Operation and Maintenance Guidelines in November 2023 to support country offices in developing maintenance plans appropriate to local contexts and photovoltaic system.					
43	WFP/EB.A/2023/6-F/1 chap. C, para 15	Support services	The External Auditor recommends that WFP define mandatory criteria for the registration of goods and services suppliers and consider differentiating between different levels of registration.	Extended to July 2025. Open. In June 2023, the Supply Chain and Delivery Division established the Supplier Relationship Management Unit, which aims to harmonize and optimize the management of WFP suppliers, improving due diligence, transparency, and effectiveness at every stage of the process. The Supply Chain and Delivery Division will implement a unified and harmonized vendor qualification/registration process mapping including due diligence process, appropriate internal controls mechanism, segregation of duties, supplier roster management, and defined timelines.	The External Auditor takes note of the ongoing supplier management review. The recommendation remains under implementation.		X		
44	WFP/EB.A/2023/6-F/1 chap. C, para 23	Support services	The External Auditor recommends that WFP define the minimum requirements that a supplier has to fulfil to be included in the supplier roster; and provide respective guidance to the offices outside headquarters.	Extended to July 2025. Open. In line with the management response to paragraph 15, the supplier management review project will establish and maintain supplier rosters, including updated minimum requirements for suppliers on a roster. WFP is developing the guidelines and categorizing suppliers in the context of the supplier relationship management project and procurement business process review.	The External Auditor takes note of the ongoing supplier management review. The recommendation remains under implementation.		X		
45	WFP/EB.A/2023/6-F/1 chap. C, para 29	Support services	The External Auditor recommends that WFP review how to record, track and monitor long-term agreements for the provision of goods and services systematically to ensure complete and up-to-date information.	Implemented. WFP implemented the extension of the outline agreement functionality in WINGS which provides a means to record, track, and monitor long-term agreements. Within WINGS, outline agreements and their associated purchases are recorded and tracked to facilitate the ongoing monitoring of their validity and the associated expenditures in a transparent and efficient manner.	WFP records outline agreements in WINGS. The External Auditor encourages WFP to promote this functionality also to country offices and regional bureaux. The recommendation is considered to be implemented.	X			

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46	WFP/EB.A/2023/6-F/1 chap. C, para 37	Support services	The External Auditor recommends that WFP stipulate that, as a general rule, at least three quotations that meet WFP's requirements must be obtained; and define in which cases it is justified to request only one quotation before awarding an MPO.	Extended to December 2024. The WFP goods and services procurement manual sections 5.1.2 and 6.3.1 and guides on micro-purchase order (MPO) outline the requirements of the MPO process which state that three quotations must be obtained prior to awarding the MPO and a clear justification must be provided if fewer are obtained. In addition, the Supply Chain and Delivery Division continues to guide the requesting units on MPO compliance by conducting regular refresher trainings for MPO focal points and performing compliance checks to ensure adherence.	The audit found that while staff requested three quotations, these often did not meet the requirements. The External Auditor holds that the stipulations in the manual and in the circular do not clarify sufficiently that three quotations are required that meet the requirements. The training material also indicates that it is sufficient to contact three suppliers. The recommendation remains under implementation.		X		
47	WFP/EB.A/2023/6-F/1 chap. C, para 38	Support services	The External Auditor recommends that WFP strengthen its review and oversight regarding MPOs of headquarters' divisions and offices outside headquarters to ensure compliance, to offer advice and to identify options for consolidated procurement.	Open. The Supply Chain and Delivery Division will collect the MPO assurance statements from all regional bureaux on a quarterly basis and conduct a short compliance check on randomly sampled MPOs, after the regional bureaux have undertaken the compliance check of their respective country offices. For headquarters, the quarterly MPO assurance statements must be collected by headquarters procurement officers of the requesting units and submitted to the Supply Chain and Delivery Division for random compliance check. An analysis will be conducted by the new procurement domain manager and category managers to determine which MPO categories need to be considered for long-term agreements. Also, the Supply Chain and Delivery Division is currently implementing a DOTS dashboard for tracking MPOs.	WFP plans to change the process. The recommendation remains under implementation.		X		

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48	WFP/EB.A/2023/6-F/1 chap. C, para 47	Support services	The External Auditor recommends that WFP consider to centralize the procurement functions at headquarters in one branch.	Open. The new organizational structure streamlines the functions of logistics; procurement; shipping; aviation; delivery assurance (cash and in-kind); and cooperating and standby partners engagement under the Supply Chain and Delivery Division to ensure a coordinated and collaborative approach for managing programme and operations at WFP. Consideration to centralize the procurement functions in one branch under the new Supply Chain and Delivery Division will be made in the course of 2024.	WFP is implementing a new organizational structure. The recommendation remains under implementation.		X		
49	WFP/EB.A/2023/6-F/1 chap. C, para 56	Support services	The External Auditor recommends that WFP establish a corporate guidance or instruction on electronic record-keeping for personnel files, including a consistent e-file structure and a naming convention for documents.	Open. WFP, supported by various consultations, is developing corporate guidance and instructions on electronic record-keeping for employee files, including the implementation of a consistent structure and naming convention.	The External Auditor notes that WFP plans to use the Human Capital Management Workday platform (Workday) for electronic record-keeping for personnel files. The recommendation remains under implementation.		X		
50	WFP/EB.A/2023/6-F/1 chap. C, para 68	Support services	The External Auditor recommends that WFP continue to regularize posts in line with staffing needs and the stipulations of the Staffing Framework.	Open. WFP continues to regularize positions in line with staffing needs and requirements of WFP staffing framework, whose transition period is expected to run until the end of 2025. WFP is using a dashboard and other resources to regularly monitor and support implementation. Since September 2021 when the WFP staffing framework was issued, WFP has reduced the proportion of employees on short-term contracts and already achieved its end-2025 target of 46 percent. Discussions will be initiated on the establishment of a new target, considering the ongoing organizational restructuring and funding constraints.	The transition period of the WFP staffing framework lasts until the end of 2025. The recommendation remains under implementation.		X		

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51	WFP/EB.A/2023/6-F/1 chap. C, para 82	Support services	The External Auditor recommends that WFP accelerate the approval of the documents for the disaster recovery procedures, include clear references and linkages between the different documents, and establish and implement the disaster recovery test plan and the disaster recovery test schedule.	Implemented. The Technology Division finalized the: (i) the Technology Division business continuity plan that outlines the systems' recovery strategy by building a general framework for processes, roles and responsibilities; and (ii) the master disaster recovery plan that orchestrates the recovery of critical systems following a tabletop exercise in 2023, which examined processes and procedures on the implementation of recovery plans for the individual critical systems. The Technology Division embedded a business continuity workstream in its Foundational Technology Services Branch workplan and the upcoming drills will be scheduled for the fourth quarter of 2024.	The business continuity and disaster recovery plans have been finalized and approved. WFP has also established test plans and test schedules. The recommendation is considered to be implemented.	X			
52	WFP/EB.A/2023/6-F/1 chap. C, para 83	Support services	The External Auditor recommends that WFP create a new guideline and a template for disaster recovery planning of the country offices and regional bureaux as soon as possible.	Extended to June 2024. Open. The Technology Division, in collaboration with the Corporate Business Continuity Management Team, issued a new business continuity template for country offices and regional bureaux, complementing other ongoing emergency preparedness initiatives. The Technology Division will issue the disaster recovery template for country offices and additional guidance within the next few months.	The External Audit takes note of the issuance of the business continuity template. WFP plans to issue the template for disaster recovery planning in June 2024. The recommendation remains under implementation.		X		
53	WFP/EB.A/2023/6-F/1 chap. C, para 93	Support services	The External Auditor recommends that WFP review the current IT landscape to identify overlapping capabilities/solutions and to avoid duplications.	Open. The Technology Division completed the business capability mapping exercise, as part of the establishment of WFP's Enterprise Architecture function. Also, the Technology Division completed the deliverables from the project for the target architecture definition for core WFP processes and will present to the Digital Business and Technology Committee for endorsement in the second quarter of 2024.	In December 2023, WFP completed the review exercise and drafted a target architecture. The assessment and implementation of the target architecture is still pending. The recommendation remains under implementation.		X		

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				The capability mapping exercise implementation is bound to the launch of the application rationalization process that will work on identified overlaps and optimization of WFP systems and applications. As the funding for this initiative might be impacted by the latest budget projections, the Technology Division is currently unable to commit to specific timelines.					
54	WFP/EB.A/2023/6-F/1 chap. C, para 94	Support services	The External Auditor recommends that WFP strengthen the authority of the Technology Division regarding the implementation of new IT solutions.	Open. The Technology Division deployed a new IT delivery process and related guidance, aligned with organizational needs and tailored to high-risk systems and solutions. The development of an accompanying governance framework is underway. In the process, the Technology Division notes the preliminary results of the single accountability model Initiative project pilot run, as well as the ongoing organizational restructuring that will review roles and responsibilities of headquarters, regional bureaux and country offices. It also considers the results of the Technology Division strategic workforce planning initiative, which aims to strengthen IT officers' strategy-oriented skills, reinforcing their ability to lead or support local IT initiatives in collaboration with main stakeholders.	The current organizational restructure initiative will look into roles and responsibilities of headquarters, regional bureaux and country offices. The recommendation remains under implementation.		X		
55	WFP/EB.A/2023/6-F/1 chap. C, para 102	Support services	The External Auditor recommends that the Technology Division review the IT policies to ensure that the documents are up to date and needed; and enable easy access to the information.	Implemented. In August 2023, the Technology Division issued the decision memorandum on the Technology Division policy portfolio, codifying the results of its review of policies and other related documents monitored by the Technology Division and related recommended actions. Also, the Technology Division disabled access to the obsolete information and technology manual and updated the online governance repository of IT policies, guidelines and standards in line with the decision memorandum on the	WFP conduced a review in August 2023, updated IT policies and published an overall list for easy access in January 2024. The recommendation is considered to be implemented.	X			

No	Report reference	Report Name	Recommendation	Management Response	External Auditor's assessment	Status after verification			
						Implemented	Under implementation	Not implemented	overtaken by events
				Technology Division policy portfolio and the WFP information and technology knowledge management strategy 2023-2026. An annual review of the Technology Division policy portfolio will be performed in accordance with the Technology Division policy cycle management information note.					
56	WFP/EB.A/2023/6-A/1 sec. 1, chap. C, para 24	Audited Annual Accounts 2022	The External Auditor recommends that WFP show in Statement V of the financial statements a comparison of the final budget with the final implementation plan and not only with the implementation plan at the beginning of the year.	Implemented. WFP presented the final implementation plan in lieu of the original implementation plan in Statement V of the 2023 Financial Statements.	The External Auditor acknowledges the disclosure of the final implementation plan in the Statement V and considers the recommendation to be implemented.	X			
57	WFP/EB.A/2023/6-A/1 sec. 1, chap. C, para 38	Audited Annual Accounts 2022	The External Auditor recommends that WFP ensure a comprehensive data management of all contribution agreements including annexes and make them electronically available to all relevant staff.	Open. Functional and technical requirements for the knowledge management system have been finalized, with a competitive request for proposal scheduled for launch in April 2024.	The External Auditor takes note of the planned actions and considers the recommendation as under implementation.		X		
58	WFP/EB.A/2023/6-A/1 sec. 1, chap. C, para 43	Audited Annual Accounts 2022	The External Auditor recommends that WFP ensure a coherent and more standardized wording for future contribution agreement negotiations to facilitate the management of and accounting for contribution agreements.	Open. To support the consistent use of standardized wording for contribution agreement negotiations, WFP developed guidelines, which are currently under final review and drafted an Executive Director's circular to clarify functional roles and responsibilities in negotiating and clearing agreements and their clauses.	The External Auditor takes note of the draft guidelines and the Executive Director's circular. The External Auditor considers the recommendation as under implementation.		X		
59	WFP/EB.A/2023/6-A/1 sec. 1, chap. C, para 49	Audited Annual Accounts 2022	The External Auditor recommends that WFP improve its internal control over locally negotiated contribution agreements by requesting a sign-off procedure at the country offices.	Implemented. The updated Executive Director's circular for delegation of authority (OED2023/13) and Partnerships and Innovation Department directive for sub-delegation of authority to sign contributions agreements and accept contributions from donors were issued effective 1 August and 9 August 2024, respectively. The updated instruments meet the agreed requirements including (a) only contribution agreements with standard terms and conditions may be	The Executive Director issued a new circular on delegation of authority for signing and accepting contribution agreements which includes the recommended requirements for locally negotiated contributions. The External Auditor considers the recommendation as implemented.	X			

No	*Report reference*	*Report Name*	*Recommendation*	*Management Response*	*External Auditor's assessment*	*Status after verification*			
						Implemented	*Under implementation*	*Not implemented*	*overtaken by events*
				signed at regional bureau and country office level; and (b) all contribution agreements with exceptions or non-standard terms and conditions will require pre-approval by the designated Director in the Partnerships and Innovation Department and the Chief Financial Officer, and Legal Office, where applicable.					
60	WFP/EB.A/2023/6-A/1 sec. 1, chap. C, para 53	Audited Annual Accounts 2022	The External Auditor recommends that WFP consider the development of an identifier for contribution payments to automatically match incoming payments with open contributions receivable.	Open. The cross-functional working group reviewed current processes and agreed on the use of the "external reference" field in the system where specific identifier/reference to the contribution agreement shall be recorded as a unique contribution identifier. Prior to commencement of any automation solution development, business processes shall be aligned to ensure a unique contribution identifier is consistently used by Partnership Officers for grant registration and by donors when transmitting funds to WFP. While funding availability for automation is to be sought, technical consultations are currently on-going to identify a feasible automation solution, including the costing estimate for its implementation.	The External Auditor takes note of the identifier and of WFP plan to develop the automation solution after aligning the relevant business processes. The External Auditor considers the recommendation as under implementation.		X		
61	WFP/EB.A/2023/6-A/1 sec. 1, chap. C, para 64	Audited Annual Accounts 2022	The External Auditor recommends that WFP change its accounting policy on the expense recognition of food commodities handed over to cooperating partners and record these commodities as inventories and expense them only when distributed to beneficiaries.	Ongoing. Resources for end-to-end traceability from farm to fork (including last mile) were made available through the approval of funding for critical corporate initiatives in the WFP Management Plan (2024-2026). The project team will be established by mid-2024 to identify a system solution (that supports inventory control up to the point of distribution to beneficiaries) and subsequently establish an implementation timeframe.	The External Auditor takes note of the ongoing steps to implement the recommendation and of the timeframe starting from December 2024. The recommendation is considered to be under implementation.		X		

No	Report reference	Report Name	Recommendation	Management Response	External Auditor's assessment	Status after verification			
						Implemented	Under implementation	Not implemented	overtaken by events
62	WFP/EB.A/2023/6-A/1 sec. 1, chap. C, para 73	Audited Annual Accounts 2022	The External Auditor recommends that WFP disclose in the notes to the financial statements the quantity and value of the major material groups of food commodities.	Implemented. WFP prepared additional disclosure in the notes to the 2023 Financial Statements of the quantity and value of the major material groups of food commodities as recommended by the External Auditor.	WFP included an additional table in the notes to the financial statements that displayed the different types of commodities. The External Auditor considers the recommendation as implemented.	X			
63	WFP/EB.A/2023/6-A/1 sec. 1, chap. C, para 80	Audited Annual Accounts 2022	The External Auditor recommends that WFP improve the process of inventory revaluation to lower of cost or market price and consider applying an item-by-item valuation as feasible based on clearly defined parameters.	Implemented. WFP conducted a detailed inventory valuation exercise to revalue inventory to lower of cost or market price. It considered individual commodity batches held, linking them to their respective purchase orders and purchase prices which represents the lowest feasible level of item-by-item valuation.	WFP established a more detailed and precise approach to revaluate its commodities based on all material groups and latest available market prices. The External Auditor considers the recommendation as implemented.	X			
64	WFP/EB.A/2023/6-A/1 sec. 1, chap. C, para 87	Audited Annual Accounts 2022	The External Auditor recommends that WFP enhance the disposal process of unused, broken, or outdated tangible assets and perform an analysis to identify the root cause for the high percentage of fully depreciated property, plant, and equipment.	The measures instituted by WFP to enhance the disposal of tangible assets no longer needed in WFP's operations have been effectively implemented. A 30 percent increase was noted in disposal actions undertaken in 2023 compared to 2019, showing an upward trend except in 2020 due to coronavirus pandemic-related restrictions. The capacity of the team supporting asset disposal activities was strengthened and asset disposal processes have been streamlined and digitalized. In addition, a thorough analysis of fully depreciated property, plant, and equipment assets was conducted along with a survey, revealing underlying causes for the accumulation of fully depreciated property, plant, and equipment assets. A guidance note was circulated to all WFP offices emphasizing the importance of adhering to established policies for the timely disposal of assets.	The External Auditor appreciates the actions that WFP has taken to enhance the disposal process. However, the number and ratio of equipment with a user status other than operative did not change significantly. The External Auditor considers the recommendation as under implementation.		X		

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						Implemented	*Under implementation*	*Not implemented*	*overtaken by events*
65	WFP/EB.A/2023/6-A/1 sec. 1, chap. C, para 94	Audited Annual Accounts 2022	The External Auditor recommends that WFP review the asset management processes and applications in use to simplify data input, reduce manual workload and enhance its asset management reports by adding the aging, residual useful life, accumulated and current depreciation and net book value as a standard functionality to support the monitoring and asset management processes.	Open. WFP continues to improve its asset management processes, including the enhancement of corporate asset management tools. In 2022, the Global Equipment Management System (GEMS) was enhanced to simplify data input, reduce manual workload, and enhance operational efficiency through the Enhanced Good Receipt Transaction process. In addition, enhancements to the existing dashboards improved asset management reporting, such as aging of assets, accumulated depreciation, and asset residual value. An enhancement relating to the residual useful life of assets is underway and will be part of the dashboard upon its completion.	The layout of the GEMS register provided by WFP for the final financial audit 2023 did not include more information. The recommendation is considered to be under implementation.		X		
66	WFP/EB.A/2023/6-A/1 sec. 1, chap. C, para 101	Audited Annual Accounts 2022	The External Auditor recommends that WFP enhance controls to safeguard equipment of country offices and emphasise to country offices the need to perform annual physical count and reconciliation exercises in a complete and accurate manner.	Implemented. Revisions to the 2023 guidelines reinforced accountability and responsibility for the physical count and reconciliation exercise including an extension of the counting period from one to three months, completion of count in three waves, exclusion of low-risk non-fixed assets such as furniture from the count, and strengthening collaboration across management services, technology and supply chain functional areas. In addition, key changes were introduced to the 2023 internal controls survey to emphasize the critical control aspects such as implementation of the decentralization of asset management, role of the Property Survey Board, monthly reconciliation of fixed assets, physical count and others. Starting with the 2024 physical count exercise, virtual counting will be carried out for laptops providing a more efficient and accurate inventory management solution.	WFP developed the asset management dashboard and the GEMS data quality dashboard. WFP updated the guidelines for the annual physical count and reconciliation exercise. Therefore, the External Auditor considers the recommendation as implemented.	X			

No	*Report reference*	*Report Name*	*Recommendation*	*Management Response*	*External Auditor's assessment*	*Status after verification*			
						Implemented	*Under implementation*	*Not implemented*	*overtaken by events*
67	WFP/EB.A/2023/6-A/1 sec. 1, chap. C, para 109	Audited Annual Accounts 2022	The External Auditor recommends that WFP review its solar power systems and ensure that systems with an aggregate value of more than USD 5,000 are capitalized as items of property, plant and equipment and that WFP review the useful life of such systems and align it with the actual use.	Implemented. A thorough evaluation of the industry-standard lifespan of solar power systems has been conducted. The operational useful life of solar power systems has been revised from three to ten years. The asset management system was amended and the guidance for streamlining the recording and capitalizing of solar power systems has been issued.	WFP conducted internal and external assessments and decided on an amended life span of ten years. WFP created a new asset class. The External Auditor considers the recommendation as implemented.	X			
68	WFP/EB.A/2023/6-A/1 sec. 1, chap. C, para 118	Audited Annual Accounts 2022	The External Auditor recommends that WFP conduct a comprehensive cost-benefit analysis of the outsourcing of parts of the payroll process to an external service provider considering the risks involved and the benefits achieved.	Ongoing. The Human Resources Division is in the process of reviewing a technical feasibility assessment of integrating the currently outsourced payroll process into WFP enterprise resource planning system. The feedback on systematic issues identified in the current outsourced payroll services is being collected from regional counterparts. The comprehensive results and analysis are anticipated in the coming months and will greatly inform corporate-wide decisions regarding the payroll service modality.	Based on the ongoing review, the recommendation is assessed as under implementation.		X		
69	WFP/EB.A/2023/6-A/1 sec. 1, chap. C, para 124	Audited Annual Accounts 2022	The External Auditor recommends that WFP assess how it can record a staff member's prior enrolment in medical plans recognized by the United Nations correctly and ensure that the employee benefit liability is based on appropriate data.	Implemented. WFP accessed the United Nations Joint Staff Pension Fund data, providing a more accurate record of prior in-service participation in the medical plans recognized by the United Nations and used this data for valuation of employee benefit liabilities in 2023. This had a modest impact on the increase of employee benefit liabilities of USD 5 million.	WFP established a direct access to the United Nations Joint Staff Pension Fund system data. The External Auditor reviewed the WFP census data provided to the actuary in the financial year 2023 and noted that United Nations entry of duty data had been amended. The External Auditor considers the recommendation as implemented.	X			
70	WFP/EB.A/2023/6-A/1 sec. 1, chap. C, para 134	Audited Annual Accounts 2022	The External Auditor recommends that WFP improve the danger pay process in terms of automatization, certification, calculation, and monitoring in the country offices to ensure that danger pay is calculated correctly and only paid for eligible days.	Ongoing. WFP continues to implement danger pay in the Human Capital Management Workday platform (Workday). The project is in its cutover stage which will include the training of the users and the danger pay focal points on the new process in Workday in the coming months.	Based on the planned roll-out of Workday, the recommendation is assessed as under implementation.		X		

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						Implemented	*Under implementation*	*Not implemented*	*overtaken by events*
71	WFP/EB.A/2023/6-A/1 sec. 1, chap. C, para 136	Audited Annual Accounts 2022	The External Auditor recommends that WFP enhance documentation requirements and establish detective controls to review in predetermined intervals the correctness of entitlements disbursed.	The Human Resources Division conducted consultations with other United Nations organizations and collected best practices which indicated that other United Nations organizations are shifting towards a self-certification approach, incorporating random sampling by the Human Resources Division for certain entitlements such as dependency allowances. However, for more costly benefits such as the education grant, stricter requirements are maintained by the other organizations, aligning with WFP's existing approach. WFP is exploring cost efficient options while avoiding administrative inefficiencies.	The External Auditor found several inconsistencies in the calculation of entitlements. The recommendation remains under implementation.		X		
72	WFP/EB.A/2023/6-A/1 sec. 1, chap. C, para 146	Audited Annual Accounts 2022	The External Auditor recommends that WFP compile and share with country offices good practices and examples of cash-based transfer reconciliations for coherent data management and documentation of transfer reconciliations.	Implemented. The transfer reconciliation guidance for cash transfers is completed. The scope of the guidance is to expand a section in the cash assurance technical note which addresses the reconciliation of the transfers through external service providers or partners. It describes in practical terms the various steps a country office needs to undertake in the reconciliation process and distinguishes between various essential components needed for the analysis.	The External Auditor acknowledges the developed transfer reconciliation guidance for cash transfers. This guidance substantiates and specifies steps and documentation needed. The External Auditor expects WFP to fulfil the last step (preparation of interactive format and sharing with country offices) very soon and considers the recommendation as implemented.	X			
73	WFP/EB.A/2023/6-A/1 sec. 1, chap. C, para 151	Audited Annual Accounts 2022	The External Auditor recommends that WFP further roll out and enhance corporate standard technical solutions for cash-based transfer reconciliation at country office level.	Ongoing. The global reconciliation service 2024 plan was developed in consultation with country offices and regional bureaux, outlining service offerings, solution details, and success metrics. Implementation began in January 2024, with more countries adopting the plan as agreed upon by regional bureaux and country offices.	The External Auditor notes that WFP launched the global reconciliation service to enhance corporate standard technical solutions for cash-based transfer reconciliation. WFP started the roll-out in 8 out of 31 high-risk country operations in the first quarter of 2024. At this early stage of the process the recommendation remains under implementation.		X		

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						Implemented	*Under implementation*	*Not implemented*	*overtaken by events*
				It is an integral part of the cash assurance action plans, identifying investment areas to close operational gaps and meet corporate standards for cash-based transfers and eventually in-kind operations, with a focus on the staffing, systems and services that are needed.					
74	WFP/EB.A/2023/6-A/1 sec. 1, chap. C, para 156	Audited Annual Accounts 2022	The External Auditor recommends that WFP strengthen the oversight activities related to cash-based transfer delivery processes to ensure coherent corporate transfer reconciliations.	Ongoing. WFP is rolling out the global reconciliation service ensuring coherent corporate transfer reconciliations, verifying that country offices meet the minimum assurance standards independent of what systems they use. The roll out started in the first quarter of 2024. The plan was developed in collaboration with regional bureaux and country offices prioritizing the 31 country offices identified as high risk. The global reconciliation service aims to strengthen transfer reconciliation practices and standardize reporting in country offices through advisory services and solutions that address minimum requirements for transfer reconciliation. The service is envisioned to be flexible, considering operational models, scale, and other contextual parameters, while ensuring controls and measures are in place in country offices in compliance with the global assurance standards.	WFP intends to strengthen the oversight activities related to cash-based transfer delivery processes particularly through the global reconciliation service. As the roll-out started in 8 out of 31 high-risk country operations in the first quarter of 2024, the recommendation remains under implementation.		X		
75	WFP/EB.A/2023/6-A/1 sec. 1, chap. C, para 164	Audited Annual Accounts 2022	The External Auditor recommends that WFP revisit the definition of commodity vouchers and establish an appropriate accounting category to record this type of distribution activity.	The Supply Chain and Delivery Division established a road map for the redesign of the commodity voucher, which includes the following actions: survey conducted to document different programmes (general food distribution, school feeding, nutrition and hot meals) where the commodity voucher modality is used to understand the processes, challenges, risks, and opportunities (completed May 2023); cross-functional working group established (October 2023) that proposed a new	The External Auditor acknowledges the establishment of the working group and the road map. The tasks have not been finalized yet. In this year's audit, the External Auditor noted again difficulties with regard to the classification and accounting, especially related to school-based programmes. Based on the 2023 findings, the External Auditor reiterates the recommendation as part of the current audit report,				X

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						Implemented	*Under implementation*	*Not implemented*	*overtaken by events*
				definition for commodity vouchers, principles, scope and high-level roles and responsibilities (completed December 2023); established the commodity voucher processes (January 2024) focusing on the higher risk areas such as food safety and quality and standardizing contract templates for commercial and non-commercial transfer agents (ongoing until September 2024); preparing the commodity voucher corporate guidelines, tools, templates and trainings (January 2024 to September 2024); and preparing an Executive Director's circular to endorse the new commodity voucher design (December 2024).	additionally points out that streamlined guidance is necessary, and considers the previous recommendation as overtaken by events.				
76	WFP/EB.A/2023/6-A/1 sec. 1, chap. C, para 175	Audited Annual Accounts 2022	The External Auditor recommends that WFP analyse the amounts of goods or services received but not yet recorded as at reporting date and use this analysis to establish a standing accrual for unrecorded liabilities. The analysis should be based on the trend of a five years' period before each reporting date.	Implemented. WFP analysed the amounts of goods and services received but not yet recorded and not captured through the existing accruals process over five years. Based on the analysis, WFP does not consider the amounts not captured through existing financial closure accrual processes to be significant, ranging between USD 25 million to USD 35 million, and would have 0.1 percent share of respective total expenses and 1 percent share of total liabilities in the financial statements. While WFP considers establishing the "standing accrual" feasible, it would not be feasible to provide detailed disclosures of amounts established on statistical basis at the level that Note 4 (Expenses) currently provides.	The External Auditor takes note of the conducted analysis. The result of the analysis is reflected in the schedule of unadjusted audit differences in amount of USD 30 million as a standing item as long as the accrual recognition process is not further improved. With the conducted analysis the recommendation is implemented.	X			
77	WFP/EB.A/2023/6-A/1 sec. 1, chap. C, para 177	Audited Annual Accounts 2022	The External Auditor recommends that WFP enhance the awareness of country offices and headquarters' units to improve the accuracy and completeness of accrual submission forms by country offices at year-end.	Implemented. WFP conducted the following activities to raise awareness of country offices and headquarters units to improve the accuracy and completeness of accrual submission forms: Communication on interim and final closure and respective closure guides highlighted the	Based on the continuous need for a standing accrual of USD 30 million in average over the past five years the External Auditor reiterates the recommendation as part of the current audit report, additionally recommends best practice processes, and considers the				X

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						Implemented	Under implementation	Not implemented	overtaken by events
				need for improvement and referenced this recommendation; Year-end closure webinar provided detailed overview of major accrual areas with relevant statistics and requirements; Main headquarters spending units were individually contacted and requested to verify the accuracy of their submissions; Finance units at country office level raised awareness of non-finance employees, in particular Logistics and Programme, on the importance of accrual based reporting in order to obtain required support to prepare accurate and complete accrual submission forms.	previous recommendation as overtaken by events.				
78	WFP/EB.A/2023/6-A/1 sec. 1, chap. C, para 183	Audited Annual Accounts 2022	The External Auditor recommends that WFP define due dates for analysing open item clearing accounts and instruct country offices to clear open items in a timely manner.	Implemented. WFP's procedures to clear open items, including payables, consist of regular monitoring, analysis, and feedback by various organizational levels, as formalized through a monthly financial closure reporting and oversight process. Open items are cleared after review and feedback and upon confirmation that sufficient basis exists. The items are considered to bear low to medium risk if overdue by 90 days, and enhanced risk if overdue by 120 days. In August 2023, country offices were further instructed to clear open payable items due since 31 December 2021 and earlier. Continuous follow-up on open items with the owner units is in place.	The External Auditor found significant improvements regarding the aging of open items. The External Auditor considers the recommendation as implemented.	X			
79	WFP/EB.A/2023/6-A/1 sec. 1, chap. C, para 189	Audited Annual Accounts 2022	The External Auditor recommends that WFP enhance awareness of country offices of the need for timely cost-recovery and establish a process to verify the completeness of cost recovery and revenue recognition on a regular basis.	Implemented. WFP analysed sources of late revenue postings in the prior financial year and ensured that there are no similar unaccrued revenues in 2023. Financial managers of special accounts that generate external revenues were prompted to review pending transactions and accrue for any amounts not invoiced in 2023. For the largest revenue stream related to on-demand service	The External Auditor assessed the WFP response and related supporting documentation. The External Auditor considers the recommendation as implemented.	X			

No	Report reference	Report Name	Recommendation	Management Response	External Auditor's assessment	Status after verification			
						Implemented	Under implementation	Not implemented	overtaken by events
				provision at country office level, robotic process automation for revenue recognition was in place in 2023 and further checks were conducted to ensure revenue completeness.					
80	WFP/EB.A/2023/6-A/1 sec. 1, chap. C, para 195	Audited Annual Accounts 2022	The External Auditor recommends that WFP automate the process of internal transaction elimination to ensure the completeness of such eliminations, to reduce the risk of manual errors, and to make the process more time efficient.	Ongoing. WFP created a new financial statement version that segregates internal from external accounts in WINGS. In addition, WFP analysed accounting models and identified those that require revisions. It also opened new internal general ledger accounts to segregate internal transactions from external, defined the requirements for system changes and submitted related requests. The next steps are: 1) implementing the change requests in WINGS; 2) revising the accounting models and related normative documents and guidance on special accounts; and 3) testing of the new system setup.	The External Auditor assessed the WFP response. The External Auditor considers the recommendation as under implementation.		X		
81	WFP/EB.A/2023/6-A/1 sec. 1, chap. C, para 200	Audited Annual Accounts 2022	The External Auditor recommends that WFP ensure the meaningfulness of business areas, in particular in cases in which WFP uses special accounts to fund expenses according to financial regulation 5.1.	Implemented. WFP considers that business areas as reporting objects in its enterprise resource planning system provide meaningful information for internal financial reporting. Given that special accounts operate outside the country strategic framework, expenses from these accounts are recognized at headquarters business areas as related activities are overseen and financially managed at this level. WFP engaged in further dialogue with the External Auditor, shared supporting documents and clarified that cost recovery processes are in place through which special accounts charge country offices for the services centrally provided.	WFP provided additional data showing that the transactions were eliminated under the specific business area of the country office later on in the process. In view of these new information and the pending elimination entries recommendation the External Auditor closes this recommendation as overtaken by events.				X
82	WFP/EB.A/2023/6-A/1 sec. 1, chap. C, para 206	Audited Annual Accounts 2022	The External Auditor recommends that WFP enhance its control over bank signatories when changes of signatory rights occur and conduct reviews of bank signatories on spot check basis on predetermined intervals to ensure the consistency	Implemented. WFP undertook a global reconciliation of all bank accounts to ensure signatory records are aligned between WFP and its banks. Existing signatory records held with banks were checked with current master records of the Chief Financial Officer Office, following reconciliation with country office	WFP undertook a global reconciliation of all bank accounts and requested confirmation letters from all banks. For the signatory management process, WFP requested confirmation letters instead of acknowledgement letters	X			

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						Implemented	Under implementation	Not implemented	overtaken by events
			between designated and registered bank signatories.	records, and confirmation letters were requested from all banks. The vast majority of banking partners were able to successfully align their records based on WFP request. Existing signatory management processes were enhanced as follows: Confirmation letters are requested from the banks from any signatory change requests (previously only acknowledgement was sought); Automated reminders are sent to the requestor to obtain the confirmation letter (WFP notes that the confirmation letters require action from banks, beyond WFP's control); and Monthly spot checks are performed on a sample of bank accounts to ensure the signatory management alignment continues starting September 2023.	from banks when changes in bank signatories occur. Since September 2023, WFP had conducted monthly spot checks on a sample of bank accounts to ensure the signatory management alignment continues. The recommendation is considered to be implemented.				
Total					82	35	43	0	4
Percentage					100	43	52	0	5

Section II

Executive Director's statement

Introduction

1. In accordance with article XIV.6 (b) of the general regulations and financial regulation 13.1, I have the honour to submit for the approval of the Executive Board (the Board) the financial statements of the World Food Programme (WFP), prepared in accordance with IPSAS, for the year ended 31 December 2023. The External Auditor has given his opinion and report on the 2023 financial statements, both of which are also submitted to the Board as required by financial regulation 14.8 and the annex to the financial regulations.

Operational context

Operating environment

2. The World Food Programme was established in 1961 by the United Nations General Assembly and FAO Conference as the United Nations system's food aid organization. WFP is governed by a 36-member Executive Board which provides intergovernmental support, direction, and supervision of WFP's activities. WFP provides assistance in 119 countries and territories where its work is overseen through the six regional bureaux. WFP, in 2023, had more than 23,000 employees worldwide of whom over 87 percent are based in the countries where the agency provides assistance.

3. WFP's corporate strategy is mapped out in its strategic plan every four years. The strategic plan for 2022–2025 is grounded in global commitment to the 2030 Agenda for Sustainable Development. Specifically, the vision of the strategic plan is the eradication of food insecurity and malnutrition as committed to under Sustainable Development Goal (SDG) 2 on zero hunger and contributions to SDG 17 which commits the United Nations system to working together with national and global actors to achieve the SDGs.

4. The mid-term review of WFP's strategic plan is underway, led by the Office of Evaluation. The evidence and lessons drawn from the review will help to develop more focused programme offer and forge new partnerships in key areas such as resilience, school feeding, social protection and climate adaptation.

5. WFP's country strategic plans (CSPs) contextualize the implementation of the corporate strategy at the country level, while the corporate results framework provides the means for WFP to monitor and report performance towards corporate goals and contributes to programmatic improvements during the life span of the corporate strategic plan.

6. Responding to emergencies and saving lives and livelihoods – either through direct assistance, or by strengthening country capacities – remains at the heart of WFP's operations, especially as humanitarian needs are increasingly complex and protracted. WFP also continues to support countries by building resilience for food security and nutrition, and assisting individuals and communities globally to change their lives by improving agricultural techniques, strengthening local livelihoods, promoting adaptation to climate change, ensuring children have the nutrients they need and managing school feeding programmes that help girls and boys stay at school and build brighter more transformative futures for themselves.

7. Protracted conflict, climate disasters, economic shocks, and the prolonged financial aftermath of the pandemic continued driving up needs, while significant drop in the funding levels and access constraints reduced the humanitarian space and increased operational costs. As many as 333 million people are acutely food insecure in the countries where WFP operates, an increase of 184 million compared to pre-pandemic levels. An estimated 47.3 million people in 54 countries are in emergency or worse levels of food insecurity (Integrated Food Security Phase Classification (IPC) phase 4+). Women and girls bear the brunt of the food security crisis, engaging in high-risk coping strategies and at higher risk of gender-based violence.

8. Conflict remains one of the main drivers of hunger in most of the world's food crises. Seven out of ten acutely food-insecure people – 235 million out of 333 million – live in fragile or conflict-affected situations. The global food crisis continues to be intricately intertwined with the international economy. While international food, fertilizer and energy prices have fallen from their peaks in 2022, they remained well above pre-pandemic levels. The fall in international prices has not trickled down to all consumers, and food inflation over 10 percent is recorded in 52 countries globally.

9. These global conditions have exacerbated the needs, with WFP's budget increasing in 2023 from the originally planned USD 19.2 billion to the final USD 22.1 billion, an increase of 15 percent. Contributions revenue to WFP, after reaching record level of USD 14.1 billion in 2022, decreased by 41 percent to USD 8.3 billion. Considering the decrease in funding levels, implementation plans were adjusted to prioritize the needs of the most vulnerable beneficiaries. Nevertheless, in partnerships with national governments, United Nations agencies, and over 1,000 non-governmental organization (NGO) partners, WFP reached more than 150 million direct beneficiaries, and delivered USD 3.3 billion and USD 2.9 billion of food assistance and cash-based transfers, respectively. The emergency response remained a focus in 2023 and 75 percent of WFP funding was directed to crisis response (69 percent in 2022). In addition, WFP's malnutrition prevention and nutrition treatment activities, school meal activities, asset creation and livelihood support activities, and its role in providing common services, among others were significant.

10. After an exceptional level of revenue in 2022, the funding decline amidst a persistent global food crisis means acute food insecurity is expected to increase significantly in 2024 and beyond. With less funding, country offices are already employing prioritization strategies to meet expected funding levels and will continue doing so in 2024. This means, WFP is implementing further targeting of its assistance based on levels of vulnerability to address the most urgent needs.

Financial analysis

Summary

11. WFP's primary source of revenue is voluntary contributions from donors. Revenue is recognized when contribution is confirmed in writing, is not subject to parliamentary appropriation or similar clauses that will occur in the future, and to the extent that WFP has discharged any present obligation in respect of that contribution. WFP's primary expenses are for food commodities distributed and cash-based transfers. Expenses are recognized when food commodities are delivered to cooperating partners or, in case of direct delivery, to beneficiaries, or when cash-based transfers are distributed to beneficiaries.

12. There is an inherent time lag between the recognition of revenue and the recognition of expenses. Expenses in any one year may be higher or lower than the revenue in that year, leading to a deficit or surplus in the reporting period, respectively, as WFP utilizes or replenishes its fund balances. When revenues decline, such as in 2023, especially following

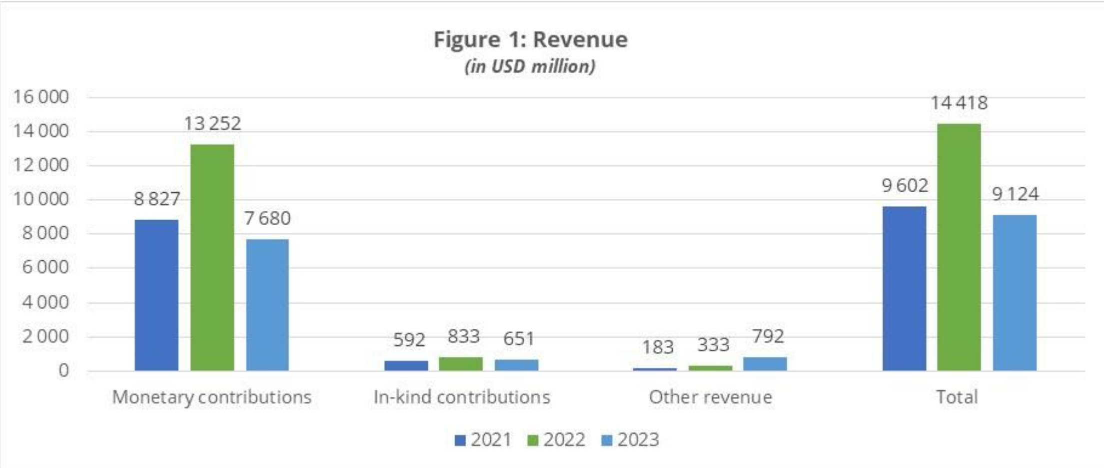
a year of strong growth, WFP is expected to realize a deficit, and utilize fund balances accumulated due to the excess of revenue over expenses in previous financial periods.

13. Based on the nature of WFP's operations most of its assets are current assets expected to be utilized within 12 months after the reporting date. Current assets are expected to be significantly higher than current liabilities due to the time lag between revenue and expenses recognition as discussed above.

14. Total fund balances and reserves comprise fund balances accumulated due to excess of revenue over expenses (including gains and losses recognized directly in net assets) in prior financial periods, and reserves established by the Board for funding specific activities under specific circumstances.

Financial performance

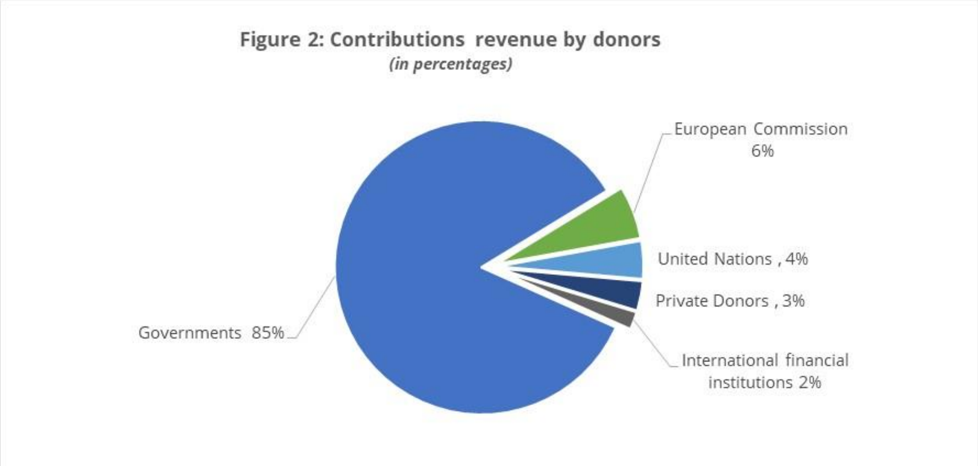
Revenue



15. After seven consecutive years of revenue growth, in 2023, WFP saw a major revenue decline of USD 5,293.9 million, or 37 percent from the record revenue of USD 14,417.6 million recognized in 2022. The total revenue in 2023 was USD 9,123.7 million comprising USD 8,331.7 million of contribution revenue and USD 792.0 million of other revenue.

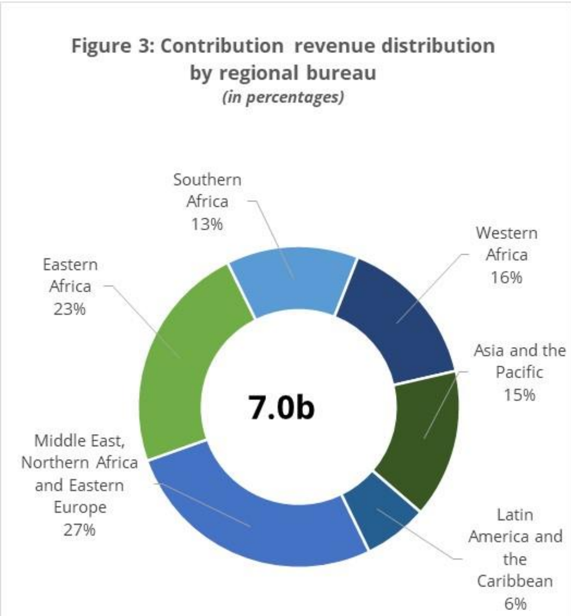
16. Contribution revenue decreased by 41 percent from USD 14,084.6 million in 2022 and comprised USD 7,680.4 million of monetary contribution revenue that decreased by 42 percent and USD 651.3 million of in-kind contributions that decreased by 22 percent.

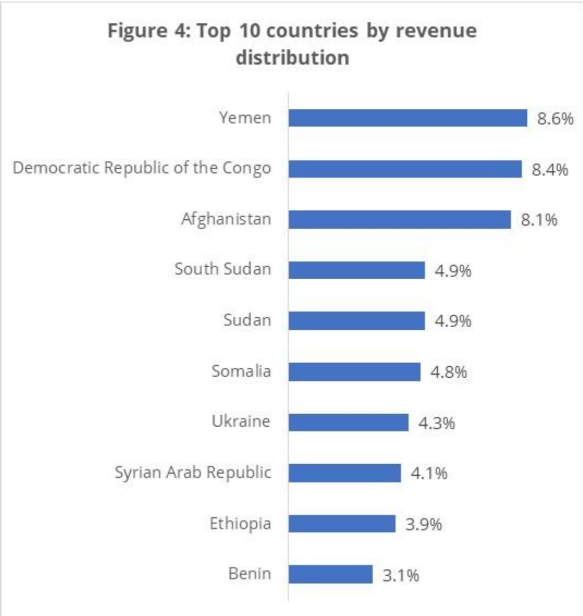
17. The decrease in contribution revenue in 2023 was driven by a decrease of contributions from most major donors. The decrease of 59 percent from the largest donor, the United States of America, whose contributions to WFP in 2023 represented a 36 percent share (2022: 52 percent share) in total contribution revenue, was particularly impactful. Other traditional major donors also decreased their contributions in 2023, including Germany, the European Commission, Canada, the United Kingdom of Great Britain and Northern Ireland, Sweden and Japan. United Nations entities and private donors decreased their contributions by 26 percent and 49 percent, respectively. In addition to top contributors mentioned above, many other governments and international financial institutions provided funding in 2023 of which only a few were at an increased level compared to 2022.



18. USD 6,990.3 million or 84 percent of 2023 contributions revenue of USD 8,331.7 million was for WFP's programme category funds, USD 195.0 million or 2 percent for trust funds and USD 1,146.4 million or 14 percent was initially recorded under the General Fund and Special Accounts segment. Multilateral contributions, amounting to USD 426.3 million in 2023, are initially recorded under the General Fund and Special Account segment and subsequently allocated to specific programmes.

19. Twenty-seven percent of contribution revenue under the programme category funds was generated in the Regional Bureau for the Middle East, Northern Africa and Eastern Europe due to the extensive needs of major emergency operations in Ukraine, Yemen, the Syrian Arab Republic, the Syrian Regional Refugee Response and the State of Palestine emergency response. Twenty-three percent of contribution revenue under the programme category funds was generated in the Regional Bureau for Eastern Africa, 30 percent less compared to 2022. Fifteen percent of contribution revenue was generated in the Regional Bureau for Asia and the Pacific, where 8 percent is attributable to contribution revenue for Afghanistan. The share of revenue generated in the Regional Bureau for Southern Africa increased to 13 percent due to increased support for the scale up of operations in the Democratic Republic of the Congo. The contribution revenue under the programme category funds was distributed across six regional bureaux and across top ten countries as follows.





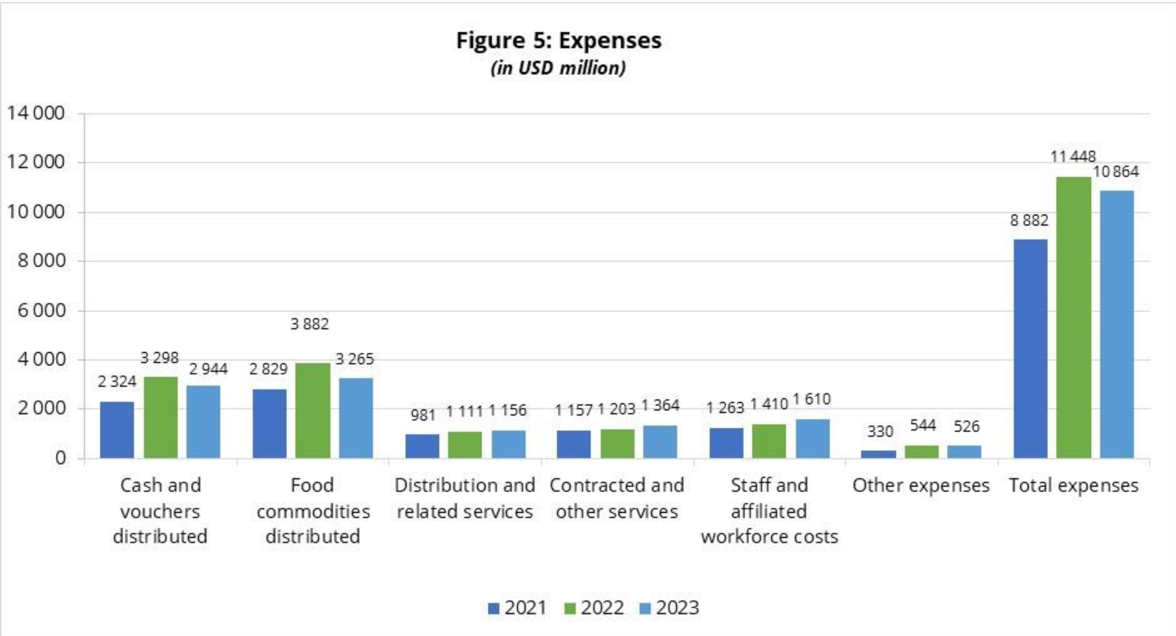
20. Other revenue was USD 792.0 million in 2023, an increase of USD 459.0 million or 138 percent compared to USD 333.0 million in 2022. The increase is primarily due to stronger return on investments, but also due to increase in currency exchange gains and revenue generated from provision of goods and services. The other revenue comprised:

a) revenue generated from provision of goods and services and other miscellaneous revenue – USD 276.5 million, an increase of 14 percent, due to increase in service provision revenue as well as revenue from sale of assets and insurance recoveries;

b) currency exchange differences – USD 193.6 million gain (2022: USD 106.1 million gain), as realized exchange differences on purchase and sale of currencies, on payments, on revaluation of monetary assets and liabilities, more than offset realized losses on receipts; and

c) return on investments – USD 321.9 million gain (2022: USD 15.7 million loss) due to higher interest income earned and unrealized gains on investments in open-ended equity investment funds, that are recognized in the Statement of Financial Performance from 2023 following IPSAS 41 *Financial Instruments* adoption (in prior periods unrealized gains/losses on equity investments were recognized directly in the Statement of Changes in Net Assets).

Expenses



21. In 2023, WFP expenses were USD 10,864.4 million, a decrease of USD 583.2 million or 5 percent from USD 11,447.6 million in 2022.

22. The main expense lines “cash-based transfers” and “commodities distributed” relate to WFP’s main purpose and function to deliver food assistance. Other expense lines include costs related to this delivery, as well as costs of working with communities to improve nutrition and build resilience; costs of services WFP is mandated to provide to other United Nations organizations and the humanitarian community such as aviation and managing emergency supplies (United Nations Humanitarian Air Services and Humanitarian Response Depot) and costs of other services delivered on demand in the area of supply chain, cash transfers, information technology and administration for United Nations organizations, governments or NGOs. Most of WFP’s food commodities distribution activities are conducted through cooperating partners. In 2023, WFP carried out food

distribution in 74 countries, through 1,070 cooperating partners. Cash-based transfers are delivered through various delivery mechanisms engaging different transfer agents such as financial services providers, remittance companies, mobile money providers, retailers, government entities, NGOs or United Nations organizations and directly by WFP. In 2023, WFP carried out cash-based transfers in 76 countries partnering with 769 transfer agents.

23. Cash-based transfers distributed of USD 2,943.7 million (including USD 158.7 million of commodity voucher transfers), decreased by USD 354.3 million or 11 percent compared to USD 3,298.0 million (including USD 217.7 million of commodity voucher transfers) in 2022. This was mainly a result of decreases in distributions in Ukraine (USD 175.4 million) and Afghanistan (USD 158.5 million) that had strong growth in 2022 when higher level of funding was available. Despite the overall decrease in cash-based transfers, 11 operations increased distribution by more than USD 10 million, while 10 countries had a 62 percent share of total distribution.

24. Food commodities and non-food items distributed totalled USD 3,264.5 million, a decrease of 16 percent over USD 3,881.8 million distributed in 2022. Food commodities distributed in 2023 were 3.8 million mt, a decrease of 1.1 million mt or 22 percent over 2022. The food commodities distributed had a corresponding value of USD 3,233.7 million in 2023, a 16 percent decrease compared to 2022. Seventy-three percent of the food commodities distributed in tonnage and in value are attributable to WFP's emergency and other large operations in Yemen, Afghanistan, Ethiopia, the Syrian Arab Republic, Ukraine, South Sudan, the Democratic Republic of the Congo, the Sudan, Kenya and Somalia.

25. Distribution and related services costs increased in 2023 by USD 45.0 million or 4 percent to USD 1,155.8 million from USD 1,110.8 million in 2022. This is mainly related to the increased delivery costs of cooperating partners in relation to capacity strengthening activities.

26. Staff and affiliated workforce costs increased by USD 200.2 million to USD 1,610.0 million in 2023, a 14 percent increase compared to 2022. The total number of staff and affiliated workforce at year end was 23,955, a 3 percent increase compared to year end 2022. The number of staff increased by 6 percent, while affiliated workforce decreased by 1 percent. The increase in average cost was across all contract categories, with the largest relative increase seen in the average cost of short-term field staff.

27. Contracted and other services costs increased by USD 161.1 million or 13 percent. This is due to increased costs of air operations, in particular in Burkina Faso and South Sudan where WFP had to access hard-to-reach areas through airlifts.

28. The other expenses category of USD 526.4 million decreased by USD 17.9 million or 3 percent compared to 2022 due to decreases in finance cost and the cost of advocacy. Other expenses are composed of:

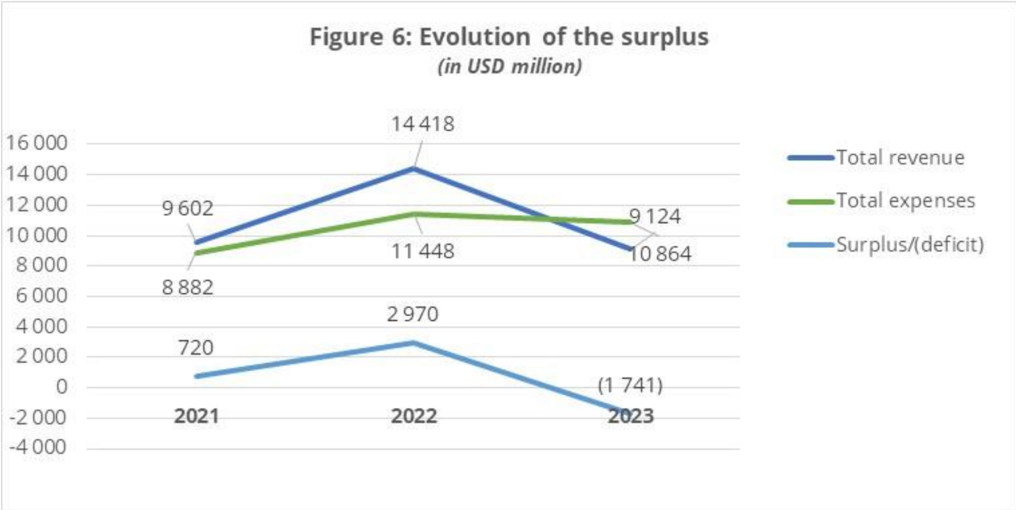
a) supplies, consumables and other running costs – USD 287.8 million;

b) depreciation and amortization costs – USD 67.3 million;

c) finance costs – USD 18.5 million; and

d) other expenses – USD 152.8 million.

Surplus



29. In 2023, the deficit of revenue over expenses is USD 1,740.7 million compared to the surplus of USD 2,970.0 million in 2022. This is due to a sharp drop in revenues in 2023 of 37 percent, while expenses fell by modest 5 percent, as WFP utilized surpluses from previous financial periods. The time lag between revenue and expenses recognition remains the main factor for surpluses/deficits in a reporting period.

30. The deficit in the period is comprised of deficits in most operations where revenue recognized is lower than expenses incurred during the same period and that continued to utilize fund balances, accumulated due to surpluses from previous financial periods. These deficits are partially offset by the surplus realized in some operations.

31. In 2023, the highest deficit is realized in the following countries: Somalia, Afghanistan, Yemen, Ethiopia and South Sudan. The largest surplus in 2023 is realized in the Democratic Republic of the Congo, Benin and the State of Palestine that these operations will continue to spend in future periods.

Financial position

TABLE 1: SUMMARY OF FINANCIAL POSITION AT 31 DECEMBER 2023
(in USD million)

	2023	**2022**
Cash and short-term investments	4 492.9	4 109.8
Contributions receivable	4 345.2	6 799.1
Inventories	1 291.6	1 498.9
Other receivables	337.2	419.5
Long-term investments	1 182.7	987.3
Property, plant and equipment and intangible assets	277.9	263.6
Total assets	**11 927.5**	**14 078.2**
Deferred revenues	30.5	56.2
Employee benefits	1 015.6	884.4
Loan	44.0	49.6
Other liabilities	922.7	1 439.0
Total liabilities	**2 012.8**	**2 429.2**
Net assets	**9 914.7**	**11 649.0**
Fund balances	9 255.7	10 753.2
Reserves	659.0	895.8
Total fund balances and reserves	**9 914.7**	**11 649.0**

Total assets

32. The total assets decreased in 2023 by USD 2,150.7 million or 15 percent which is mainly due to a decrease in contributions receivable and inventories, that is driven by a sharp drop in contribution revenue in 2023.

33. Total cash, cash equivalents, and short-term investments of USD 4,492.9 million increased in 2023 by USD 383.1 million or 9 percent from USD 4,109.8 million in 2022. The increase is generated by cash flows from operating activities. WFP's cash, cash equivalents and short-term investments included in the programme category funds segment of USD 2,948.8 million cover three and a half months of operational activity (2022: two and a half months). Long-term investments increased by USD 195.4 million or 20 percent, primarily due to unrealized gains arising as a result of an increase in the market value of bonds and, in particular, equity investment funds, as well as due to additions to invested assets. These investments are held with an aim to cover long-term employee benefits.

34. Total contributions receivable of USD 4,345.2 million decreased by USD 2,453.9 million or 36 percent from USD 6,799.1 million in 2022. This is in line with the decrease in contribution revenue. The average collection period remains as six months.

35. The inventory comprises food commodity inventory of USD 1,258.5 million and non-food items inventory of USD 33.1 million. The main food commodities held by WFP are wheat and wheat flour, sorghum, rice, split peas, vegetable oil, maize, lipid-based nutrient supplement, super cereals and ready-to-use supplementary food comprising 90 percent of balance held in mt. The value of WFP's food commodity inventory at the end of 2023 decreased by USD 202.0 million or 14 percent from the 2022 value of USD 1,460.5 million while inventory held in mt decreased by 18 percent from the 2022 inventory (1.5 million mt in 2023 compared to 1.9 million mt in 2022). Fifty-one percent of inventories by quantity and 57 percent by value were held by ten operations: Ethiopia, South Sudan, the

Democratic Republic of the Congo, Yemen, Afghanistan, Somalia, the Sudan, the Syrian Arab Republic, Ukraine and Chad. Thirty-one percent of food commodity inventory is held at strategic locations under the Global Commodity Management Facility. Using the historical average of commodities distributed, the 1.5 million mt of food commodities in inventory represents approximately five months of operational activity.

Total liabilities

36. Total liabilities decreased by USD 416.4 million or 17 percent from USD 2,429.2 million in 2022 to USD 2,012.8 million in 2023.

37. Employee benefit liabilities increased by USD 131.2 million or 15 percent to USD 1,015.6 million. The increase is in the long-term benefit liabilities and is primarily driven by the unfavourable movement (decrease) in the discount rates in 2023.

38. Deferred revenue reflects contributions revenue stipulated for future years where WFP has a present obligation recognized as a liability. Deferred revenue in 2023 decreased by USD 25.7 million, or 46 percent, to USD 30.5 million.

39. Other liabilities decreased by USD 516.3 million or 36 percent. Other liabilities primarily comprise accruals, vendor payables and liabilities for service provision. Accrual and vendor payables decreased because of a slowdown in operations affected by the availability of funding. Liabilities for service provision result from activities in which WFP provides goods and services in exchange for payment. For these activities, payments are normally received in advance from requesting parties, predominantly governments and other United Nations system organizations, while revenue is recognized, and advance payment is released upon provision of service or delivery of goods.

Net assets

40. Net assets represent the difference between WFP's total assets and total liabilities. At 31 December 2023, WFP's net assets totalled USD 9,914.7 million, a decrease of USD 1,734.3 million or 15 percent compared to 2022. Of these net assets (fund balances and reserves), USD 7,100.4 million relate to the programmes, representing approximately four months of operational activity (five months in 2022). Operational fund balances relate to donor support primarily directed to specific programmes in different stages of implementation, with expenses and related reduction in fund balance only recognized when food commodities are delivered, and cash-based transfers are distributed. The remaining balance of USD 2,155.3 million pertains to the General Fund, Trust Fund and Special Accounts while USD 659.0 million pertains to reserves.

41. At 31 December 2023, reserves balances decreased by USD 236.8 million or 26 percent compared to the balances held at 31 December 2022. The decrease was due to a USD 233.1 million decrease in the Programme Support and Administrative Equalization Account and a USD 38.5 million decrease in the Immediate Response Account (IRA).

Budgetary analysis

Budget preparation and approval

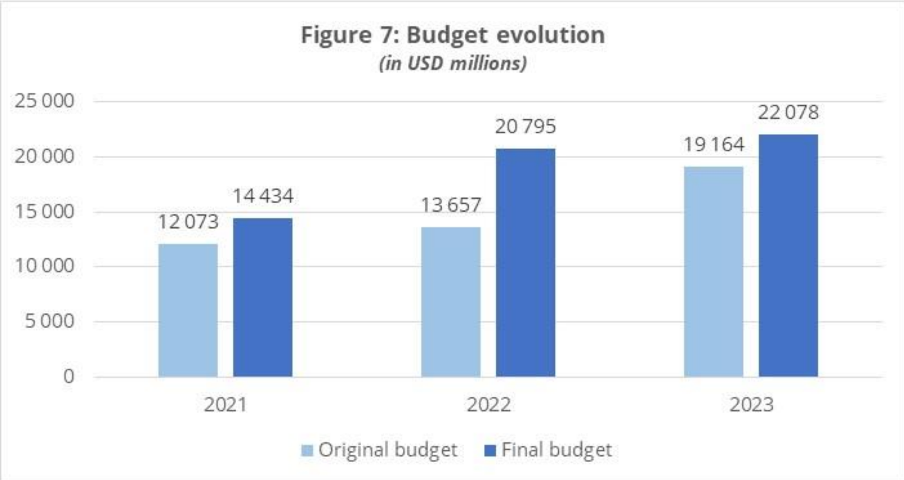
42. The strategic and programmatic context for budget preparation is set out in the WFP strategic plan (2022–2025)[1] and is embedded in planning processes that are designed to build on WFP's priority emergency assistance in ways that result in not only saving lives but also changing lives. WFP's country offices are operating based on a CSP framework composed of CSPs, interim CSPs (ICSPs) and limited emergency operations. CSPs include

[1] "WFP strategic plan (2022–2025)" (WFP/EB.2/2021/4-A/1/Rev.2).

country portfolio budgets and serve as a vehicle for resource mobilization and fund management. They are aligned with the WFP strategic plan (2022–2025) and the corporate results framework (2022–2025).[2]

43. CSPs are approved by the Board and may be revised to respond to contextual and operational changes. If the strategic review based on which a CSP is developed is not completed, ICSPs lasting up to three years are approved by the Board. Revisions funded entirely by the host country may be approved by the Executive Director. Further authorities are delegated from the Board to the Executive Director such as approval of limited emergency operations up to a USD 50 million limit, increase of CSPs or ICSPs not exceeding 15 percent of current overall budget and revisions related to service provision activities as further detailed in annex III of document WFP/EB.1/2020/4-A/1/Rev.2.

Basis of the budget



44. The original budget figures for the CSP and PSA budget disclosed in Financial Statement V – Statement of comparison of budget and actual amounts are derived from the WFP management plan (2023–2025). The CSP budgets are broadly needs-based and are updated throughout the year. Resources are made available for CSP costs when contributions are confirmed by donors for approved CSPs and through WFP's advance financing facilities. Budgetary authority to incur PSA costs is received through the approval of the management plan.

Overview of the budgetary requirements in 2023

45. The WFP management plan (2023–2025)[3], which was approved by the Board in November 2022, presented the 2023 programme of work amounting to USD 19,164.0 million as "original budget". The original budget in 2023 increased by 40 percent compared to the original budget in 2022, due to Ukraine operation which was not included in the original budget for 2022 as well as due to increased operational requirements in several large operations such as in Afghanistan, Yemen and Lebanon.

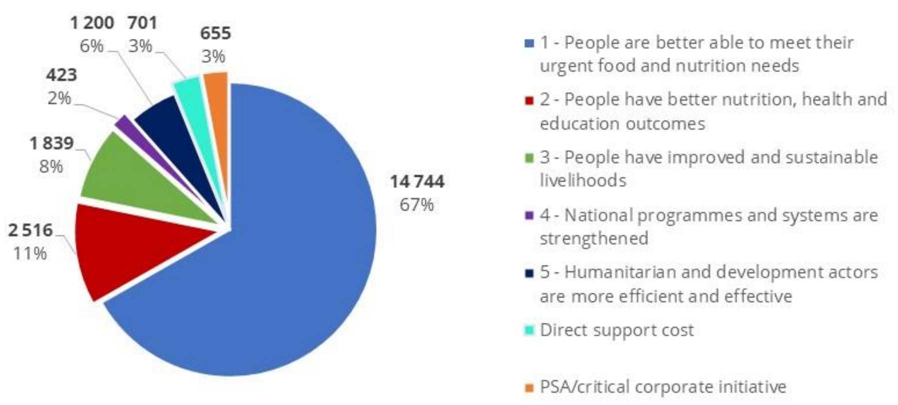
46. By the end of 2023, the programme of work was updated to include the unforeseen needs. The final 2023 budget was 15 percent higher at USD 22,078.2 million, an increase of USD 2,914.2 million. This is disclosed in Financial Statement V as "final budget". The needs increased in Ethiopia, Somalia, Chad, Kenya and the Bolivarian Republic of Venezuela –

[2] "WFP corporate results framework (2022–2025)" (WFP/EB.1/2022/4-A/Rev.1).

[3] "WFP management plan (2023–2025)" (WFP/EB.2/2022/5-A/1/Rev.1).

79 percent or USD 2,310.8 million of the USD 2,914.2 million total increase is related to these five countries.

Figure 8: Final budget for period ended 31 December 2023
(in USD million)



47. Countries affected by conflict required urgent and targeted unconditional food assistance and nutrition programmes, adapted to the magnitude of the conflict and to fluctuations in needs. From the programmatic perspective, WFP direct programmatic costs in support of SDG 2, strategic outcome 1 (People are better able to meet their urgent food and nutrition needs), strategic outcome 2 (People have better nutrition, health and education outcomes) and strategic outcome 3 (People have improved and sustainable livelihoods) represented 87 percent or USD 19,098.9 million of the total final budget of USD 22,078.2 million (a 15 percent increase for the unforeseen needs compared to the 2023 original budget).

48. Furthermore, 7 percent or USD 1,623.6 million of the total final budget was allocated in support of SDG 17, strategic outcome 4 (National programmes and systems are strengthened) and strategic outcome 5 (Humanitarian and development actors are more efficient and effective) which includes increases in Ukraine, Lebanon and the State of Palestine.

49. Ten WFP operations in 2023, accounted for 65 percent of the total CSP final budget.

Figure 9: Final budget by size - CSP
(in percentage)

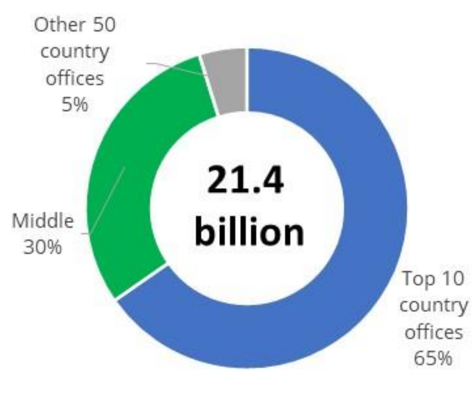
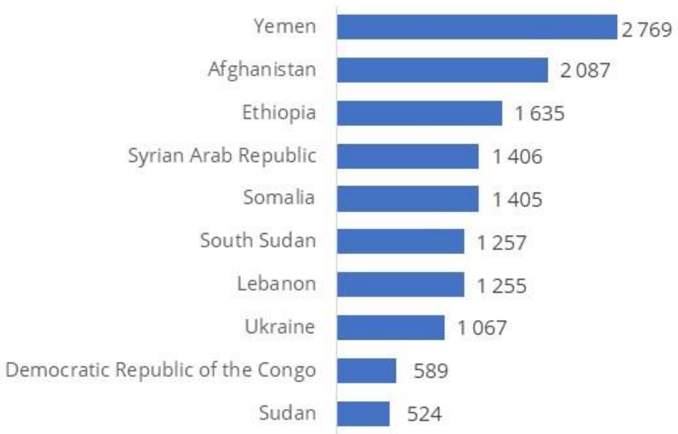


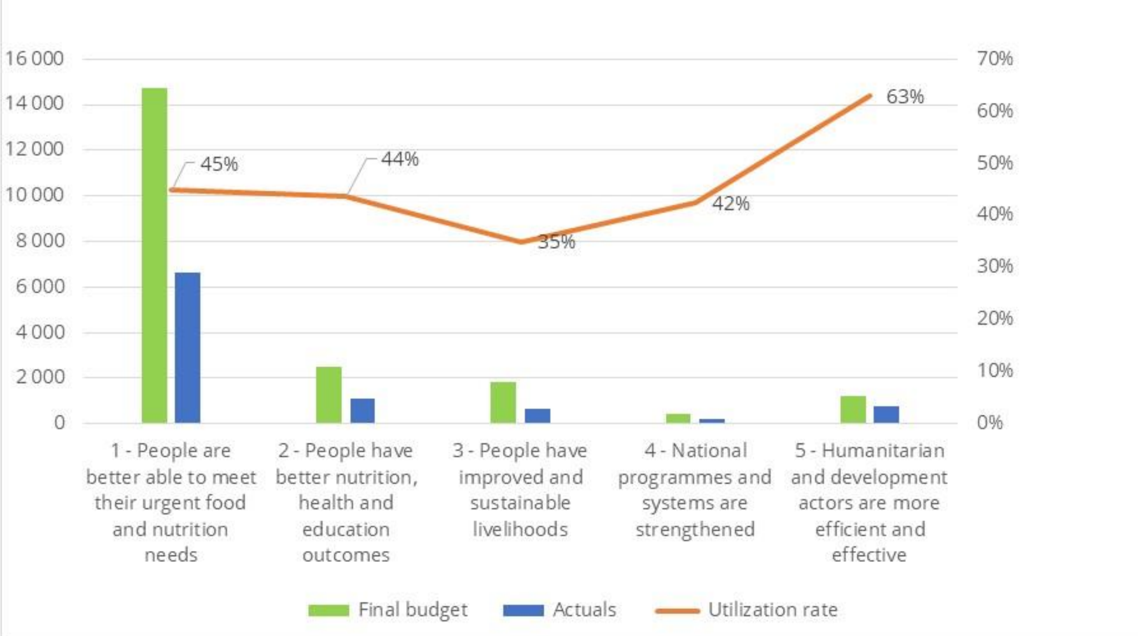
Figure 10: Top 10 countries by final budget
(in USD million)



Utilization of the budget

CSP final budget utilization

Figure 11: Final budget utilization by strategic outcome - CSP
(in USD million)



50. Resources are made available for CSPs when contributions are confirmed by donors for the approved CSP, or funds are provided through advance financing mechanisms. Therefore, budgetary utilization within the year is constrained by the amount, timing, and predictability of contributions, as well as the inherent operational constraints.

51. In 2023, the CSP final budget excluding indirect support costs (ISC) was USD 21,423.3 million (disclosed in Financial Statement V as "Subtotal CSP costs" under the final budget) and overall utilization of the CSP final budget was at 46 percent, reflected across the various strategic outcomes as outlined below:

    a) Strategic outcome 1 (People are better able to meet their urgent food and nutrition needs) had a utilization rate of 45 percent. Nearly 99 percent of USD 6,604.1 million actual costs under strategic outcome 1 are related to unconditional resource transfers, malnutrition prevention and nutrition treatment activities. Unconditional resource transfer in Somalia amounted to USD 567.2 million, followed by USD 553.7 million in Afghanistan and USD 547.2 million in Yemen.

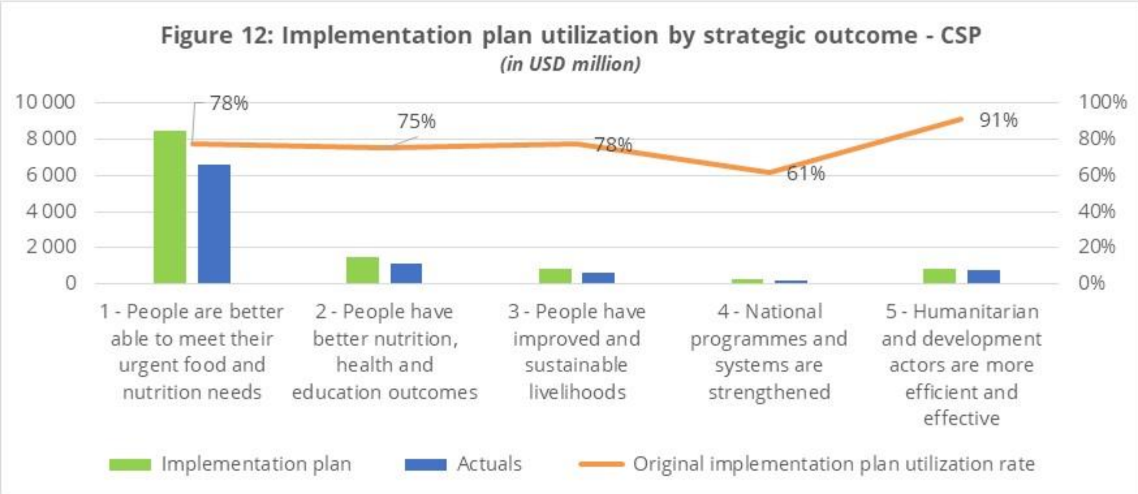
    b) Strategic outcome 2 (People have better nutrition, health and education outcomes) had a utilization rate of 44 percent, resulting from both resource and implementation constraints. Unconditional resource transfers, school meals, malnutrition prevention and nutrition treatment activities represented 97 percent of total actual costs of USD 1,095.9 million under strategic outcome 2.

    c) Strategic outcome 3 (People have improved and sustainable livelihoods) had an overall utilization rate of 35 percent. Asset creation and livelihood support activities are the primary activity category contributing to strategic outcome 3. WFP was most active in Niger, South Sudan, Yemen, and Kenya.

    d) Strategic outcome 4 (National programmes and systems are strengthened) had an overall utilization rate of 42 percent. Capacity strengthening and social protection are the primary activity categories contributing to strategic outcome 4. WFP was most active in Ukraine, Mozambique and Iraq.

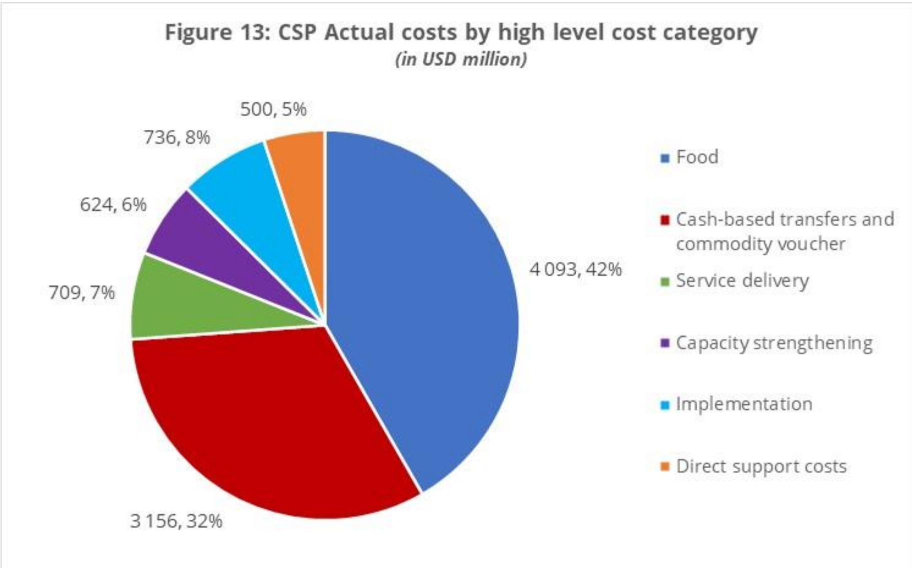
e) Strategic outcome 5 (Humanitarian and development actors are more efficient and effective) had an overall utilization rate of 63 percent. Service provision and platform activities is the primary activity category contributing to strategic outcome 5. WFP was most active in Lebanon, the State of Palestine and South Sudan.

CSP implementation plan utilization



52. The implementation plan presented in Statement V of USD 12,589.1 million represents the prioritized operational needs for approved CSPs, derived from the final budget, considering funding forecasts, available resources and operational challenges as at 31 December 2023. WFP achieved an overall utilization rate of 78 percent against the implementation plan. Top ten countries' implementation plan comprised 60 percent of total implementation plan. The countries with the highest implementation plan and implementation rate below the average rate of implementation are Ethiopia, Ukraine, Yemen and the Syrian Arab Republic.

CSP actual costs analysis by transfer modalities



53. The country portfolio budget structure includes four high-level cost categories: transfer costs; implementation costs; direct support costs (DSC); and ISC. The transfer costs correspond to the monetary value of the transferred food, cash, capacity strengthening and service delivery, as well as the related delivery costs and accounted for 87 percent of total CSP operational and DSC in 2023.

54. Out of a total of USD 8,581.2 million transfer costs, USD 4,092.6 million was for food transfers. Yemen, Afghanistan, Ethiopia, South Sudan, the Democratic Republic of the Congo, the Syrian Arab Republic, Ukraine, the Sudan, Kenya and the State of Palestine were the countries with the highest food delivery, representing 71 percent of the total food transfer cost.

55. Cash-based transfers stood at USD 3,155.8 million in 2023. Somalia, Lebanon, Afghanistan, Ukraine, Jordan, Bangladesh, Nigeria, the Democratic Republic of the Congo, Yemen, and Mali operations represent the largest share of cash-based transfers, with 61 percent of total cash-based transfer costs.

56. Capacity strengthening accounted for USD 623.6 million or 6 percent of total CSP costs, referring to the transfer of materials, equipment, knowledge and other resources to individual beneficiaries, communities, or other counterparties in support of WFP's strategic objectives. Service delivery transfer costs increased to USD 709.2 million in 2023, with an increased demand for the cash transfer services.

57. Implementation costs and DSC accounted for 8 percent and 5 percent, respectively, of the CSP actual costs.

Indirect costs

58. Budgetary authority to incur PSA costs is received through the approval of the management plan under which a USD 576.3 million budget was approved for regular PSA expenditure and USD 58.2 million for CCIs. The final PSA budget remained at the same level and the budget was increased to USD 78.6 million for CCIs. The increase in the CCI budget represents the budget carried over from previous years. Of the final approved regular PSA budget, USD 556.8 million or 97 percent was utilized. Of the final approved CCI budget, USD 46.5 million or 59 percent was utilized in 2023.

Enhancing transparency and accountability

59. WFP prepares financial statements in accordance with IPSAS to ensure timely, relevant, and useful financial reporting, thereby improving transparency and accountability in the management of resources.

60. To ensure continued compliance with IPSAS, WFP assesses the impact and applies new IPSAS standards and changes accounting policies when changes in IPSAS require revisions. WFP continues to work closely with other United Nations system organizations, through the High-Level Committee on Management task force on IPSAS. This task force provides a platform for discussion of IPSAS issues, with a view to achieving consistency in the application of IPSAS developments and enhancing comparability of financial reporting.

61. The leadership group meets regularly to discuss strategic direction and the framework for decision making, including a review of selected IPSAS-based financial highlights, which cover key areas of WFP's financial performance and financial position.

62. WFP's enterprise risk management framework is designed to manage and communicate WFP's risk exposure and provide reasonable assurance regarding the achievement of WFP's objectives. The Risk Management Division prepares the annual statement on internal control on behalf of the Executive Director. The statement on internal control is prepared through the Executive Director's Assurance Exercise which is the annual process of evidence

collection and triangulation to assess the main risk and control issues for management attention and it is further detailed in the management review of significant risk and control issues annual report.

63. In light of the diversions emanating out of Ethiopia in April 2023 and to address significant issues identified by WFP's oversight offices, the Executive Director launched a global reassurance project in 2023, that aims to establish "end-to-end" assurance and internal control measures across all high-risk operations. The reassurance action plan includes specific actions that WFP will undertake so that all high-risk operations meet the global standards and have the minimum assurance measures in place by the end of 2024, and it is organized into five focus areas: monitoring and community feedback mechanisms, targeting, identity management, cooperating partner management, cash-based transfers and supply chain.

64. In 2023, the Assistant Executive Director, Management Department, and Chief Financial Officer: a) oversaw and provided direction to the Risk Management Division; b) served as steward for the internal control framework and monitored its implementation through regular reporting on risk matters at senior governance and oversight committees as well as through the annual assurance statements from global management; and c) ensured that a clear action plan existed for addressing major risks and internal control issues. In 2023, the Assistant Executive Director, Management Department, and Chief Financial Officer chaired two sessions of the WFP internal Oversight and Policy Committee on the Corporate Risk Register where senior management emphasized accountability on addressing and facilitating priority decision making around and implementing mitigation actions on seven corporate risks.[4] During its last session in late November 2023, and taking into account the recommendations of the Independent Oversight Advisory Committee, the Oversight and Policy Committee endorsed the reinsertion of "funding insufficiency" as the eighth top risk in the 2024 Corporate Risk Register. Furthermore, in 2023, two risk discussions on field monitoring and access in emergencies took place at the leadership group level, with extensive follow-up through multiple functions.

65. WFP maintains strong policies related to the public disclosure of the results of independent evaluations and audits. Summary evaluation and External Auditor reports and respective accompanying management responses dating back to 1999 are posted on the Executive Board's public website. In addition, annual updates to the Executive Board on reports of the Joint Inspection Unit of the United Nations relevant to the work of WFP and the Executive Board are also available on the Executive Board's public website dating back to 1999. Internal audit reports and accompanying management comments are posted on WFP's public website in accordance with the Revised policy for the disclosure of oversight reports issued by the Office of the Inspector General, with the Inspector General and Oversight Office providing quarterly updates to the Executive Board since 2017.

66. In September 2022, the Office of the Chief of Staff reinstituted monthly tracking of outstanding internal audit actions, continuing high priority attention on and accountability for the timely implementation and closure of recommendations, a practice that began in July 2019.[5] In light of the increased number of internal audit recommendations from mid-2023 onward, the Office of the Chief of Staff continued to monitor their timely implementation through an enhanced thematic and statistical analysis of overdue recommendations prepared by the Risk Management Division.

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[4] Beneficiary protection; strategic focus and prioritization; strategic partnerships; fraud and corruption; data management and digital transformation; employee well-being; and workforce alignment.

[5] "Annual Report of the Inspector General" (WFP/EB.A/2020/6-D/1/Rev.1) paragraphs 39-40.

67. To increase operational transparency, the CSP data portal provides budgetary, financial and performance information over the life spans of the CSPs or ICSPs, and to ensure that the Executive Board retains required visibility and oversight. At the request of the Executive Board as per the policy on country strategic plans[6], all CSPs include a dedicated risk management section.

68. WFP is a leading member of the International Aid Transparency Initiative (IATI), a voluntary multi-stakeholder initiative to increase transparency of development cooperation. In line with IATI transparency commitment, WFP openly publishes monthly in the IATI registry detailed information about WFP programmatic activities, including incoming funds, expenditures, and results (outputs). Since 2015, WFP has been at the top of the IATI summary statistics assessing all IATI publishers (currently more than 1,400) by scoring on three dimensions – timeliness, forward-looking and comprehensiveness. Since 2019, WFP reports to the United Nations System Chief Executives Board for Coordination in full compliance to UN Data Cube financial reporting standards. The UN Data Cube is a critical pillar of the Secretary-General's Data Strategy 2020 to increase transparency and promote a data-driven approach within the United Nations system.

Treasury risk management

69. WFP's activities expose it to a variety of financial risks including the effects of changes in debt and equity market prices, foreign currency exchange rates, interest rates, and defaults by debtors in meeting its obligations. WFP's financial risk management policies focus on the unpredictability of financial markets and seek to minimize potential adverse effects on the financial performance of WFP.

70. Financial risk management is carried out by a central treasury function using guidelines set out by the Executive Director who is advised by the WFP Investment Committee. Policies cover foreign exchange, interest rate and credit risk, the use of derivative financial instruments, and investing of excess liquidity.

71. WFP investments delivered positive performance for the year as portfolios benefitted from higher interest rates available in capital markets and a more benign growth and inflation outlook in developed economies. Both short- and long-term investment portfolios saw robust increases in values as global stock and bond markets experienced a return of risk appetite among investors and maturing securities were reinvested at increasing yields throughout most of the year. Looking ahead to 2024, investment performance is expected to remain elevated, albeit at lower levels than in 2023, on the back of current and expected yields in the market.

72. WFP's employee benefit liabilities were USD 1,015.6 million at 31 December 2023. WFP sets aside assets for the long-term employee benefit liabilities in the form of cash and long-term investments (bonds and equities). In accordance with the current funding plan approved by the Board in 2010, an incremental annual funding of USD 7.5 million is included in the standard staff cost over a 15-year period starting in 2011, with a view towards achieving a fully funded status of the long-term employee benefit liabilities in 2025. WFP determines the funding level based on the long-term employee benefit liabilities. As at 31 December 2023, the level of assets set aside (USD 1,164.6 million) for the funding of the long-term employee benefit liabilities (USD 949.9 million) represents a 123 percent funding level. This is an increase from the 117 percent funding level in 2022 as the rise in asset values more than offset the rise in liabilities. The asset liability management study performed by WFP in 2023 confirmed the financial viability and sustainability of assets set aside to cover the long-term employee benefit liabilities, recommending a realignment of the assets allocation to an

[6] "Policy on Country Strategic Plans" (WFP/EB.2/2016/4-C/1/Rev.1).

equal split between global bonds and equities to reduce the portfolio's risk profile, and a discontinuation of the incremental annual funding of USD 7.5 million starting from 2024 while continuing to fund service costs to maintain the fully funded position.

73. WFP is committed to mitigating cash-related risks and increasing accountability to people, donors, and governments. WFP released a cash-based transfers assurance framework with the aim of putting together existing guidance and learning on the measures that country offices should have in place so that WFP can be reasonably confident that the right beneficiaries receive the right entitlements at the right time, and the risks of potential fraud, human error or other divergence of cash-based transfer benefits are mitigated to the extent possible while promoting beneficiary protection and effective programmes at the same time.

74. Controls are implemented across the full cash-based transfers programme cycle from beneficiaries targeting and registration, through verifications of beneficiaries registers and improved beneficiary complaint and feedback mechanisms, to due diligence assessments of financial services providers selected by WFP following the procurement rules, using the corporate templates for all contracts and agreements, established secure payment processes, segregation of duties, distribution reconciliations and finally, post-distribution monitoring and evaluation to ensure programmatic objectives are achieved as designed.

75. Global Reconciliation Service is launched in 2023. The service aims to strengthen the transfer reconciliation practice and standardize reporting in the country offices through advisory services and solutions that address minimum requirements for transfer reconciliation in country offices as per the global assurance standards. The roll-out plan has been developed in collaboration with regional bureaux and country offices by prioritizing the 31 country offices identified as high risk with the roll-out starting in 2024.

Sustainability

76. WFP's financial statements are prepared on a going-concern basis. In making this determination, WFP has considered the impact on the operational activities of WFP as described under the operational context section of this statement. In the environment of worsening global food insecurity, WFP's mandate as the leading humanitarian organization saving lives and changing lives, delivering food assistance in emergencies, and working with communities to improve nutrition and build resilience is more relevant as ever.

77. In a time of funding constraints, WFP is committed to make sure its operations are as efficient and effective as possible, with funding directed for the benefit of the vulnerable people. The new organizational structure outlined in WFP's management plan (2024–2026), with a roll-out in 2024 aims to boost organizational agility and provide strategic and focused support to country offices. The prioritization reviews are ongoing in country offices to balance caseloads against available resources, and the same prudent approach has been applied to WFP's running costs, through reduced 2024 PSA allocations to most headquarters and regional bureaux functions.

78. My statement on sustainability is supported by:

   i) the operational requirements I put forward in the WFP management plan (2024–2026) of USD 22.7 billion, approved by the Executive Board during its 2023 second regular session;

   ii) the WFP strategic plan (2022–2025) approved by the Executive Board at its 2021 second regular session;

   iii) the total assets held at the end of 2023 of USD 11.9 billion, which are nearly six times higher than WFP's liabilities;

iv) the net assets (fund balances and reserves) held at the end of 2023 of USD 9.9 billion;

v) the revenue received in 2023 of USD 9.1 billion; and

vi) the projected 2024 contribution level of USD 8.0 billion, as indicated in the most recent WFP's global contribution forecast.

79. While I am confident that WFP has adequate resources to continue to operate in the medium term thanks to the support of donors, resource mobilization is the critical priority that WFP is addressing with its Board and the donors.

Administrative matters

80. WFP's principal place of business as well as the names and addresses of its General Counsel, actuaries, principal bankers, and External Auditor are shown in the annex to this document.

Responsibility

81. As required under financial regulation 13.1, I am pleased to submit the following financial statements, which have been prepared under IPSAS. I certify that to the best of my knowledge and information, all transactions during the period have been properly entered in the accounting records and that these transactions together with the following financial statements and notes, details of which form part of this document, fairly present the financial position of WFP at 31 December 2023.

Statement I	Statement of Financial Position at 31 December 2023
Statement II	Statement of Financial Performance for the year ended 31 December 2023
Statement III	Statement of Changes in Net Assets for the year ended 31 December 2023
Statement IV	Statement of Cash Flow for the year ended 31 December 2023
Statement V	Statement of Comparison of Budget and Actual Amounts for the year ended 31 December 2023

Notes to the financial statements

Cindy H. McCain
Executive Director

Rome, 27 March 2024

Executive Director's statement on internal control

Scope and purpose of internal control

1. WFP's Executive Director is accountable to the Executive Board for the administration of WFP and for the implementation of WFP programmes, projects and other activities. Financial Regulation 12.1 requires the Executive Director to establish internal controls, including internal audit and investigation, to ensure the effective and efficient use of WFP's resources and the safeguarding of its assets.

2. WFP defines internal control as a process, effected by WFP's Executive Board, management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives relating to operations, reporting and compliance[18]. The Statement on Internal Control provides assurance from the Executive Director on the effectiveness of WFP's system of internal control.

WFP's operating environment

3. The humanitarian imperative obliges WFP to respond when needed. This principle exposes WFP to operating environments and situations with a high level of inherent risk, including in terms of the security of its employees and beneficiaries, and, in some cases, the ability to maintain the highest standards of internal control.

Internal control and enterprise risk management frameworks

4. WFP's internal control framework is aligned with guidance issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In accordance with COSO, WFP's system on internal control includes five components: control environment; risk assessment; control activities; information and communication; and monitoring activities.

5. WFP's enterprise risk management framework is aligned with COSO guidance on enterprise risk management, which integrates risk, strategy and performance. WFP's 2018 enterprise risk management policy aims to establish a pragmatic, systematic and disciplined approach to identifying and managing risks throughout WFP that is clearly linked to the achievement of its strategic objectives.

6. WFP's oversight framework outlines the organization's vision for oversight and provides a snapshot of the evolving architecture and activities in place to operationalize the vision, which includes governance, Executive Board accountability and oversight frameworks, and associated reporting arrangements.

Review of the effectiveness of internal control

7. Managers within WFP who are responsible for implementing and overseeing internal controls in their areas of responsibility inform an annual review of the effectiveness of WFP's internal controls that considers: feedback from global management as part of the annual Executive Director's Assurance Exercise ("the Exercise"); the annual report of the Inspector General; and other evidence as available and appropriate.

Significant risk and internal control matters

8. Four issues from the 2022 Statement on Internal Control continue to achieve progress but were carried over for prioritization and further attention in 2024 as follows.

[18] See annex II of "WFP oversight framework" (WFP/EB.A/2018/5-C).

9. **Talent management and workforce planning.** Similar to 2022, Exercise respondents ranked talent management and workforce planning as their top control challenge. In 2023, this takes place against a backdrop of a massive drop in funding for WFP of 67 percent compared to the prior year, with an even further decrease expected in 2024. WFP is undergoing large-scale organizational restructuring/downsizing to adjust to new funding realities, which has included a hiring pause as well as separation and ad-hoc reassignment exercises in headquarters, and organizational realignment exercises in the field. While necessary, this process is impacting WFP's ability to implement the Staffing Framework and attract and retain talent, which respondents continue to note is already challenged by the organization's employment offer compared to other actors and limited career growth path for consultants and national staff. WFP has succeeded in reducing the proportion of its staff on short-term contracts from 61 percent in 2021 to 46 percent in 2023, and the initial transition period for implementing the Staffing Framework was extended until December 2025 to allow managers additional time.

10. **Workplace culture and conduct.** Despite progress, 2023 was an unprecedented year of organizational change for WFP that increased uncertainty and anxiety among employees. Exercise respondents called for strong leadership and tone-at-the-top, two-way communication and transparency against the backdrop of organizational restructuring and downsizing, with some offices noting a lack of management presence and clear vision at a critical moment of change. To support well-being, WFP has initiated an Employee Support Programme aimed at connecting and moving forward in times of uncertainty. WFP continues its efforts to tackle employee hesitancy to speak up and address misconduct by investing in prevention efforts. This includes a focus on informal conflict resolution mechanisms managed by the Office of the Ombudsman and Mediation Services and the Staff Relations Branch of the Human Resources Division and a launch of new corporate training on ethics. The organization also remains committed to maintaining a respectful and inclusive workplace by focusing on diversity, equity and inclusion through the development of new policies, employee advocacy and awareness raising and support groups.

11. **Non-governmental organization management.** Challenges related to NGO management worsened in 2023; it grew from the sixth top control challenge ranked by Exercise respondents in 2022 to the fourth this year, and the number of respondents describing it as "needing strengthening" grew from 11 percent to 21 percent. The main risks in this area revolve around the low availability of capable NGO partners with financial and reporting capacities and skills gaps required to deliver WFP's objectives; high turnover among partner staff; and the lack of formal recognition, funding and staffing for NGO management as a specialized function in WFP, including dedicated focal points in country offices and regional bureaux. To address these challenges, WFP is developing a new strategy to strengthen the capacities of cooperating partners and enable national ownership. WFP also continues to reinforce its guidance for NGO management through the issuance of new tools and increased digitization through the United Nations Partner Portal and Partner Connect.

12. **Identity management and information technology solutions.** Following the diversion incidents in Ethiopia, the number of Exercise respondents describing identity management as "needing strengthening" increased by 8 percent among all country offices and 13 percent among the 31 high-risk. Persistent issues related to a lack of an overarching corporate strategy or framework for identity management that incorporates in-kind assistance; poor end-to-end system integration within WFP and with external stakeholders; and risks related to the management of data by partners. WFP has made strides to address these matters through the launch of a new Personal Data Protection and Privacy Framework in March 2024. Moving forward, WFP is developing an overarching corporate normative framework for identity management covering also minimum standards for in-kind assistance. Systems integration will be addressed through a new multi-year critical

corporate initiative on "monitoring, identity management and traceability". WFP will also improve its oversight and support for partner data management by addressing observations from the recent internal audits on WFP Cooperating Partners Digital and Data Processing Risks (August 2023) and Digital Advisory and Solution Services Project Management (November 2023).

13. **Emerging risk and control challenges.**[19] The Exercise raised the following top risk and control challenges not noted above that affected WFP's ability to achieve its objectives:

a) **Monitoring and assessment**, covering access and monitoring in hard-to-reach areas; inadequate controls for targeting and prioritization; limited monitoring capacity and clear roles and responsibilities at the country level; and monitoring for "changing lives" activities, including school-based programmes and capacity strengthening.

b) **Resource mobilization and donor relations**, covering the funding reductions faced in 2023; the changing donor landscape including contribution earmarking and increasingly demanding and complex donor requirements; and funding constraints and lack of diversification of the donor base at the country level.

c) **Programmatic partnerships and host government engagement**, covering political impact or restrictions on targeting and assistance; government partner capacity and oversight; local political developments and partnership with the government; and corporate tools and guidance for government partners.

d) **Supply chain and procurement**, covering last-mile delivery of in-kind assistance; integrated and streamlined commodity tracking tools; procurement challenges and lack of eligible vendors/suppliers; food diversion risk; access issues and sub-standard warehouse facilities; and reliance on partners for commodity monitoring.

Statement

14. All internal controls have inherent limitations – including the possibility of circumvention – and therefore WFP can provide only reasonable assurance regarding the achievement of objectives relating to operations, reporting and compliance. Further, because of changing conditions, the effectiveness of internal controls may vary over time.

15. Based on the above, I consider, to the best of my knowledge and information, that WFP operated a satisfactory system of internal control for the year ended 31 December 2023 in line with the May 2013 COSO Internal Control – Integrated Framework.

16. WFP is committed to addressing the internal control and risk management issues identified above as part of the continuous improvement of its system of internal control.

Cindy McCain

Executive Director Rome, 31 March 2024

[19] Both "Monitoring and review systems" and "Capacity to scale up to respond to emergencies" now retitled to "Supply chain and procurement", were removed as significant risk and control issues in the 2020 Statement on Internal Control due to substantial progress at all levels since they were first identified in 2011 and 2014, respectively. Meanwhile, both "Resource mobilization and donor relations" and "Programmatic partnerships and host government engagement" emerge as significant risk and control issues for a second year in a row.

WORLD FOOD PROGRAMME

STATEMENT I

STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2023

(USD million)

	Note	2023	2022
Assets			
Current assets			
Cash and cash equivalents	2.1	2 735.0	2 680.4
Short-term investments	2.2	1 757.9	1 429.4
Contributions receivable	2.3	4 229.9	6 667.7
Inventories	2.4	1 291.6	1 498.9
Other receivables	2.5	337.2	419.5
		10 351.6	**12 695.9**
Non-current assets			
Contributions receivable	2.3	115.3	131.4
Long-term investments	2.6	1 182.7	987.3
Property, plant and equipment	2.7	257.4	248.2
Intangible assets	2.8	20.5	15.4
		1 575.9	**1 382.3**
Total assets	2.14	**11 927.5**	**14 078.2**
Liabilities			
Current liabilities			
Payables and accruals	2.9	904.9	1 393.5
Deferred revenue	2.10	22.5	32.0
Provisions	2.11	17.8	45.5
Employee benefits	2.12	65.7	70.4
Loan	2.13	5.6	5.6
		1 016.5	**1 547.0**
Non-current liabilities			
Deferred revenue	2.10	8.0	24.2
Employee benefits	2.12	949.9	814.0
Loan	2.13	38.4	44.0
		996.3	**882.2**
Total liabilities		**2 012.8**	**2 429.2**
Net assets		**9 914.7**	**11 649.0**
Fund balances and reserves			
Fund balances	2.15	9 255.7	10 753.2
Reserves	2.15	659.0	895.8
Total fund balances and reserves		**9 914.7**	**11 649.0**

The accompanying notes form an integral part of these financial statements.

Cindy McCain
Executive Director

Robert van der Zee
Chief Financial Officer
Rome, 27 March 2024

WORLD FOOD PROGRAMME

STATEMENT II

STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 31 DECEMBER 2023

(USD million)

	Note	2023	2022
Revenue			
Monetary contributions	3.1	7 680.4	13 252.1
In-kind contributions	3.2	651.3	832.5
Currency exchange differences	3.3	193.6	106.1
Return on investments	3.4	321.9	(15.7)
Other revenue	3.5	276.5	242.6
Total revenue		**9 123.7**	**14 417.6**
Expenses			
Cash-based transfers distributed	4.1	2 943.7	3 298.0
Food commodities distributed	4.2	3 264.5	3 881.8
Distribution and related services	4.3	1 155.8	1 110.8
Contracted and other services	4.4	1 364.0	1 202.9
Staff costs	4.5	1 178.4	1 023.0
Affiliated workforce costs	4.5	431.6	386.8
Supplies, consumables and other running costs	4.6	287.8	293.2
Finance costs	4.7	18.5	25.0
Depreciation and amortization	4.7	67.3	62.6
Other expenses	4.7	152.8	163.5
Total expenses		**10 864.4**	**11 447.6**
Surplus (deficit) for the year		**(1 740.7)**	**2 970.0**

The accompanying notes form an integral part of these financial statements.

WORLD FOOD PROGRAMME

STATEMENT III

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED 31 DECEMBER 2023

(USD million)

	Note	Accumulated surplus/fund balances	Surplus (deficit)	Reserves	Total net assets
Total net assets at 31 December 2022		**7 783.2**	**2 970.0**	**895.8**	**11 649.0**
Allocation of the surplus for 2022		**2 970.0**	**(2 970.0)**	**-**	**-**
Adoption of IPSAS 41	1	**(1.3)**	**-**	**-**	**(1.3)**
Movements in fund balances and reserves in 2023					
Transfer from/to reserves	2.15	236.8	-	(236.8)	-
Net unrealized gains on investments	2.6/2.15	56.0	-	-	**56.0**
Actuarial losses on employee benefit liabilities	2.12	(48.3)	-	-	**(48.3)**
Deficit for the year	7.2	-	(1 740.7)	-	**(1 740.7)**
Total movements during the year		**244.5**	**(1 740.7)**	**(236.8)**	**(1 733.0)**
Total net assets at 31 December 2023		**10 996.4**	**(1 740.7)**	**659.0**	**9 914.7**

	Note	Accumulated surplus/fund balances	Surplus (deficit)	Reserves	Total net assets
Total net assets at 31 December 2021		**7 361.4**	**719.7**	**508.9**	**8 590.0**
Allocation of the surplus for 2021		**719.7**	**(719.7)**	**-**	**-**
Movements in fund balances and reserves in 2022					
Transfer from/to reserves	2.15	(386.9)	-	386.9	-
Net unrealized losses on investments	2.6/2.15	(206.0)	-	-	**(206.0)**
Actuarial gains on employee benefit liabilities	2.12	295.0	-	-	**295.0**
Surplus for the year		-	2 970.0	-	**2 970.0**
Total movements during the year		**(297.9)**	**2 970.0**	**386.9**	**3 059.0**
Total net assets at 31 December 2022		**7 783.2**	**2 970.0**	**895.8**	**11 649.0**

The accompanying notes form an integral part of these financial statements.

WORLD FOOD PROGRAMME
STATEMENT IV
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 31 DECEMBER 2023
(USD million)

	Note	2023	2022
Cash flows from operating activities:			
Surplus (deficit) for the year		(1 740.7)	2 970.0
Adjustments to reconcile surplus (deficit) to net cash flows from operating activities			
Depreciation and amortization	2.7/2.8	67.3	62.6
Unrealized loss on short-term investments	2.2	-	18.1
Unrealized (gain) loss on long-term investments	2.6	(137.6)	14.6
(Increase) in amortized value of long-term investments	2.2/2.6	(2.3)	(2.5)
(Decrease) in amortized value of long-term loan	2.13	(0.3)	(0.3)
Interest expense on long-term loan	2.13	1.4	1.6
Decrease (increase) in inventories	2.4	207.3	(279.3)
Decrease (increase) in contributions receivable	2.3	2 452.6	(2 209.1)
Decrease (increase) in other receivables	2.5	96.8	(119.5)
Property, plant and equipment (donated in-kind)	2.7	1.7	-
(Decrease) increase in payables and accruals	2.9	(488.6)	233.1
(Decrease) in deferred revenue	2.10	(25.7)	(25.6)
(Decrease) increase in provisions	2.11	(27.7)	30.0
Increase in employee benefits net of actuarial gain/loss on post-employment benefits	2.12	82.9	77.3
Net cash flows from operating activities		**487.1**	**771.0**
Cash flows from investing activities:			
(Increase) decrease in short-term investments	2.2	(294.6)	224.5
(Increase) in accrued interest receivable	2.5	(14.5)	(6.1)
(Increase) in long-term investments	2.6	(37.8)	(50.1)
(Increase) in property, plant and equipment	2.7	(74.6)	(95.3)
(Increase) in intangible assets	2.8	(8.7)	(5.5)
Net cash flows from investing activities		**(430.2)**	**67.5**
Cash flows from financing activities:			
Interest paid on loan	2.13	(1.4)	(1.6)
Repayment of annual principal on loan	2.13	(5.3)	(5.3)
Net cash flows from financing activities		**(6.7)**	**(6.9)**
Net increase (decrease) in cash and cash equivalents		**50.2**	**831.6**
Cash and cash equivalents at beginning of the year	2.1	**2 680.4**	**1 848.8**
Unrealized gains on cash equivalents in net assets/equity		**4.4**	-
Cash and cash equivalents at end of the year	2.1	**2 735.0**	**2 680.4**

The accompanying notes form an integral part of these financial statements.

WORLD FOOD PROGRAMME

STATEMENT V

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS[1]

FOR THE YEAR ENDED 31DECEMBER 2023

(USD million)

	Note	Budget amount		Actual on	Difference: final	Implementation
	6	Original budget	Final budget[2]	comparable basis[3]	budget and actual	plan[4]
CSP costs						
Strategic outcome 1 - People are better able to meet their urgent food and nutrition needs		12 724.7	14 744.3	6 604.1	8 140.2	8 508.5
Strategic outcome 2 - People have better nutrition, health and education outcomes		2 147.3	2 515.7	1 095.9	1 419.8	1 458.9
Strategic outcome 3 - People have improved and sustainable livelihoods		1 724.8	1 838.9	642.6	1 196.3	825.9
Strategic outcome 4 - National programmes and systems are strengthened		188.0	423.3	179.2	244.1	291.6
Strategic outcome 5 - Humanitarian and development actors are more efficient and effective		1 143.6	1 200.3	755.7	444.6	830.0
Strategic outcome not available[5]		-	-	39.3	(39.3)	-
Direct support costs		601.1	700.8	499.7	201.1	674.2
Subtotal CSP costs		**18 529.5**	**21 423.3**	**9 816.5**	**11 606.8**	**12 589.1**
Regular PSA costs		576.3	576.3	556.8	19.5	576.3
Critical corporate initiatives		58.2	78.6	46.5	32.1	78.6
Subtotal indirect costs		**634.5**	**654.9**	**603.3**	**51.6**	**654.9**
Total		**19 164.0**	**22 078.2**	**10 419.8**	**11 658.4**	**13 244.0**

The accompanying notes form an integral part of these financial statements

[1] Prepared on a commitment basis. Commitments represent possible future liabilities based on a current contractual agreement and include outstanding purchase orders and contracts where goods and services have not yet been received.

[2] The final budget represents approved operational needs as of 31 December of the reporting year.

[3] Comparable basis means the actual amounts presented on the same accounting basis, same classification basis, for the same funds and the same period as the approved budget.

[4] The implementation plan represents the prioritized operational needs for approved CSPs, derived from the final budget, considering funding forecasts, available resources and operational challenges as of 31 December 2023.

[5] Actuals incurred in 2023 for the financial closure of 2022 CSPs under the earlier framework for strategic and programmatic planning.

Notes to the financial statements at 31 December 2023

Note 1: Accounting policies

Reporting entity

1. WFP was established in 1961 by the United Nations General Assembly and the Conference of the FAO as the United Nations system's food aid organization. The purposes of WFP are: a) to use food aid to support economic and social development; b) to meet refugee and other emergency and protracted relief food needs; and c) to promote world food security in accordance with the recommendations of the United Nations and FAO.

2. WFP is governed by a 36-member Executive Board which provides intergovernmental support, direction and supervision of WFP’s activities. The organization is headed by an Executive Director, who is appointed jointly by the United Nations Secretary-General and the Director-General of FAO.

3. WFP has its headquarters in Rome, Italy. During 2023, WFP provided assistance in 119 countries and territories, where its work is overseen through the six regional bureaux.

4. The financial statements include the operations of WFP. Jointly controlled entities are disclosed in note 11.

Basis of preparation

5. The financial statements of WFP have been prepared on the accrual basis of accounting in accordance with the IPSAS using the historic cost convention, modified by the inclusion of investments at fair value. Where an IPSAS does not address a particular issue, reference is made to the relevant pronouncement of other standard setting bodies, such as the International Accounting Standards Board.

6. The financial statements have been prepared on a going-concern basis. This assessment is based on approved budget, funding forecast, net assets available and the on-going relevance of WFP’s mandate.

7. The cash flow statement (Statement IV) is prepared using the indirect method.

8. The functional and reporting currency of WFP is the United States dollar. Transactions in currencies other than the United States dollar are translated into United States dollars at the prevailing United Nations operational rates of exchange at the time of transaction. Assets and liabilities in currencies other than United States dollars are translated into United States dollars at the prevailing United Nations operational rates of exchange year-end closing rate. Resulting gains or losses are accounted for in the Statement of Financial Performance.

Adoption of IPSAS 41 Financial instruments

9. In August 2018, the IPSAS Board published IPSAS 41, *Financial Instruments* to replace partially IPSAS 29, *Financial Instruments: recognition and measurement*, establishing new requirements for classifying, recognizing and measuring financial instruments. WFP adopted IPSAS 41 on 1 January 2023, the date at which the standard became effective.

10. The key changes introduced by IPSAS 41 consisted of the application of a single classification and measurement model for financial assets that considers the objectives for which assets are held (management model) and characteristics of the assets’ cash flows, and the application of a single forward-looking expected credit loss (ECL) model that is applicable to all financial instruments subject to impairment testing.

11. IPSAS 41 includes mandatory transitional provisions and elective transitional provisions. Among the latter, WFP has elected the following:

    a) WFP has not restated prior periods, as permitted by the standard, and has consequently recognized any difference between the previous carrying amount on 31 December 2022 under IPSAS 29 and the carrying amount on 1 January 2023 under IPSAS 41 in the opening accumulated surplus or deficit.

    b) For financial instruments in cash equivalents, short-term liquidity portfolios, and long-term debt instruments that are rated at investment grade (i.e., at or above Baa3 for Moody's or BBB- for Fitch/Standard & Poor's), WFP has applied the assumption that they have "low credit risk" at the reporting date, and therefore, that their credit risk has not increased significantly since initial recognition.

12. IPSAS 41 has a rebuttable presumption that when receivable is 30 days past due it implies a significant increase in credit risk since initial recognition, which triggers moving from 12-month to a lifetime expected credit losses. For financial instruments in investment portfolios WFP has used ECL model based on the probability of default method, which is not a function of the aging of receivables. For contribution and other receivables IPSAS 41 requires the simplified approach for ECL recognition, which always requires recognizing lifetime expected credit losses, and therefore the 30-day presumption does not change the impairment model. For contribution receivables, WFP has used the loss rate method of estimating ECL, considering historical credit loss experience updated for current and forward-looking information, rather than the provision matrix that is based on ageing. When considering historical credit loss experience, a 30-day presumption is not appropriate as it does not reflect the terms of voluntary contribution agreements where payment terms are not exact and are often conditional on meeting specific reporting requirements.

13. The application of IPSAS 41 resulted in the new classification of WFP's financial instruments as presented below and further described in the note 2.14: Financial Instruments but it did not affect their carrying amounts at 1 January 2023, except for the decrease in contribution receivables due to an increase in the related impairment allowance as a result of the application of expected credit loss model. The effect on the opening net assets was a decrease of USD 1.3 million. Additionally, impairment allowance on cash equivalents, short- and long-term investments of USD 0.3 million was recognized and USD 206 million were transferred from accumulated unrealized gains/losses on equity investment funds to accumulated surplus/deficit within the net assets without the impact on total net assets.

14. The table below compares measurement categories under IPSAS 41 and previous measurement categories under IPSAS 29.

Financial instrument	IPSAS 29 categories	IPSAS 41 categories
Cash at bank	Loans and receivables	Amortized cost
Cash equivalents (except money market funds)	Loans and receivables	Fair value through net assets/equity
Money market funds	Loans and receivables	Fair value through surplus or deficit
Short-term investments	Held for trading	Fair value through net assets/equity
Derivatives	Held for trading	Fair value through surplus or deficit
Long-term investments:		
Debt instruments	Available for sale	Fair value through net assets/equity
Equity investment funds	Available for sale	Fair value through surplus or deficit
US STRIPS	Held to maturity	Amortized cost
Contribution and other receivables	Loans and receivables	Amortized cost

15. The carrying amount of liquidity portfolios (short-term investments) that were previously classified as held for trading and are now reclassified to fair value through net assets/equity was USD 1,422.8 million at 31December 2022.

16. The table below presents impact of the new accounting policy on the current financial period.

	2023 *(USD million)*
Statement of Financial Performance	
Decrease in return on investments due to reclassification of liquidity portfolios (now recognized in net assets)	(31.5)
Increase in return on investments due to reclassification of equity investment funds (previously recognized in net assets)	131.9
Decrease in deficit for the year	100.4
Statement of Financial Position (opening balance)	
Decrease in contribution receivables	1.3
Decrease in net assets	1.3

Use of estimates and judgements

17. The preparation of the financial statements in conformity with IPSAS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenses. The estimates and associated assumptions are based on past experience and various other factors that are believed to be reasonable under the circumstances, and information available at the date of preparation of the financial statements, the results of which form the basis of judgements about carrying values of assets and liabilities that are not readily apparent from other

sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, and any future periods affected.

18. Significant estimates and assumptions that may result in material adjustments in future periods include: actuarial measurement of employee benefits; impairment of assets; selection of useful lives and the depreciation/amortization method for property, plant and equipment/intangible assets; inventory replacement cost, provisions and contingent liabilities.

New and revised accounting standards not yet effective

19. WFP follows closely IPSAS Board new pronouncements, assesses their relevance and impact on WFP's accounting policies and procedures, and adopts new IPSAS standards based on their relevance, and in line with the standards effective implementation dates as prescribed by the IPSAS Board. The following new standards and exposure drafts are of relevance for WFP.

20. In January 2022, the IPSAS Board published IPSAS 43, *Leases* to replace IPSAS 13, *Leases*. Issuance of IPSAS 43 completes the Phase One of the IPSAS Board's Leases project, the main purpose of which is the alignment with the IFRS 16 *Leases*. The IPSAS 43 no longer requires classification of leases as either finance or operational leases, and it requires recognition of assets and liabilities related to rights and obligations created by all lease contracts. The effective date of IPSAS 43 is 1 January 2025. WFP will adopt the standard on its effective date.

21. In May 2022, the IPSAS Board published IPSAS 44, *Non-current Assets Held for Sale and Discontinued Operations.* The purpose of it is to provide the accounting for assets held for sale and the presentations and disclosure requirements of discontinued operations. The key principle of the standard with regard to a classification of assets as held for sale is that the carrying amount of the asset will be recovered through a sale rather than through continuing use. The effective date of IPSAS 44 is 1 January 2025. WFP will assess the relevance and impact of IPSAS 44 on its operations and adopt the standard on its effective date, if applicable.

22. In May 2023, the IPSAS Board issued IPSAS 45, *Property, Plan, and Equipment* to replace IPSAS 17, and the new standard IPSAS 46, *Measurement*. IPSAS 45 introduces new guidance for heritage assets, infrastructure assets and measurement of property, plant, and equipment. IPSAS 46 provides new guidance addressing application of commonly used measurement bases in practice, it provides general guidance on fair value and introduces current operational value, a public sector specific current value measurement basis, which is also made available for measurement of property, plant, and equipment under IPSAS 45. Both standards have effective date on 1 January 2025. WFP will assess the relevance and impact of IPSAS 45 and IPSAS 46 on its operations and adopt the standards on their respective effective date, if applicable.

23. Further in May 2023, the IPSAS Board issued IPSAS 47, *Revenue*, covering revenue with performance obligations and revenue without performance obligations, to replace IPSAS 9, *Revenue from exchange transactions* and IPSAS 23, *Revenue from non-exchange transactions (taxes and transfers),* and IPSAS 11, *Construction contracts*. It also issued IPSAS 48, *Transfer expenses*. The effective date of both standards is 1 January 2026. The standards are expected to affect the core activities of WFP. The impact assessment by WFP is in progress.

Cash and cash equivalents

24. Cash and cash equivalents comprise cash on hand, cash at banks, money market and short-term deposits with maturity of three months or less, including those managed by investment managers.

25. Investment revenue is recognized as it accrues, taking into account the effective yield.

Financial instruments

26. Financial instruments are recognized when WFP becomes a party to the contractual provisions of the instrument until such time as when the rights to receive cash flows from those assets have expired or have been transferred and WFP has transferred substantially all the risks and rewards of ownership.

27. Financial instruments are classified based on two criteria: i) WFP's management model for financial assets and ii) the contractual cash flow characteristics of the financial asset. Depending on the criteria, financial assets are subsequently measured at amortized cost, fair value through net assets/equity, or fair value through surplus or deficit.

28. Financial assets at amortized cost are initially measured at fair value plus any directly attributable transaction costs and subsequently at amortized cost reduced by any impairment losses. These comprise contributions receivable in cash, other receivables, cash at bank and the United States Treasury Separate Trading of Registered Interest and Principal of Securities (STRIPS) held within the long-term investment portfolio. The management model is to hold these financial assets in order to collect contractual cash flows and their contractual terms give rise to solely payments of principal and interest (SPPI).

29. Financial assets at fair value through net assets/equity are initially measured at fair value plus any directly attributable transaction costs. They are subsequently carried at fair value, with value changes, other than foreign exchange gains and losses and impairment, recognized in the Statement of Changes in Net Assets. Gains and losses are reclassified from net assets to surplus or deficit when the assets are derecognized. These assets comprise cash equivalents (except money market funds), short-term investments representing liquidity portfolios and debt instruments (bonds) held as long-term investments and designated as employee benefit funds. The objective of the management model for these assets is achieved by both collecting contractual cash flows and selling and their contractual terms give rise to SPPI.

30. Financial assets at fair value through surplus or deficit are initially measured at fair value and any gains or losses arising from subsequent changes in the fair value are accounted for through surplus or deficit and included in the Statement of Financial Performance in the period in which they arise. These include money market funds, equity open-ended investment funds designated as employee benefit funds and derivative assets (forward contracts). The contractual terms of these assets do not give rise to SPPI.

31. While both debt instruments (bonds) and equity open-ended investment funds are designated as employee benefit funds and as such are part of the same management model, equity investment funds could not be classified as at fair value through net assets/equity as they do not meet SPPI test and such classification is not allowed.

32. All non-derivative financial liabilities are recognized initially at fair value, and subsequently measured at amortized cost using the effective interest method.

33. As required by IPSAS 41, WFP recognizes ECLs on financial assets measured at amortized cost and financial assets measured at fair value through net assets/equity. ECLs are a probability-weighted estimates of credit losses. Credit losses are measured as the present value of all cash shortfalls i.e., the difference between the cash flows due to WFP in accordance with the agreement and the cash flows that WFP expects to receive. The model for recognizing ECL is a forward-looking model that requires recognizing ECLs from day one. WFP measures loss allowances on its financial assets, except contribution and other receivables, at an amount equal to 12-month ECL or lifetime ECL if credit risk on that financial instrument has increased significantly since initial recognition. Twelve-month ECL is the

portion of lifetime ECL that represents the ECL that result from default events that are possible within the 12 months after the reporting date. Loss allowances for contributions receivable and other receivables are measured by WFP at an amount equal to lifetime ECLs, in accordance with the 'simplified approach' of IPSAS 41.

Inventories

34. The vast majority of WFP's inventory are food commodities held for distribution to beneficiaries. Inventories also include non-food items held at various storage facilities.

35. Food commodities and non-food items on hand at the end of the financial period are recorded as inventories and are valued at cost or current replacement cost, whichever is lower. The cost of food commodities includes purchase cost or fair value[1] if donated in-kind and all other costs incurred in bringing the food commodities into WFP's custody at their point of first entry into a recipient country. In addition, any significant costs of conversion such as milling, or bagging are included. Cost is determined on the weighted average basis.

36. Under the legal framework in which WFP operates, legal title of food commodities normally passes to the recipient country government at their point of first entry into a recipient country where they become distributable. Although legal title may have passed for those food commodities held in WFP warehouses in recipient countries, WFP records these commodities as inventories because WFP retains physical custody and control.

37. Cost of other inventories includes all costs of purchase and all other costs of bringing the items to strategic storage depots or delivery direct to a recipient country.

38. Where inventories or elements of their cost are acquired through a non-exchange transaction, their cost is measured at their fair value as at the date of acquisition.

39. Inventories are valued net of any impairments. An allowance for impairment is made for possible loss or damage to inventories under WFP's custody.

Contributions receivable

40. WFP recognizes a contribution receivable when, by the reporting date, it has entered into a binding arrangement in writing with a donor, the donor has obtained all the appropriation approvals that are required under its jurisdiction, the inflow of future economic benefits or service potential is probable, and WFP can reliably measure the funds to be transferred.

41. Contributions receivable are presented net of allowance for impairment and allowance for estimated reduction in contribution revenue. WFP discounts its contributions receivable pertaining to future years, using the prevailing market rates of interest for similar instruments with a similar credit rating (a discount rate that reflects the risk inherent in holding the asset).

42. In-kind contribution receivables of services that directly support approved operations and activities, which have budgetary impact, and can be reliably measured, are recognized when confirmed in writing by donors, and valued at fair value. These contributions include use of premises, utilities, transport, and personnel.

43. In-kind contribution receivables for donated property, plant and equipment and intangible assets are recognized as property, plant, and equipment or intangible assets and contribution revenue when confirmed in writing by donors and based on the criteria stated in paragraph 37 above and are valued at fair value.

[1] Indicators of the fair value for food commodities donated in-kind include world market prices, the Food Assistance Convention price and the donor's invoice price.

Property, plant and equipment

44. Property, plant and equipment are measured initially at cost. Subsequently, property, plant and equipment are carried at cost less accumulated depreciation and any impairment losses.

45. Costs consist of asset purchase price and any other directly attributable costs of bringing the asset to working condition for its intended use. Borrowing costs, if any, are not capitalized. Donated property, plant and equipment are valued at fair value and recognized as property, plant and equipment and contribution revenue.

46. Individual items of property, plant and equipment are capitalized if their cost is greater or equal to the threshold limit set at USD 5,000. The threshold is reviewed periodically.

47. Leasehold improvements are recognized as assets and valued at cost and depreciated over the lesser of remaining useful life of the improvements or the lease term.

48. Depreciation is provided for property, plant and equipment over their estimated useful life using the straight-line method, except for land which is not subject to depreciation. The estimated useful life for property, plant and equipment classes is as follows:

Class	Estimated useful life *(years)*
Buildings	
Permanent	40
Temporary	5
Computer equipment	3
Other equipment	3
Office fixtures and fittings	5
Motor vehicles	
Light	5
Heavy and armoured	8
Workshop equipment	3

49. Impairment reviews are undertaken for all assets at least annually.

Intangible assets

50. Intangible assets are resources without physical substance controlled by WFP. They mainly consist of software acquired externally or internally developed and rights. Intangible assets are measured initially at cost. Subsequently, intangible assets are carried at historical cost less accumulated amortization and any impairment losses. Donated intangible assets are valued at fair value and recognized as intangible assets and contribution revenue.

51. Intangible assets are capitalized if their cost exceeds the threshold of USD 5,000 except internally generated software, where the threshold is USD 100,000. The capitalizable value of internally generated software excludes those costs related to research and maintenance costs. The development cost of cloud-based software as a service is expensed as incurred when the solutions implemented do not meet the criteria to be considered assets.

52. Amortization is provided over the estimated useful life using the straight-line method. The estimated useful life for intangible asset classes is as follows:

Class	Estimated useful life *(years)*
Internally generated software	6
Externally acquired software	3
Licences and rights, copyrights and other intangible assets	3

Employee benefits

53. WFP recognizes the following categories of employee benefits:

- short-term employee benefits;
- post-employment benefits;
- other long-term employee benefits; and
- termination benefits.

54. Short-term employee benefits are those that are due to be settled within 12 months after the end of the period in which an employee renders the related service. They consist of annual leave and education grants. Short-term employee benefit liabilities include incurred but not paid amounts related to all benefit plans. Except benefits incurred but not paid, which are measured by actuary, short-term employee benefits are measured by WFP at nominal value.

55. Post-employment benefits are those payable after completion of employment or separation from employment, excluding termination payments. They are defined benefit plans consisting of after-service medical plans, the separation payment scheme and the compensation plan reserve fund. Post-employment benefits are measured by professional actuaries on the basis of actuarial assumptions, using the projected unit credit method. The actuarial gains or losses on post-employment benefits are recognized in the Statement of Changes in Net Assets.

56. Other long-term employee benefits are those that do not fall due wholly within 12 months after the end of the period in which employees provide the related service. They consist of home leave travel and other separation-related benefits such as accrued leave, death grants, repatriation grants and repatriation travel and removal expenses. Except home leave travel, other long-term employee benefits are measured by professional actuaries on the basis of actuarial assumptions, using the projected unit credit method. The actuarial gains or losses on other long-term employee benefits are recognized in the Statement of Financial Performance.

57. Termination benefits are recognized as an expense only when WFP is demonstrably committed, without realistic possibility of withdrawal, to either terminating the employment of a staff member before the normal retirement date or to providing termination benefits as a result of an offer made to encourage voluntary redundancy and when WFP recognizes restructuring costs that involve the payment of termination benefits.

United Nations Joint Staff Pension Fund

58. WFP is a member organization participating in the United Nations Joint Staff Pension Fund (UNJSPF or the Fund), which was established by the General Assembly to provide retirement, death, disability and related benefits to employees. The Fund is a funded, multi-employer defined benefit plan. As specified by Article 3 (b) of the regulations of the Fund, membership in the Fund shall be open to the specialized agencies and to any other international, intergovernmental organization which participates in the common system of salaries,

allowances and other conditions of service of the United Nations and the specialized agencies.

59. The Fund exposes participating organizations to actuarial risks associated with the current and former employees of other organizations participating in the Fund, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets, and costs to individual organizations participating in the plan. WFP and the UNJSPF, in line with the other participating organizations in the Fund, are not in a position to identify WFP's proportionate share of the defined benefit obligation, the plan assets and the costs associated with the plan with sufficient reliability for accounting purposes. Hence WFP has treated this plan as if it were a defined contribution plan in line with the requirements of IPSAS standard 39, "Employee Benefits" (IPSAS 39). WFP's contributions to the Fund during the financial period are recognized as expenses in the Statement of Financial Performance.

Provisions and contingent liabilities

60. Provisions are made for future liabilities and charges where WFP has a present legal or constructive obligation as a result of past events, and it is probable that WFP will be required to settle the obligation.

61. Other material commitments, which do not meet the recognition criteria for liabilities, are disclosed in the notes to the financial statements as contingent liabilities when their existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events which are not wholly within the control of WFP.

Contingent assets

62. Contingent assets are possible assets that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within WFP's control. Contingent assets are disclosed when their occurrence is probable.

Contributions revenue

63. Revenue from contributions (monetary and in-kind) arises from a non-exchange transaction, whereby resources are received by WFP without directly giving approximately equal consideration in return to the donor. WFP recognizes contributions revenue once it has met the requirements for asset recognition and it has discharged any present obligation recognized as a liability in respect of that transferred asset. For contributions where WFP has a present obligation that meets the criteria of conditions in IPSAS 23 and recognition as a liability, WFP recognizes an asset (contribution receivable) and a liability (deferred revenue) once it has met the requirements for asset recognition. WFP reduces deferred revenue and recognizes revenue as it satisfies present obligation recognized as a liability. Where the agreements do not contain all encompassing refund obligations to fulfil a condition under its meaning in IPSAS 23, an asset (contribution receivable) and contribution revenue are recognized upon confirmation of agreement in writing for the total amount of the agreement, despite the donor agreement stipulating future implementation dates and contribution amounts. Where provision of funding in future years is subject to parliamentary appropriation or similar clauses, and such future year funding would not fulfil asset recognition criteria under IPSAS 23, WFP recognized neither an asset (contribution receivable), nor a liability (deferred revenue). It discloses a contingent asset in cases where the inflow is probable.

Other revenue

64. Other revenue is revenue from exchange transactions. An exchange transaction is one where WFP receives resources, assets or services, or has liabilities extinguished, and directly gives

approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange. Revenue from the provision of services is recognized in the financial period in which the service is rendered according to the estimated stage of completion of that service. Revenue from the transfer of goods is recognized when the risk and rewards of ownership of the goods are passed to the requesting party. When providing goods or cash transfer services, payment for the cost of the transfer service is recognized as other revenue, while the value of goods or cash transferred is recognized as a liability towards the requesting party until the liability is extinguished.

Food commodities and cash-based transfers distributed

65. Food commodities are expensed when distributed directly by WFP or once they are handed over to cooperating partners or service providers for distribution. Cost is determined on the weighted average basis.

66. Cash-based transfers are expensed when distributed directly by WFP or once they are distributed by the cooperating partners or service providers.

Fund accounting and segment reporting

67. A fund is a self-balancing accounting entity established to account for the transactions of a specified purpose or objective. Funds are segregated for the purpose of conducting specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. The financial statements are prepared on a fund accounting basis, showing at the end of the period the consolidated position of all WFP funds. Fund balances represent the accumulated residual of revenue and expenses.

68. A segment is a distinguishable activity or group of activities for which financial information is reported separately in order to evaluate an entity's past performance in achieving its objectives and for making decisions about the future allocation of resources. WFP classifies all projects, operations and fund activities into three segments: i) programme category funds; ii) General Fund and Special Accounts; and iii) trust funds. WFP reports on the transactions of each segment during the financial period, and the balances held at the end of the period.

69. The programme category funds segment is an accounting entity established by the Board for the purposes of accounting for contribution revenue and expenses for all programme categories established to carry out the purposes of WFP. Programme categories include CSPs, ICSPs, limited emergency operations and transitional ICSPs. CSPs are prepared following sustainable development analysis and include WFP's entire portfolio of humanitarian and development activities in a country.

70. The General Fund is the accounting entity established for recording, under separate accounts, ISC recoveries, miscellaneous income, operational reserve and contributions received that are not designated to a specific programme category, project or a bilateral project. Special Accounts are established by the Executive Director under financial regulation 5.1 for special contributions or monies earmarked for specific activities, the balances of which may be brought forward to the succeeding financial period.

71. Trust funds are also identifiable subdivisions of the WFP Fund. These are established by the Executive Director under financial regulation 5.1 to account for contributions, the purpose, scope and reporting procedures of which have been agreed upon with the donor under specific trust fund agreements.

72. Reserves are maintained within the General Fund for the purpose of operational support. An operational reserve is maintained within the General Fund as required under financial regulation 10.5 to ensure continuity of operations in the event of temporary shortfalls of

resources. In addition to the operational reserve, other reserves have been established by the Board.

73. WFP may enter into third-party agreements (TPAs) to undertake activities which, while consistent with the objectives of WFP, are outside WFP's normal activities. TPAs are not reported as WFP revenue and expenses. At the year-end, the net balance owing to or from third parties is reported as a payable or receivable in the Statement of Financial Position under the General Fund. Service fees charged on TPAs are included within other revenue.

Budget comparison

74. WFP's budget is prepared on a commitment basis and the financial statements on an accrual basis. In the Statement of Financial Performance, expenses are classified on the basis of the nature of expenses, whereas in the Statement of Comparison of Budget and Actual Amounts, expenditures are classified by strategic outcomes into WFP cost categories. The strategic outcomes elaborated in WFP Strategic Plan (2022–2025) focus WFP's responses on what countries need. WFP's strategic results and outcomes are mapped to the SDG 2 and SDG 17 targets that are relevant to WFP's capacities and mandate, aligning WFP's support to national and global efforts on the SDGs.

75. Budget planning for CSPs follows the structure of the country portfolio budgets. The Board approves budgets for the direct costs of operations either directly or through its delegated authority. It also approves the annual management plan, including the appropriations for PSA costs, and critical corporate initiatives. Budgets may be subsequently amended by the Board or through the exercise of delegated authority.

76. Statement V: Comparison of Budget and Actual Amounts compares the final budget to actual amounts calculated on the same basis as the corresponding budgetary amounts. As the bases used to prepare the budget and financial statements differ, note 6 provides reconciliation of the actual amounts presented in Statement V and the actual amounts presented in Statement IV: Cash Flow.

77. The original and final budget in Statement V represents WFP's operational requirements developed based on needs assessment. It includes the direct CSPs costs, approved regular PSA costs and critical corporate initiatives for the indirect cost portion. In addition, the implementation plan is presented. The implementation plan represents prioritized operational needs for approved CSPs, derived from the final budget, considering funding forecasts, available resources and operational challenges. Considering that WFP is a voluntarily funded organization and its operations and financial management therefore depend on the level of funding actually received.

Note 2.1: Cash and cash equivalents

	2023	2022
	USD million	
Cash and cash equivalents		
Bank and cash at headquarters	437.4	761.1
Bank and cash at regional bureaux and country offices	208.0	196.8
Money market and deposit accounts at headquarters	990.1	882.5
Cash and cash equivalents held by investment managers	1 099.5	840.0
Total cash and cash equivalents	**2 735.0**	**2 680.4**

78. Cash required for immediate disbursement is maintained in cash and bank accounts. Balances in the money market and deposit accounts are available at short notice.

Note 2.2: Short-term investments

	2023	2022
	USD million	
Short-term investments		
Short-term investments	1 751.5	1 422.8
Current portion of long-term investments (note 2.6)	6.4	6.6
Total short-term investments	**1 757.9**	**1 429.4**

79. Short-term investments are divided into two portfolio tranches with distinct investment horizons and specific investment guidelines and restrictions. The credit risk profile of short-term investments did not change significantly in 2023. Central banks continued to adopt restrictive monetary policies with the objective to tame inflation throughout the year.

80. Short-term investments were valued at USD 1,751.5 million at 31 December 2023 (USD 1,422.8million at 31 December 2022). Of this amount, USD 715.1 million pertains to bonds issued or guaranteed by governments or government agencies (USD 577.5 million at 31December 2022); USD 455.7 million pertains to corporate bonds (USD 499.7 million at 31 December 2022) and USD 580.7 million pertains to asset-backed securities (USD 345.6 million at 31 December 2022). These investments are stated at fair value based on valuation provided by the independent custodian bank responsible for the administration and safekeeping of the securities.

81. In 2023, derivatives usage in short-term investments was limited to bond futures and derivatives exposure was considered not to be material. At 31 December there were no derivative financial instruments held in the investment portfolio (the notional amount held at 31 December 2022 was USD 8.9 million).

82. The movements in short-term investment accounts during the year are as follows:

	2022	Net additions/ (deductions)	Interest received/ amortized	Net realized gains/ (losses)	Net unrealized gains/(losses)	2023
	USD million					
Short-term investments	1 422.8	251.6	51.2	(1.2)	27.1	1 751.5
Current portion of long-term investments	6.6	(0.6)	0.4			6.4
Total short-term investments	**1 429.4**	**251.0**	**51.6**	**(1.2)**	**27.1**	**1 757.9**

83. During 2023, total short-term investments increased by USD 328.5 million. This increase includes net unrealized gains of USD 27.1 million recognized in net assets/equity. Amortized interest on the current portion of the long-term investment of USD 0.4 million, is presented in the reconciliation of surplus/deficit to operating cash flows in the Statement of Cash Flow as part of the increase in amortized value of the long-term investment of USD 2.3 million. The remaining balance, net of reclassification from long-term to short-term of USD 6.2 million, amounting to USD 294.8 million is presented in the Statement of Cash Flow under investing activities.

Note 2.3: Contributions receivable

	2023	2022
	USD million	
Composition:		
Current	4 229.9	6 667.7
Non-current	115.3	131.4
Total net contributions receivable	**4 345.2**	**6 799.1**
Monetary contributions receivable	4 144.7	6 703.2
In-kind contributions receivable	277.5	224.9
Total contributions receivable before allowance	**4 422.2**	**6 928.1**
The effect of discounting	(20.9)	-
Allowance for reduction in contribution revenue	(49.8)	(121.9)
Allowance for impairment	(6.3)	(7.1)
Total net contributions receivable	**4 345.2**	**6 799.1**

84. Current contributions receivable are for confirmed contributions that are due within 12 months while non-current contributions receivable are those that are due after 12 months from 31 December 2023.

85. Contributions receivable relate to donor contributions for programme categories, trust funds or to the General Fund and Special Accounts. Donor contributions may include restrictions that require WFP to use the contribution for a specific objective, activity or country within a specified timeframe.

86. The following table illustrates the composition of contributions receivable by ageing:

	2023		2022	
	USD million	***%***	***USD million***	***%***
Ageing				
2023	3 101.0	71		
2022	969.8	22	6 031.5	87
2021	210.6	5	642.4	9
2020 and earlier	108.4	2	309.4	4
Subtotal	**4 389.8**	**100**	**6 983.3**	**100**
Revaluation adjustments (non-USD contributions receivable)	11.5		(55.2)	
Total contributions receivable before allowance	**4 401.3**		**6 928.1**	

87. Contribution receivables are discounted at a rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows, by using the published US risk-free rates for comparable periods plus a spread based on the rating of each donor. The original discount rate applied to each contribution agreement is maintained for the duration of that agreement. US risk free rates as at 31 December 2023 for one to three years are 4.79 percent, 4.23 percent, 4.01 percent, respectively. Contribution receivables as 31 December 2023 are discounted by USD 20.9 million. Interest revenue accretion due to unwinding of discount on contribution receivables in 2023 is USD 24.3 million and is included in the Statement of Financial Performance.

88. Contributions receivable are presented net of allowance for impairment and allowance for estimated reductions in contribution revenue.

89. Allowance for reductions in contribution revenue is an amount estimated for any reductions of contributions receivable and corresponding revenue when the funding is no longer needed by the programme or activity to which the contributions were related. The allowance is based on historical experience.

90. The change in the allowance for reductions in contribution revenue during 2023 is as follows:

	2022	**Utilization**	**Increase/ (decrease)**	**2023**
	USD million			
Total allowance for reduction in contribution revenue	**121.9**	**(9.8)**	**(62.3)**	**49.8**

91. During 2023, the reductions in contributions receivable amounted to USD 9.8 million. These reductions are recorded as a utilization of the allowance for reductions in contribution revenue and reported in the Statement of Financial Position. At 31 December 2023, the

estimated final allowance required is USD 49.8 million. Accordingly, a decrease of USD 62.3 million was recorded as an adjustment to contribution revenue for the period and is reported in the Statement of Financial Performance.

92. The allowance for impairment is recorded based on a review of open contributions receivable to determine any line items that may not be collectible based on objective evidence of impairment as a result of one or more events that occurred after initial recognition of the receivable (“loss event”) and that loss event(s) has an impact on the estimated future cash flows of the contributions receivable or group of receivables. Note that this is for contributions receivable where expenses have already been incurred but donors are not expected to provide funding. In addition, WFP quantifies expected credit losses on contribution receivables with the loss rate approach as described in Note 2.14.2. Actual write-offs require a transfer from the General Fund and approval by the Executive Director for amounts higher than USD 10,000.

93. The change in the allowance for impairment during 2023 is as follows:

	2022	**Increase due to IPSAS 41 adoption**	**Utilization**	**Increase/ (decrease)**	**2023**
	USD million				
Total allowance for impairment	**7.1**	**1.3**	**(1.4)**	**(0.7)**	**6.3**

94. The opening balance of allowance for impairment was increased by USD 1.3 million on IPSAS 41 adoption and recognized as a change in opening balance of net assets/equity. During 2023, write-offs of USD 1.4 million were recorded as a utilization of the allowance for impairment and reported in the Statement of Financial Position. At 31 December 2023, the estimated final allowance for impairment required is USD 6.3 million. Accordingly, a decrease of USD 0.7 million was recorded as an adjustment for the period and is reported in the Statement of Financial Performance.

Note 2.4: Inventories

95. The following tables show the movements of food and non-food items during the year. The first table shows the total value of inventories – food and non-food – as presented in the Statement of Financial Position. The second table shows a reconciliation of food inventories, which reflects the opening balance and the additions during the year reduced by the value of food distributed and impairment allowance made during the year.

	2023	2022
	USD million	
Food on hand	1 225.5	1 073.6
Food in transit	170.4	460.7
Subtotal food	**1 395.9**	**1 534.3**
Less: impairment allowance	(9.3)	(10.5)
write-down to net realizable value	(128.1)	(63.3)
Total food	**1 258.5**	**1 460.5**
Non-food items	33.8	38.5
Less: impairment allowance	(0.7)	(0.1)
Total non-food items	**33.1**	**38.4**
Total inventories	**1 291.6**	**1 498.9**

Food reconciliation	**2023**	**2022**
	USD million	
Opening inventory	1 460.5	1 183.4
Add back: impairment allowance and write-down to net realizable value	73.8	7.1
Food purchased	2 244.2	2 867.9
In-kind commodities received	527.5	757.6
Transport and related costs	323.6	547.3
Total inventory available for distribution	**4 629.6**	**5 363.3**
Less: food distributed	(3 233.7)	(3 829.0)
Less: impairment allowance and write down to net realizable value	(137.4)	(73.8)
Total food	**1 258.5**	**1 460.5**

96. For 2023, food and non-food items distributed totalled USD 3,264.5 million (USD 3,881.8 million in 2022), as reported in the Statement of Financial Performance. Of this amount, USD 3,233.7 million relates to food commodities and USD 30.8 million relates to non-food items (USD 3,829.0 million and USD 52.8 million respectively in 2022).

97. For food, costs incurred up to the first point of entry in the recipient country are included in inventories. These costs include costs of procurement, ocean transport, port costs and, for food destined for landlocked countries, the overland transport cost across transit countries.

98. Food quantities, derived from WFP’s food tracking systems, are validated by physical stock counts and valued on a moving average basis.

99. The table below shows food inventory composition by commodity type.

	2023		2022	
	Thousand mt	***USD million***	***Thousand mt***	***USD million***
Mixed and blended	228.7	469.1	189.8	358.2
Cereals	1 020.9	464.4	1 361.7	674.7
Oils and fats	82.0	144.1	116.7	233.6
Pulses and vegetables	177.4	131.2	200.1	157.3
Others	39.2	49.7	30.0	36.7
Total food	**1 548.2**	**1 258.5**	**1 898.3**	**1 460.5**

100. Inventories include non-food items held at WFP warehouses in Dubai and at various strategic storage depots managed by the United Nations Humanitarian Response Depot network.

101. Non-food items include fuel stock, isolation and treatment units, prefabricated warehouses, modular buildings, generators and spare parts.

102. Food commodity stocks at 31 December2023 were 1.5 million mt, valued at USD 1,258.5 million (1.9 million mt, valued at USD 1,460.5 million at 31 December 2022).

103. The value of food commodities was written down by USD 128.1 million to their net realizable value (USD 63.3 million in 2022). In addition, an allowance for impairment has been made for possible loss or damage to inventories under WFP's custody. The allowance is based on past experience and has been set at 0.67 percent of total food and 2.1 percent for non-food items (in 2022, the allowance for food was 0.69 percent and the allowance for non-food items was 0.29 percent). As at 31 December 2023, the estimated final allowance for impairment required is USD 10.0 million and USD 1.6 million utilization is recorded. Accordingly, an increase in the allowance for impairment of USD 1.0 million is reported in the Statement of Financial Performance.

104. The change in the allowances for impairment during 2023 is as follows:

	2022	**Utilization**	**Increase/ (decrease)**	**2023**
	USD million			
Allowance for impairment – food	10.5	-	(1.2)	9.3
Allowance for impairment – non-food	0.1	(1.6)	2.2	0.7
Total allowance	**10.6**	**(1.6)**	**1.0**	**10.0**

Note 2.5: Other receivables

	2023	2022
	USD million	
Advances to vendors	59.3	115.7
Advances to staff	39.7	35.6
Advances for cash-based transfers	60.3	58.2
TPA receivables	12.1	6.3
Customer receivables	31.9	94.3
Value added tax receivables	73.1	51.2
Miscellaneous receivables	113.5	88.6
Total other receivables before allowance	**389.9**	**449.9**
Allowance for impairment	**(52.7)**	**(30.4)**
Total net other receivables	**337.2**	**419.5**

105. Advances to vendors are for payments in advance of goods and service delivery.

106. Advances to staff are cash advances for education grants, rental subsidies, travel and other staff entitlements. These advances are non-interest bearing in accordance with staff rules and regulations.

107. A TPA is a legally binding contract between WFP and another party in which WFP acts as an agent to provide goods or services at an agreed price. Transactions relating to TPA are treated as receivables and payables in the Statement of Financial Position. TPA receivables and payables are offset against each other to reflect the net position with the third parties.

108. Value-added tax (VAT) receivables are receivables from governments for input VAT included in the price of goods and services provided to WFP where outright tax exemptions have not been granted to WFP.

109. Customer receivables include amounts due from customers for goods and services provided by WFP. Miscellaneous receivables include, accrued interest receivable, receivables from other United Nations organizations, governments and NGOs.

110. Other receivables are reviewed to determine whether any allowance for impairment is required. As at 31 December 2023, the estimated allowance required is USD 52.7 million, of which USD 49.5 million is for value-added tax receivable and USD 3.2 million is for other receivables (USD 27.4 million for value-added tax receivable and USD 3.0 million for other receivables in 2022).

111. The change in the allowance for impairment during 2023 is as follows:

	2022	Utilization	Increase/ (decrease)	Revaluation adjustment	2023
	USD million				
Total allowance for impairment	**30.4**	**(0.1)**	**22.4**	**-**	**52.7**

112. The revaluation adjustment reflects the revaluation of the allowance denominated in non-USD currency.

113. The increase in the allowance for impairment of USD 22.4 million was recorded as an expense for the period and is reported in the Statement of Financial Performance.

Note 2.6: Long-term investments

	2023	2022
	USD million	
United States Treasury STRIPS	39.6	44.1
Current portion (note 2.2)	(6.4)	(6.6)
Long-term portion, United States Treasury STRIPS	**33.2**	**37.5**
Bonds	450.3	382.5
Equities	699.2	567.3
Total bonds and equities	**1 149.5**	**949.8**
Total long-term investments	**1 182.7**	**987.3**

114. Long-term investments consist of investments in STRIPS and investments in bonds and equities.

115. The United States Treasury STRIPS were acquired in September 2001 and are held to maturity. The maturities of the securities are phased over 30 years to fund payment of interest and principal obligations on a long-term commodity loan from a donor government agency (note 2.13), denominated in the same currency as the STRIPS over the same period. The STRIPS bear no nominal interest and were purchased at a discount to their face value; the discount was directly related to prevailing interest rates at the time of purchase of 5.5 percent and to the maturities of the respective STRIPS. The current portion of the STRIPS is equal to the amount required to settle current obligations on the long-term loan.

116. Changes in market value of the investment in STRIPS are not recognized. At 31 December 2023, the market value of this investment was USD 41.8 million (USD 46.7 million at 31 December 2022).

117. The investments in bonds and equities have been designated as being held for funding of WFP’s long-term employee benefits liabilities and are not expected to be used in support of WFP’s current operations. Although these investments are designated for this purpose, and are not available for funding current operations, the investments are not subject to separate legal restrictions and do not qualify as “plan assets” as defined in IPSAS 39, Employee Benefits.

118. Investments in equities are made through two Environmental, Social and Corporate Governance (ESG) funds which track the composition and performance of the Morgan Stanley Capital International (MSCI) All Country World Index, a recognized index of stocks to all world markets. This investment structure provides exposure to global equities markets on a passive basis with risks and returns that mirror the MSCI All Country World Index.

119. The increase in the value of the long-term bond and equity investments of USD 199.7 million resulted from the positive performance in both the Global Bond and Global Equity portfolios, due to strong market performance as risk appetite returned to equity markets on the back of renewed optimism that a soft landing would be achieved by monetary authorities and expectations of lower yields in 2024. The addition of USD 34.7 million is invested in line with

the WFP asset allocation policy with the objective of achieving a target of 60 percent in global equities and 40 percent in global bonds for funds set aside to meet employee benefit liabilities. These investments are stated at fair value based on valuation provided by the independent custodian bank responsible for the administration and safekeeping of the securities.

120. The movement of long-term investments accounts during 2023 is as follows:

	2022	**Additions/ (deductions)**	**Interest received/ amortized**	**Net realized gains/ (losses)**	**Net unrealized gains/ (losses)**	**2023**
			USD million			
Bonds	**382.5**	34.7	11.0	(7.9)	30.0	**450.3**
Equity investment funds	**567.3**	-	-	-	131.9	**699.2**
Investment in STRIPS	**37.5**	(6.2)	1.9	-	-	**33.2**
Total long-term investment	**987.3**	**28.5**	**12.9**	**(7.9)**	**161.9**	**1 182.7**

121. During 2023, long-term investments increased by USD 195.4 million. Long-term bonds are classified at fair value through net assets/equity and equity investment funds and foreign exchange forwards (notional amount of USD 36.0 million) are classified at fair value through surplus or deficit. Accordingly, under IPSAS, out of total net unrealized gains of USD 161.9 million, the net unrealized gain of USD 24.4 million related to financial assets at fair value through net assets/equity are transferred to net assets and presented in the Statement of Changes in Net Assets. The net unrealized losses of USD 5.4 million related to derivative financial instruments, the net unrealized gains of USD 131.9 million related to equity investment funds and the net unrealized gains of USD 11.0 million related to foreign exchange differences on long term investments are presented in the Statement of Financial Performance. The amortized interest on the investment in STRIPS of USD 1.9 million is presented in the reconciliation of surplus to operating cash flows in the Statement of Cash Flow as part of the increase in amortized value of the long-term investment of USD 2.3 million. The remaining balance, net of a reclassification from long-term to short-term of USD 6.2 million, amounting to USD 37.8 million is presented in the Statement of Cash Flow under investing activities.

Note 2.7: Property, plant and equipment

	Cost				Accumulated depreciation				Net carrying amount
	At 31 Dec 2022	Additions	Disposal/ transfers	At 31 Dec 2023	At 31 Dec 2022	Depreciation expense	Disposal/ transfers	At 31 Dec 2023	At 31 Dec 2023
	USD million								
Buildings									
Permanent	61.1	4.8	2.0	67.9	(10.5)	(2.1)	0.5	(12.1)	55.8
Temporary	139.4	11.7	(9.0)	142.1	(110.0)	(12.1)	7.6	(114.5)	27.6
Computer equipment	19.7	3.2	(2.1)	20.8	(16.7)	(2.2)	2.1	(16.8)	4.0
Other equipment	81.1	9.0	(9.0)	81.1	(70.7)	(7.7)	8.7	(69.7)	11.4
Office fixtures and fittings	0.9	0.2	(0.1)	1.0	(0.6)	(0.1)	0.1	(0.6)	0.4
Motor vehicles									
Light	124.3	16.9	(18.4)	122.8	(78.1)	(16.6)	16.0	(78.7)	44.1
Heavy and armoured	167.4	10.1	(4.5)	173.0	(101.6)	(13.5)	5.6	(109.5)	63.5
Leasehold improvements	61.7	12.0	(2.2)	71.5	(37.5)	(9.4)	4.0	(42.9)	28.6
Fixed assets under construction	18.3	14.1	(10.4)	22.0	-	-	-	-	22.0
Total	**673.9**	**82.0**	**(53.7)**	**702.2**	**(425.7)**	**(63.7)**	**44.6**	**(444.8)**	**257.4**

	Cost				Accumulated depreciation				Net carrying amount
	At 31 Dec 2021	Additions	Disposal/ transfers	At 31 Dec 2022	At 31 Dec 2021	Depreciation expense	Disposal/ transfers	At 31 Dec 2022	At 31 Dec 2022
	USD million								
Buildings									
Permanent	57.8	3.4	(0.1)	61.1	(8.8)	(1.8)	0.1	(10.5)	50.6
Temporary	135.5	8.2	(4.3)	139.4	(101.4)	(12.5)	3.9	(110.0)	29.4
Computer equipment	18.3	1.9	(0.5)	19.7	(15.1)	(2.1)	0.5	(16.7)	3.0
Other equipment	77.6	7.0	(3.5)	81.1	(66.7)	(7.5)	3.5	(70.7)	10.4
Office fixtures and fittings	0.9	0.1	(0.1)	0.9	(0.6)	(0.1)	0.1	(0.6)	0.3
Motor vehicles									
Light	110.3	25.4	(11.4)	124.3	(70.7)	(15.7)	8.3	(78.1)	46.2
Heavy and armoured	135.1	30.1	2.2	167.4	(89.4)	(12.3)	0.1	(101.6)	65.8
Leasehold improvements	55.2	5.3	1.2	61.7	(30.9)	(7.5)	0.9	(37.5)	24.2
Fixed assets under construction	5.3	16.6	(3.6)	18.3	-	-	-	-	18.3
Total	**596.0**	**98.0**	**(20.1)**	**673.9**	**(383.6)**	**(59.5)**	**17.4**	**(425.7)**	**248.2**

122. In 2023, major additions to property, plant and equipment were for buildings, motor vehicles and leasehold improvements. Net acquisitions (after disposals) for the period ended 31 December 2023 totalled USD 28.3 million (USD 77.9 million at 31 December 2022). Donated in-kind property, plant and equipment in 2023 totalled USD 1.7 million (no in-kind donated property, plant and equipment as at 31 December 2022). Net carrying amount of property, plant and equipment is reported in the Statement of Financial Position and the depreciation expense for the year of USD 63.7 million is reported in the Statement of Financial Performance (USD 59.5 million in 2022).

123. Other equipment category includes office equipment, security and safety equipment, telecommunication equipment and workshop equipment.

124. Assets are reviewed annually to determine if there is any impairment in their value. The review that was undertaken in 2023 did not result in any of the property, plant and equipment being impaired in value.

Note 2.8: Intangible assets

	Cost				Accumulated depreciation				Net carrying amount
	At 31 Dec 2022	Additions	Disposal/ transfers	At 31 Dec 2023	At 31 Dec 2022	Amortization expense	Disposal/ transfers	At 31 Dec 2023	At 31 Dec 2023
	USD million								
Internally generated software	74.2	7.3	1.0	82.5	(61.8)	(3.2)	-	(65.0)	17.5
Externally acquired software	3.3	0.2	-	3.5	(3.2)	(0.2)	-	(3.4)	0.1
Licences and rights	1.0	0.4	-	1.4	(0.8)	(0.2)	-	(1.0)	0.4
Intangible assets under construction	2.7	0.8	(1.0)	2.5	-	-	-	-	2.5
Total intangible assets	**81.2**	**8.7**	**-**	**89.9**	**(65.8)**	**(3.6)**	**-**	**(69.4)**	**20.5**

	Cost				Accumulated depreciation				Net carrying amount
	At 31 Dec 2021	Additions	Disposal/ transfers	At 31 Dec 2022	At 31 Dec 2021	Amortization expense	Disposal/ transfers	At 31 Dec 2022	At 31 Dec 2022
	USD million								
Internally generated software	70.4	3.7	0.1	74.2	(59.0)	(2.8)	-	(61.8)	12.3
Externally acquired software	3.3	-	-	3.3	(3.0)	(0.2)	-	(3.2)	0.1
Licences and rights	0.8	0.2	-	1.0	(0.7)	(0.1)	-	(0.8)	0.2
Intangible assets under construction	1.2	1.6	(0.1)	2.7	-	-	-	-	2.7
Total intangible assets	**75.7**	**5.5**	**(0.0)**	**81.2**	**(62.7)**	**(3.1)**	**-**	**(65.8)**	**15.4**

125. Net carrying amount of intangible assets is reported in the Statement of Financial Position while the amortization expense for the year of USD 3.6 million is reported in the Statement of Financial Performance.

Note 2.9: Payables and accruals

	2023	2022
	USD million	
Vendor payables	134.7	185.5
Donor payables	22.7	37.3
Liabilities for service provision	131.7	212.9
Miscellaneous	109.2	101.3
Subtotal payables	**398.3**	**537.0**
Accruals	506.6	856.5
Total payables and accruals	**904.9**	**1 393.5**

126. Payables to vendors relate to amounts due for goods and services for which invoices have been received.

127. Payables to donors represent balance of unspent contributions for closed activities, country portfolio budgets or grants pending refund or reprogramming.

128. Liabilities for service provision represent liabilities to customers that will be extinguished through provision of goods and services in future financial periods.

129. Miscellaneous payables include amounts due to staff and other United Nations agencies for services received.

130. Accruals are liabilities for goods and services that have been received or provided to WFP during the year and which have not been invoiced by suppliers.

Note 2.10: Deferred revenue

	2023	2022
	USD million	
Composition		
Current	22.5	32.0
Non-current	8.0	24.2
Total deferred revenue	**30.5**	**56.2**

131. Deferred revenue represents contributions where revenue recognition has been deferred to future financial periods since the donor agreement stipulates condition on transferred assets.

132. The current portion denotes revenue deferred for contributions related to the next 12 months. The non-current portion denotes revenue deferred for contributions related to the period beyond 12 months after the financial year-end.

133. In line with the accounting policy for contribution revenue as described in note 1, deferred revenue is reduced, and contribution revenue is recognized in the Statement of Financial Performance as WFP satisfies a present obligation recognized as a liability.

134. The following table illustrates the composition of deferred revenue by contribution year, as stipulated by the donor:

	2023	2022
	USD million	
Contribution year		
2026 and after	3.6	3.6
2025	4.4	2.8
2024	22.5	17.8
2023	-	32.0
Total deferred revenue	**30.5**	**56.2**

Note 2.11: Provisions

	2023	2022
	USD million	
Provision for refunds to donors	4.9	26.0
Other provision	12.9	19.5
Total provisions	**17.8**	**45.5**

135. The provision for refunds to donors estimates the level of refunds that are expected to be given back to donors for unspent cash contributions to the programme. The provision is based on historical experience.

136. The change in the provision for refunds to donors during 2023 is as follows:

	2022	Utilization	Increase/ (decrease)	2023
	USD million			
Provision for refunds to donors	26.0	(6.3)	(14.8)	4.9

137. During 2023, refunds made to donors totalled USD 6.3 million. These refunds are recorded as a utilization of the provision for refunds to donors and reported in the Statement of Financial Position. At 31 December 2023, the estimated final provision required is USD 4.9 million. Accordingly, a decrease of USD 14.8 million was recorded as an adjustment to monetary contribution revenue for the period and is reported in the Statement of Financial Performance.

138. Other provision is recognized for legal claims where it is probable that there will be an outflow of resources to settle the claims and the amounts can be reliably estimated.

139. The change in the provision for legal claims during 2023 is as follows:

	2022	Utilization	Increase/ (decrease)	2023
	USD million			
Provision for legal claims	19.5	(3.0)	(3.6)	12.9

Note 2.12: Employee benefits

	2023			2022
	Actuarial valuation	WFP valuation	Total	
	USD million			
Current				
Short-term employee benefits	5.8	59.9	65.7	70.4
Non-current				
Post-employment benefits	851.6	1.5	853.1	731.3
Other long-term employee benefits	92.8	4.0	96.8	82.7
Total employee benefits liabilities	**950.2**	**65.4**	**1 015.6**	**884.4**

2.12.1 Short-term employee benefits

140. Short-term employee benefits consist of annual leave, education grants and incurred but not paid amounts relating to all benefit plans. The benefits amount incurred but not paid was estimated by professional actuaries and accrued as short-term employee benefit liabilities.

2.12.2 Post-employment benefits

141. Post-employment benefits are defined benefit plans consisting of after-service medical plans (ASMPs), the Separation Payment Scheme (SPS) and the Compensation Plan Reserve Fund.

142. Post-employee benefits are established for two groups of staff: a) staff members who are in the professional category and general service in headquarters; and b) WFP's national professional officers and general service staff members in the country offices and regional bureaux. Both groups of staff are covered by the FAO staff rules and the United Nations staff rules.

143. The ASMPs allow eligible retirees and their eligible family members to participate in the Basic Medical Insurance Plan (BMIP) or the Medical Insurance Coverage Scheme (MICS) depending on which staff group they belong to. BMIP is provided to staff members in the professional category and the general service category in headquarters. MICS is provided to national professional officers and general service staff members in country offices and regional bureaux. ASMP defined benefit obligation represents the present value of the share of the organization's medical insurance costs for retirees and active staff post-employment benefits accrued to-date.

144. The SPS is a plan to fund severance pay for WFP general service staff at the duty stations in Italy upon separation from service.

145. The Compensation Plan Reserve Fund is a plan that provides compensation to all staff members, employees and dependents in case of death, injury or illness attributable to the performance of official duties and, in certain circumstances, to supplement the disability and survivors' pensions paid by the Fund.

2.12.3 Other long-term employee benefits

146. Other long-term employee benefits consist of home leave travel and other separation-related benefits which comprise accrued leave, death grants, repatriation grants and repatriation travel and removal expenses and are payable when staff are no longer in service.

2.12.4 Funding of employee benefit liabilities

147. The employee benefit liabilities are funded through charges against relevant funds and projects and through the Board approved funding plan. During the 2010 annual session, the Board approved a funding plan to provide for the unfunded employee benefit liabilities currently allocated to the General Fund. The funding plan included an incremental annual funding of USD 7.5 million in the standard staff cost over a 15-year period with a view to achieving fully funded status at the end of the period. As fully funded status is achieved, the last tranche of annual incremental funding was set aside in 2023.

2.12.5 Actuarial valuations of post-employment and other separation-related benefits

148. Employee benefit liabilities are measured by professional actuaries or calculated by WFP.

149. Liabilities arising from post-employment benefits (ASMPs, SPS and the Compensation Plan Reserve Fund) and other separation-related benefits are determined by professional actuaries on the basis of actuarial assumptions.

150. Post-employment benefits and other separation-related benefits liabilities which are calculated by actuaries totalled USD 944.4 million at 31 December 2023 (USD 809.0 million in 2022), of which USD 657.4 million pertains to staff members who are in the professional category and general service in headquarters (USD 545.5 million in 2022) and USD 287.0 million pertains to the benefits for national professional officers and general service staff members in country offices and regional bureaux (USD 263.5 million in 2022).

2.12.5.1 Actuarial assumptions and methods

151. Each year, WFP reviews and selects assumptions and methods that will be used by the actuaries in the year-end valuation to determine the expense and contribution requirements for WFP's after-service benefit plans (post-employment benefits and other separation-related benefits). For the 2023 valuation, the assumptions and methods used are described in the following table which also indicates the assumptions and methods used for the 2022 valuation.

152. The assumptions and methods adopted for the 2023 actuarial valuation resulted in an increase in the post-employment and other separation-related benefits net liabilities in the total amount of USD 135.4 million (a decrease of USD 231.6 million in 2022).

153. The principal actuarial assumptions are required to be disclosed in the financial statements in accordance with IPSAS 39. In addition, each actuarial assumption is required to be disclosed in absolute terms.

154. The following assumptions and methods have been used to determine the value of post-employment and other separation-related employee benefits liabilities for WFP at 31 December 2023.

Discount rate	Established based on yield curve approach, using yields on high-grade corporate bonds and the expected cash flows of each of the WFP's plans. Separate discount rates are used for each of the plans as follows: **International professional and headquarters general service**: BMIP – 4.55 percent; other separation-related benefits (OSRB) – 4.65 percent; SPS – 2.85 percent and Staff Compensation Plan (SCP) – 5.05 percent; (BMIP – 4.65 percent; OSRB – 5.85 percent; SPS – 3.8 percent and SCP – 5.2 percent in 2022 valuation). **National professional officers and general service in country offices/regional bureaux:** MICS – 5.25 percent; OSRB – 4.7 percent; SCP – 5.4 percent (MICS – 5.3 percent; OSRB – 5.55 percent; SCP – 5.3 percent in 2022 valuation).
Medical cost increases (ASMP only)	BMIP – 7.9 percent for 2024, decreasing steadily to 3.8 percent for 2036 and beyond (6.75 percent for 2023, decreasing steadily to 3.95 percent for 2032 and beyond in 2022 valuation). MICS – 8.0 percent for 2024, decreasing steadily to 3.7 percent in 2031 and beyond (6.5 percent for 2023, decreasing steadily to 3.85 percent in 2030 and beyond in 2022 valuation).
Annual salary scale	General inflation (varies per plan) plus 0.5 percent for productivity increases plus merit component (same in 2022 valuation).
Annual cost of living increases/ general inflation	Separate general inflation rates are used for each of the plans as follows: **International professional and headquarters general service**: BMIP – 2.3 percent; OSRB – 2.1 percent; SPS – 2.1 percent and SCP – 2.2 percent (BMIP – 2.5 percent; OSRB –2.2 percent; SPS – 2.5 percent and SCP – 2.3 percent in 2022 valuation). **National professional officers and general service in country offices/regional bureaux:** MICS – 2.3 percent; OSRB – 2.1 percent; SCP – 2.3 percent (MICS – 2.4 percent; OSRB – 2.2 percent; SCP – 2.3 percent in 2022 valuation).
Future exchange rates	United Nations operation rates of exchange at 31 December 2023.
Mortality rates	Mortality rates are based on 2017 UNJSPF tables with annuitant rates weighted by headcount, rather than by annuity size (the same in 2022 valuation). In 2023, disabled annuitants mortality rates were updated and for non-disabled annuitants mortality improvement factors were adjusted by UNJSPF.
Disability rates	Disability rates match the ones used in 31 December 2023 valuation of the UNJSPF.
Withdrawal rates	**International professional and headquarters general service**: Based on a study of WFP's withdrawal rates from 2021 to 2022 (the same in 2022 valuation). **National professional officers and general service in country offices/regional bureaux:** Based on a study of WFP's withdrawal rates from 2021 to 2022 (the same in 2022 valuation).

Retirement rates	**International professional and headquarters general service**: Based on a study of WFP's withdrawal rates from 2021 to 2022 (the same in 2022 valuation). **National professional officers and general service in country offices/regional bureaux:** Based on a study of WFP's withdrawal rates from 2021 to 2022 (the same in 2022 valuation).
Actuarial method	ASMPs, SPS and SCP: Projected unit credit with an attribution period from the entry on duty date to the date of full eligibility for benefits. Other separation-related payments schemes: For accrued leave, projected unit credit with an attribution period from the entry on duty date to separation. For repatriation travel and removal, projected unit credit with an attribution period from the entry on duty date to separation. For repatriation grant and death grant, projected unit credit with an attribution based on the actual benefit formula.

155. The following tables provide additional information and analysis in relation to employee benefits liabilities, as calculated by the actuaries.

2.12.5.2 Reconciliation of defined benefit obligation

	After-service medical plans	**Other separation-related benefits**	**Separation payment scheme**	**Compensation Plan Reserve Fund**	**Total**
			USD million		
Defined benefit obligation at 31 December 2022	**692.0**	**79.1**	**20.5**	**17.4**	**809.0**
Service cost for 2023	50.1	7.1	1.5	2.1	60.8
Interest cost for 2023	30.6	3.2	0.8	0.9	35.5
Actual gross benefit payments for 2023	(12.7)	(4.8)	(1.4)	(1.2)	(20.1)
Participant contributions	2.8	-	-	-	2.8
Exchange rate movements	-	-	-	-	-
Other actuarial (gains) losses	43.9	8.1	3.5	0.9	56.4
Defined benefit obligation at 31 December 2023	**806.7**	**92.7**	**24.9**	**20.1**	**944.4**

2.12.5.3 Annual expense for calendar year 2023

	After-service medical plans	Other separation-related benefits	Separation payments scheme	Compensation Plan Reserve Fund	Total
	USD million				
Service cost	50.1	7.1	1.5	2.1	60.8
Interest cost	30.6	3.2	0.8	0.9	35.5
Actuarial (gain) loss	-	8.1	-	-	8.1
Subtotal expense	**80.7**	**18.4**	**2.3**	**3.0**	**104.4**

2.12.5.4 Reconciliation of present value of defined benefit obligation

	After-service medical plans	Other separation-related benefits	Separation payments scheme	Compensation Plan Reserve Fund	Total
	USD million				
Defined benefit obligation					
Inactive	269.1	-	-	14.5	283.6
Active	537.6	92.7	24.9	5.6	660.8
Total	**806.7**	**92.7**	**24.9**	**20.1**	**944.4**
(Gain)/loss on defined benefit obligation	43.9	8.1	3.5	0.9	56.4

2.12.6 Employee benefits liability – sensitivity analysis

156. The principal assumption in the valuation of all employee benefit plans is the discount rate. Sensitivity analysis for the discount rate for the employee benefits liabilities is presented in the following table.

	After-service medical plans	Other separation-related benefits	Separation payments scheme	Staff Compensation Plan	Total
Defined benefit obligation	***USD million***				
Current discount rate assumption minus 1%	992.9	99.5	27.1	22.9	1 142.4
Current discount rate assumption	806.7	92.7	24.9	20.1	944.4
Current discount rate assumption plus 1%	646.5	86.6	23.0	17.9	774.0

2.12.6.1 After-service medical plans – sensitivity analysis

157. Three of the principal assumptions in the valuation of the ASMPs are: i) the rate at which medical costs are expected to increase in the future; ii) the exchange rate between the United States dollar and the euro; and iii) the discount rate used to determine the present value of benefits that will be paid from the plan in the future.

158. Sensitivity analysis for the actuarial estimates for BMIP is presented in the following table.

		Long-term medical inflation per year		
Exchange rate	**Discount rate**	**2.8%**	**3.8%**	**4.8%**
		USD million		
1.010 USD per EUR	5.55%	348.4	420.6	514.6
1.110 USD per EUR	5.55%	359.8	434.3	531.4
1.210 USD per EUR	5.55%	371.1	448.0	548.2
1.010 USD per EUR	4.55%	420.0	514.8	640.4
1.110 USD per EUR	4.55%	433.6	531.6	661.2
1.210 USD per EUR	4.55%	447.3	548.3	682.0
1.010 USD per EUR	3.55%	515.0	642.0	812.6
1.110 USD per EUR	3.55%	531.8	662.9	839.1
1.210 USD per EUR	3.55%	548.5	683.8	865.5

159. Sensitivity analysis for the actuarial estimates for MICS is presented in the following table.

	Long-term medical inflation per year		
Discount rate	**2.7%**	**3.7%**	**4.7%**
	USD million		
6.25%	172.1	212.2	264.5
5.25%	211.0	275.0	330.7
4.25%	260.1	330.1	423.8

160. The results assume that claims costs and premium rates would increase by the same percentage as the medical inflation, but that all other assumptions would be unaffected.

2.12.7 Expected costs during 2024

161. The expected contribution of WFP in 2024 to the defined benefits plans is USD 24.8 million which is determined based on expected benefit payments for that year.

	After-service medical plans	Other separation-related benefits	Separation payments scheme	Staff Compensation Plan	Total
			USD million		
Expected organization contributions during 2024	9.9	12.2	1.7	1.0	24.8

2.12.8 United Nations Joint Staff Pension Fund

162. The Fund's Regulations state that the Pension Board shall have an actuarial valuation made of the Fund at least once every three years by the Consulting Actuary. The practice of the Pension Board has been to carry out an actuarial valuation every two years. The primary purpose of the actuarial valuation is to determine whether the current and estimated future assets of the Fund will be sufficient to meet its liabilities.

163. WFP's financial obligation to the Fund consists of its mandated contribution, at the rate established by the United Nations General Assembly (currently at 7.9 percent for participants and 15.8 percent for member organizations) together with any share of any actuarial deficiency payments under Article 26 of the Regulations of the Pension Fund. Such deficiency payments are only payable if and when the United Nations General Assembly has invoked the provision of Article 26, following determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the Fund as of the valuation date. Each member organization shall contribute to this deficiency an amount proportionate to the total contributions which each paid during the three years preceding the valuation date.

164. The latest available actuarial valuation for the Fund was completed as of 31 December 2021, and the new valuation as of 31 December 2023 is currently being performed. A roll forward of the participation data as of 31 December 2021 to 31 December 2022 was used by the Fund for its 2022 financial statements.

165. The actuarial valuation as of 31 December 2021 resulted in a funded ratio of actuarial assets to actuarial liabilities of 117.0 percent (107.1 percent in the 2019 valuation). The funded ratio was 158.2 percent (144.4 percent in the 2019 valuation) when the current system of pension adjustments was not taken into account.

166. After assessing the actuarial sufficiency of the Fund, the Consulting Actuary concluded that there was no requirement, as of 31 December 2021, for deficiency payments under Article 26 of the Regulations of the Fund as the actuarial value of assets exceeded the actuarial value of all accrued liabilities under the plan. In addition, the market value of assets also exceeded the actuarial value of all accrued liabilities as of the valuation date. At the time of this report, the General Assembly has not invoked the provision of Article 26.

167. Should Article 26 be invoked due to an actuarial deficiency, either during the ongoing operation or due to the termination of the Fund, deficiency payments required from each member organization would be based upon the proportion of that member organization's contributions to the total contributions paid to the Fund during the three years preceding the valuation date. Total contributions paid to the Fund during the preceding three years (2020, 2021 and 2022) amounted to USD 8,937.68 million, of which 5 percent was contributed by WFP.

168. During 2023, contributions paid to the Fund by WFP amounted to USD 200.2 million (2022: USD 172.5 million). Expected contributions due in 2024 are approximately USD 208.0 million.

169. Membership of the Fund may be terminated by decision of the United Nations General Assembly, upon the affirmative recommendation of the Pension Board. A proportionate share of the total assets of the Fund at the date of termination shall be paid to the former member organization for the exclusive benefit of its staff who were participants in the Fund at that date, pursuant to an arrangement mutually agreed between the organization and the Fund. The amount is determined by the United Nations Joint Staff Pension Board based on an actuarial valuation of the assets and liabilities of the Fund on the date of termination; no part of the assets which are in excess of the liabilities are included in the amount.

170. The United Nations Board of Auditors carries out an annual audit of the Fund and reports to the Pension Board and to the United Nations General Assembly on the audit every year. The Fund publishes quarterly reports on its investments and these can be viewed by visiting the Fund at www.unjspf.org.

2.12.9 Social security arrangements for employees under service contracts

171. WFP employees under service contracts are entitled to social security based on local conditions and norms. WFP, however, has not undertaken any global arrangement for social security under service contracts. Social security arrangements can either be obtained from the national security system, private local schemes or as cash compensation for own scheme. The provision of proper social security in line with local labour legislation and practice is a key requirement of the service contract. Service contract holders are not WFP staff members and are not covered by the FAO and United Nations Staff Rules and Regulations.

Note 2.13: Loan

	2023	2022
	USD million	
Current portion of loan	5.6	5.6
Non-current portion of loan	38.4	44.0
Total loan	**44.0**	**49.6**

172. In December 2000, an agreement was reached between a major donor and WFP regarding a scheme to facilitate the provision of food assistance to two country projects. Under the scheme, a USD 106.0 million long-term loan was obtained from a government agency of the donor country and used to purchase food commodities.

173. The loan is payable over 30 years and interest on the loan is at the rate of 2 percent per year for the first ten years and 3 percent per year on the declining balance each year thereafter. The current portion of the long-term loan includes an annual principal of USD 5.3 million and an amortization cost of USD 0.3 million using the effective interest method. Investments in United States Treasury STRIPS (note 2.6) acquired in 2001 are held to collect contractual cash flows up to maturity in 2031 for the payment of interest and principal of the commodity loan.

174. The loan is carried at amortized cost using the effective interest rate of 2.44 percent. At 31 December 2023, the total amortized cost was USD 44.0 million (USD 49.6 million at 31 December 2022) with an amount due within one year of USD 5.6 million and a long-term portion of USD 38.4 million (USD 5.6 million and USD 44.0 million, respectively, in 2022).

175. Interest expense during 2023 totalled USD 1.1 million (USD 1.2 million at 31 December 2022) as reflected in the Statement of Financial Performance, of which USD 1.4 million represents the annual interest paid in May 2023 and USD (0.3) million represents the amortized cost resulting from the recognition of the long-term loan at its net present value.

176. In the Statement of Cash Flow, interest paid during the year in the amount of USD 1.4 million is presented under financing activities, while amortized interest of USD (0.3) million is presented under reconciliation to net cash flows from operating activities.

Note 2.14: Financial instruments

2.14.1 Nature of financial instruments

177. Details of the significant accounting policies and methods adopted, including the criteria for recognition and de-recognition, the basis of measurement and the basis on which gains and losses are recognized in respect of each class of financial asset and financial liability are set out in note 1.

178. The table below presents the financial assets of WFP as at 31 December 2023 under the IPSAS 41 measurement categories. Prior period financial assets balances were not restated as permitted by the standard, and are presented under the previous IPSAS 29 measurement categories:

IPSAS 29 Classification	**IPSAS 41 Classification**				
		2023			
	2022	**Amortized cost**	**Fair value through surplus or deficit**	**Fair value through net assets/equity**	**Total**
Loans and receivables	9 677.4	5 052.6	687.3	1 402.3	7 142.2
Held to maturity	44.1	39.6	-	-	39.6
Available for sale	946.3	-	697.5	452.0	1 149.5
Held for trading (at FVSD)	1 426.4	-	-	1 751.5	1 751.5
Subtotal financial asset	**12 094.2**	**5 092.2**	**1 384.8**	**3 605.8**	**10 082.8**
Non-financial assets	1 984.0	-	-	-	1 844.6
Total	**14 078.2**	**-**	**-**	**-**	**11 927.4**

179. The following table presents the WFP assets that are measured at fair value at 31 December 2023 and 2022, respectively.

	2023				2022			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	USD million				*USD million*			
Financial assets at fair value through surplus or deficit	1 386.5	(1.7)	-	1 384.8	968.8	3.6	-	972.4
Financial assets at fair value through net assets/equity	242.1	3 363.0	0.7	3 605.8	173.7	2 949.1	-	3 122.8
Total	**1 628.6**	**3 361.3**	**0.7**	**4 990.6**	**1 142.5**	**2 952.7**	**-**	**4 095.2**

180. The different levels of fair value have been defined as follows: quoted prices (unadjusted) in active markets for identical assets (level 1); inputs other than quoted prices included within level 1 that are observable for the asset, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and inputs for the asset that are not based on observable market data (that is, unobservable inputs) (level 3).

181. Fair value levels largely depend on whether an active market exists for a security. Active markets provide direct data inputs and may, on average, provide better liquidity, lowering trading costs via tighter bid and ask prices. A different fair value level does not necessarily imply a different or higher level of risk for a security, all things being equal. The fair value hierarchy reflects the nature of the inputs used in determining fair values, but not the level of risk inherent in a security as the probability of a partial or full default on cash flows from issuers or counterparts is independent from the fair value level category.

182. The level 3 financial instruments were held in 2023, while the level 3 financial instruments were not held in 2022.

183. During 2023, there was no transfer between fair value levels for financial assets.

2.14.2 Credit risk

184. WFP investment guidelines are conservative in nature with the primary objective being capital preservation and liquidity. All financial instruments in investment portfolios are rated high quality as per international credit ratings. Investment managers are bound by WFP investment guidelines that require them to select highly liquid securities for the investment portfolios.

185. WFP's credit risk associated with investments is spread widely and WFP's risk management policies limit the amount of credit exposure to any one counterparty and include minimum credit quality guidelines.

186. Credit risk and liquidity risk associated with cash and cash equivalents are minimized substantially by ensuring that these financial assets are placed in highly liquid and diversified money market funds and/or with major financial institutions that have been accorded strong investment grade ratings by a primary rating agency and/or with other creditworthy counterparties. WFP considers that it adopts diligent cash management practices in field offices, and more importantly, can leverage robust indirect default risk protection from host agreements and the privileges and immunities clauses in the event access to funds may become compromised for other regular commercial bank clients, which is backed by historical evidence of no material losses incurred.

187. As at 31 December 2023, debt instruments of US-based issuers account for 76 percent of short- and long-term debt instruments exposure. Within long-term debt instruments,

US-based issuers account for 36 percent, Japan-based 14 percent, UK-based 9 percent, Germany-based 8 percent and other countries 33 percent. Within short-term investments, debt instruments of US-based issuers account for 71 percent, while the remainder is distributed among other countries. To avoid excessive concentration of risk, no more that 5 percent of the market value of a liquidity and EBF portfolio can be invested in obligations of any one issuer that is not a government or a governmental agency. WFP uses a global custodian bank which also provides risk analysis, performance measurement and compliance monitoring.

188. WFP measures IPSAS 41 expected credit losses of debt financial instruments at financial instrument level, applying the probability of default method as this is the leading practice. However, in considering reasonable and supportable forward-looking information that is available without undue cost or effort, as IPSAS 41 requires, WFP has considered macroeconomic information that on a collective basis applies to the combination of country of issuance and type of financial instrument.

189. Based on the "low credit risk" simplification, all WFP's financial instruments in investment portfolios that are rated at investment grade are classified in the so-called "Stage 1" (no significant increase in credit risk since initial recognition) for the purpose of ECL, which means that the credit risk has not increased significantly since initial recognition. If an instrument downgrades to below investment grade at the reporting date, WFP determines whether the credit risk of financial instruments has increased significantly since initial recognition based on the change in rating compared to the rating at initial recognition of the instrument. Compared with 1 January 2023, there is no movement from Stage 1 to Stage 2 (significant credit risk occurred since initial recognition) or Stage 3 (credit-impaired). As at 31 December 2023, all financial instruments in investment portfolios are rated above investment grade, except three instruments acquired during the period, which will mature within 12 months (therefore, lifetime ECL coincides with 12-month ECL).

190. On 31 December 2023, expected credit losses on short-term and long-term investments were USD 0.4 million (USD 0.3 million on 1 January 2023 corresponding to the impact of implementing IPSAS 41 on that date). The amount is low due to the high credit quality of the financial instruments in investment portfolios at or above investment grade. On 31 December 2023, exposure at default, i.e., credit exposure on debt financial instruments in investment portfolios (short- and long-term) and STRIPS was USD 2 241 million.

191. Contributions receivable comprise primarily amounts due from sovereign nations. There is a credit risk concentration where 55 percent is a receivable from one government's agencies (2022: 68 percent). Details of contributions receivable, including allowances for reductions in contribution revenue and impairment allowance are provided in note 2.3.

192. Impairment allowances for contribution receivable and other receivables are measured by WFP at an amount equal to lifetime expected credit losses, in accordance with the 'simplified approach' of IPSAS 41. For contributions receivable, WFP estimates impairment at the level of contribution agreement, based on specific knowledge of the arrangement and donor. In addition, ECL on contributions receivable are quantified with the loss rate approach. This is based on historical statistics for each of the top donors that make approximately 90 percent of revenue, and collectively for private and other donors adjusted to consider the current condition and forward-looking information that is available without undue cost or effort, as IPSAS 41 requires. The latter reflects macroeconomic information that on a collective basis applies to the donor country and the contribution agreement. The impairment allowance results from the individual assessment plus any excess that is determined based on the loss rate approach. WFP has complemented the current oversight and monitoring process of

individual items of other receivables with an assessment of ECL on a collective basis based on a loss rate approach.

193. Exposures to credit risk from contribution agreements usually arises should a donor not pay after WFP has already incurred the associated expenditures. As part of its risk management, WFP monitors and regularly reports to management actions taken to recover amounts due. For other receivables, WFP carries an oversight process on a case-by-case basis. It also monitors ageing on portfolio basis and has a structured write-off process in place.

194. There are currently no write-offs of financial instruments in investment portfolios, given the high quality of investments and the conservative investment policy. Write off for contribution and other receivables is done when all possible efforts to recover an asset have been exhausted.

195. The following tables reconcile, by class of financial instrument, the opening balance to the closing balance of the loss allowance.

	Long-term investments	**Short-term investments**	**Cash equivalents**	**Total**
	USD millions			
Loss allowance as at 1 January 2023	**0.1**	**0.1**	**0.1**	**0.3**
Changes due to:				
Financial assets derecognized during the period	-	(0.1)	(0.1)	(0.2)
New financial assets purchased	-	0.1	0.2	0.3
Loss allowance as at 31 December 2023	**0.1**	**0.1**	**0.2**	**0.4**

196. The following table shows the changes in gross carrying amounts of those investments that contributed to the above changes in the related loss allowance in the period:

	Long-term investments	**Short-term investments**	**Cash equivalents**	**Total**
	USD millions			
Gross carrying amount as at 1 January 1 2023	**344.9**	**499.7**	**421.2**	**1 265.8**
Changes due to:				
Financial assets derecognized during the period	(81.5)	(379.7)	(421.2)	(882.4)
New financial assets purchased	137.2	460.8	572.6	1 170.6
Gross carrying amount as at 31 December 31 2023	**400.7**	**580.8**	**572.6**	**1 554.0**

197. There are no financial assets for which the loss allowance is measured at an amount equal to lifetime expected credit losses that differs from 12-month ECL for which credit risk has increased significantly since initial recognition and that are not credit impaired financial assets. The analysis of debt financial instruments in the investment portfolios, excluding any cash equivalents, and STRIPS that can be directly allocated to a credit risk rating grade is the following.

Published 12-month probabilities of default	Long-term investments	Short-term investments	Total
	USD millions		
0.00 – 0.10	403.2	1 716.4	2 119.6
0.11 – 0.40	78.5	41.5	120.0
0.41 – 1.00	1.8	-	1.8
Total	**483.5**	**1 757.9**	**2 241.4**

2.14.3 Interest rate risk

198. WFP is exposed to interest rate risk through short-term investments and long-term bonds. At 31 December 2023, the effective interest rates of these two investment portfolios were 5.17 percent and 3.98 percent, respectively (4.49 percent and 3.94 percent, respectively, in 2022). A measurement of interest rate sensitivity indicates that the effective duration is 0.67 years for the short-term investments and 10.11 years for the long-term bonds (0.62 years and 10.28 years, respectively, in December 2022). Fixed income derivatives are used by external investment managers to manage interest rate risk under strict investment guidelines.

2.14.4 Foreign currency risk

199. At 31 December 2023, 84 percent of cash, cash equivalent and investments are denominated in the US dollar base currency and 16 percent are denominated in euros and other currencies (78 percent and 22 percent, respectively, as at 31 December 2022). Non-US dollar holdings have the primary objective of supporting operating activities. In addition, 75 percent of contributions receivable are denominated in the US dollar base currency, 17 percent are denominated in euros, 4 percent in West African franc and 4 percent in other currencies (75 percent in the US dollar base currency, 15 percent in euros, 4 percent in Swedish kronor, 2 percent in Canadian dollars, and 4 percent in other currencies at 31 December 2022).

200. Foreign exchange forward contracts are used to hedge the euro versus US dollar exchange exposure on PSA staff costs incurred at headquarters in line with the hedging policy approved by the Board at its 2008 annual session. During the year ended 31 December 2023, 12 contracts were settled at a realized gain of USD 4.1 million (12 contracts were settled during the year ended 31 December 2022 at a realized loss of USD 9.5 million). In addition, a new hedging strategy was implemented for 2024, in which WFP entered into 12 foreign exchange forward contracts to purchase a total of EUR 93.0 million over 12 months at a fixed exchange rate. At 31 December 2023, the 12 contracts have a notional value of USD 103.9 million and an unrealized loss of USD 0.3 million using the forward rate at 31 December 2023. Both the realized gain and unrealized loss are included in currency exchange differences presented in the Statement of Financial Performance.

2.14.5 Market risk

201. WFP is subject to market risk in both the short-term and long-term investments. The market value of its fixed income, equity, financial derivatives and foreign exchange forwards may change on a daily basis. All the sensitivity analyses provided below have been prepared on the basis that all variables are held constant, other than that specifically mentioned.

202. Interest rate sensitivity – For short-term investments, if interest rates were to rise (fall) by 1 percent, the impact to the Statement of Financial Performance is a USD 19.2 million unrealized loss (gain). For long-term bond portfolio, if interest rates were to rise (fall) by

1 percent, the impact to the Statement of Changes in Net Assets is a USD 45.9 million unrealized loss (gain).

203. Futures price sensitivity – For short-term investments, if futures prices were to rise (fall) by 1 percent, the impact to the Statement of Financial Performance is a USD 0.0 million unrealized loss (gain). For long-term bond portfolio, if futures prices were to rise (fall) by 1 percent, the impact to the Statement of Changes in Net Assets is a USD 0.5 million unrealized gain (loss).

204. Equity price sensitivity – The equity investments track the MSCI All Country World Index, a recognized index of stocks of all world markets. If equity prices were to rise (fall) by 1 percent proportionally across the two ESG equity funds, the impact to the Statement of Changes in Net Assets is a USD 7.0 million unrealized gain (loss).

205. Foreign exchange forwards sensitivity – For the remaining 12 PSA hedge forward contracts, if USD/EUR rate were to rise (fall) by 1 percent, the impact to the Statement of Financial Performance is a USD 1.0 million unrealized gain (loss), with all other variables held constant. For long-term investments, if foreign currency prices were to appreciate (depreciate) versus the USD by 1 percent across the forward currency positions currently held, the impact to the Statement of Financial Performance is a USD 0.4 million unrealized gain (loss).

Note 2.15: Fund balances and reserves

206. Fund balances represent the unexpended portion of contributions that are intended to be utilized in future operational requirements of the Programme. These are WFP's residual interest in WFP's assets after deducting all its liabilities. The following table presents WFP's fund balances.

	2023				
	Programme category funds (fund balance)	**Trust funds (fund balance)**	**General Fund and Special Accounts (fund balance)**	**General Fund and Special Accounts Reserves**	**Total**
Opening balance at 1 January 2023	**8 965.6**	**464.5**	**1 323.1**	**895.8**	**11 649.0**
Surplus (deficit) for the year	**(2 641.4)**	**100.9**	**799.8**	**-**	**(1 740.7)**
Adoption of IPSAS 41	**(1.3)**	**-**	**-**	**-**	**(1.3)**
Movements in fund balances and reserves in 2023					
Advances to projects	433.5	-	-	(433.5)	**-**
Repayments by projects	(130.9)	-	(0.8)	131.7	**-**
Other transfer from/to reserves	-	-	(65.0)	65.0	**-**
Transfer between funds	474.9	(65.0)	(409.9)	-	**-**
Actuarial losses on employee benefit liabilities	-	-	(48.3)	-	**(48.3)**
Net unrealized gains on long-term investments	-	-	56.0	-	**56.0**
Total movements during the year	**777.5**	**(65.0)**	**(468.0)**	**(236.8)**	**7.7**
Closing balance at 31 December 2023	**7 100.4**	**500.4**	**1 654.9**	**659.0**	**9 914.7**

	2022				
	Programme category funds	Trust funds	General Fund and Special Accounts		Total
	(fund balance)	(fund balance)	(fund balance)	Reserves	
Opening balance at 1 January 2022	**6 655.7**	**309.0**	**1 116.4**	**508.9**	**8 590.0**
Surplus (deficit) for the year	**1 630.6**	**205.4**	**1 134.0**	**-**	**2 970.0**
Movements in fund balances and reserves in 2022					
Advances to projects	385.2	-	-	(385.2)	**-**
Repayments by projects	(220.4)	-	-	220.4	**-**
Other transfer from/to reserves	-	-	(551.7)	551.7	**-**
Transfer between funds	514.5	(49.9)	(464.6)	-	**-**
Actuarial gains on employee benefit liabilities	-	-	295.0	-	**295.0**
Net unrealized losses on long-term investments	-	-	(206.0)	-	**(206.0)**
Total movements during the year	**679.3**	**(49.9)**	**(927.3)**	**386.9**	**89.0**
Closing balance at 31 December 2022	**8 965.6**	**464.5**	**1 323.1**	**895.8**	**11 649.0**

207. Advances from the IRA reserve to projects, repayments of such advances and other movements in the IRA reserve are explained in 2.15.3.

208. Other transfer from/to reserves include allocations approved by the Board, replenishments of reserves and surplus of ISC revenue over PSA expenses and are explained in 2.15.3 and 2.15.4.

209. There are cash contributions provided by donors, which, at the time of confirmation, have not been designated to a specific programme category fund. These contributions are initially designated as multilateral and unallocated funds and are reported under the General Fund. They are allocated to specific programme categories through transfers between funds.

210. Reserves are established by the Board as facilities for funding and/or financing specific activities under specific circumstances. During 2023, WFP had four active reserves: i) operational reserve; ii) Global Commodity Management Facility reserve; iii) IRA; and iv) PSAEA. The following table presents WFP's reserves.

	2023				
	Operational reserve	**Global Commodity Management Facility**	**IRA**	**PSAEA**	**Total**
Note	**2.15.1**	**2.15.2**	**2.15.3**	**2.15.4**	
Opening balance at 1 January 2023	**95.2**	**6.0**	**160.0**	**634.6**	**895.8**
Advances to projects	-	-	(433.5)	-	**(433.5)**
Repayments by projects	-	-	131.7	-	**131.7**
Approved Board allocations	34.8		150.0	(200.5)	**(15.7)**
Repayment of unspent Board allocations	-	-	-	0.9	**0.9**
Replenishments	-	-	113.3	-	**113.3**
Shortfall of ISC revenue over PSA expense	-	-	-	(33.5)	**(33.5)**
Total movements during the year	**34.8**	**-**	**(38.5)**	**(233.1)**	**(236.8)**
Closing balance at 31 December 2023	**130.0**	**6.0**	**121.5**	**401.5**	**659.0**

2.15.1 Operational reserve

211. Financial Regulation 10.5 calls for the maintenance of an operational reserve to ensure the continuity of operations in the event of a temporary shortfall of resources. In addition, the operational reserve is used to manage the risk associated with the Internal Project Lending Facility.

212. The balance of the operational reserve at 31 December 2023 is USD 130.0 million.

213. The operational reserve level was increased to USD 130 million through an allocation from the General Fund in 2023, based on Executive Board decision (2022/EB.2/5).

2.15.2 Global Commodity Management Facility reserve

214. The Global Commodity Management Facility reserve account was established in 2014 to provide for losses sustained by the Global Commodity Management Facility that fall outside insurance coverage (decision 2014/EB.A/8).

215. The balance of the Global Commodity Management Facility reserve at 31 December 2023 is USD 6.0 million.

2.15.3 Immediate Response Account

216. The IRA was established as a flexible resource facility to enable WFP to respond quickly to emergency needs for food and for non-food-related purchase and delivery costs.

217. In 2023, the IRA received USD 113.3 million in replenishments.

218. Advances made to projects totalled USD 433.5 million and repayments by projects amounted to USD 131.7 million.

219. In 2023, the IRA received USD 150.0 million in approved Board allocations: USD 150.0 million transferred from the PSA Equalization Account (decision 2022/EB.2/5 and decision 2023/EB.A/17). The target IRA level in 2023 was USD 400.0 million as established by the Executive Board decision 2022/EB.2/5.

220. Outstanding advances to projects made by the IRA at 31 December 2023 totalled USD 599.0 million (USD 473.4 million in 2022).

2.15.4 Programme support and administrative budget equalization account

221. The PSAEA is a reserve set up to record the difference between ISC revenue and PSA expenses for the financial period.

222. Based on the Executive Board decisions, USD 200.5 million was allocated from PSAEA: USD 50.5 million was allocated for critical corporate initiatives (decision 2022/EB.2/5) and USD 150.0 million was allocated to IRA (decision 2022/EB.2/5 and decision 2023/EB.A/17).

223. The shortfall of ISC revenue over PSA expenses totalling USD 33.5 million was transferred from the PSAEA in 2023 (USD 372.4 million surplus in 2022).

224. The PSAEA balance at 31 December 2023 is USD 401.5 million.

Note 3: Revenue

		2023	2022
		USD million	
3.1	**Monetary contributions**		
	Contributions for direct costs	7 128.1	12 508.3
	ISC contributions	477.3	826.6
	Subtotal	**7 605.4**	**13 334.9**
	Less:		
	Refunds, reprogrammes and reductions in contribution revenue	75.0	(82.8)
	Total monetary contributions	**7 680.4**	**13 252.1**
3.2	**In-kind contributions**		
	Commodities in-kind contributions	552.5	764.2
	Services and non-food items in-kind contributions	99.3	69.6
	Subtotal	**651.8**	**833.8**
	Add (deduct):		
	Increase (decrease) in contribution revenue	(0.5)	(1.3)
	Total in-kind contributions	**651.3**	**832.5**
3.3	**Currency exchange differences**		
	Realized	115.0	165.3
	Unrealized	78.6	(59.2)
	Total currency exchange differences	**193.6**	**106.1**
3.4	**Return on investments**		
	Net realized gains (losses) on investments	8.1	(38.0)
	Net unrealized gains (losses) on investments	137.5	(27.3)
	Interest earned	176.3	49.6
	Total return on investments	**321.9**	**(15.7)**
3.5	**Other revenue**		
	Revenue generated from provision of goods and services	243.0	220.7
	Miscellaneous revenue	33.5	21.9
	Total other revenue	**276.5**	**242.6**
	Total revenue	**9 123.7**	**14 417.6**

225. Contribution revenue is adjusted by changes in the levels of the allowance for reduction in contribution revenue (note 2.3) and in the level of the provision for refunds to donors (note 2.11). Actual refunds and reduction in contribution revenue are made against specific contributions.

226. In-kind contributions represent confirmed contributions of food commodities, services or non-food items during the year.

227. Included in contribution revenue and fund balances are amounts restricted by donors for use in future years as follows:

Restricted for use in	**2024**	**2025**	**2026**	**2027**	**2028**	**Total**
			USD million			
Monetary and in-kind contributions in 2023	157.5	56.2	38.7	3.4	0.6	**256.4**
Fund balances at 1 January 2023	93.3	12.3	6.6	-	-	**112.2**
Fund balances at 31 December 2023	**250.8**	**68.5**	**45.3**	**3.4**	**0.6**	**368.6**

228. Return on investments in 2023 is affected by adoption of IPSAS 41 and changes in classification of financial instruments (note 1). In 2023, return on investments includes net unrealized gains on equity investment funds of USD 131.9 million that were in 2022 recognized in net assets/equity and does not include USD 31.5 million of net unrealized gains on liquidity portfolios that were recognized in surplus or deficit in 2022 and are recognized in net asset/equity in 2023.

229. Revenue generated from the provision of goods and services included mainly air operations, logistics and supply chain services, revenue from fuel sales and other services.

Note 4: Expenses

Note 4.1: Cash-based transfers distributed

	2023	**2022**
	USD million	
Cash and voucher transfers	2 785.0	3 080.3
Commodity voucher transfers	158.7	217.7
Total cash-based transfers distributed	**2 943.7**	**3 298.0**

230. Cash-based transfers distributed represent assistance distributed in bank notes, electronic transfers, through debit cards or value vouchers. Included in cash-based transfers distributed are also commodity voucher transfers.

Note 4.2: Commodities distributed

	2023	**2022**
	USD million	
Food commodities	3 233.7	3 829.0
Non-food items	30.8	52.8
Total commodities distributed	**3 264.5**	**3 881.8**

231. Food commodities distributed include cost of commodities as well as transport and related costs between the country in which WFP takes possession and the recipient country.

Included in the cost of commodities distributed are pre- and post-delivery losses of USD 49.9 million (USD 25.3 million in 2022) (note 9).

232. Given WFP's accounting policy to expense when food is handed over to the cooperating partners, at 31 December 2023, USD 116.5 million (107,200 mt) of food held by cooperating partners was yet to be distributed to beneficiaries (USD 220 million (237,876 mt) at 31 December 2022).

233. Non-food commodities distributed represent costs of goods issued at various strategic storage depots managed by the United Nations Humanitarian Response Depot network, and costs of fuel released from stock under the fuel service provision activities that WFP carries out in Yemen.

Note 4.3: Distribution and related services

	2023	**2022**
	USD million	
Food handling and transport costs	491.6	536.7
Implementing partners' costs	560.2	476.4
Cash transfer transaction charges	61.8	65.2
Other	42.2	32.5
Total distribution and related services	**1 155.8**	**1 110.8**

234. Distribution and related services represent cost of moving commodities in-country up to and including final distribution, including related distribution costs under field-level agreements with implementing partners, as well as transaction costs related to cash transfers to beneficiaries.

Note 4.4: Contracted and other services

	2023	**2022**
	USD million	
Contracted and other services		
Air operations	414.5	319.6
Implementing partners' costs	240.1	238.2
Other programme-related expert services	219.5	199.8
Leases	114.5	105.0
Telecommunications/IT related services	55.6	54.6
Security and other services	62.4	58.0
Other contracted services	257.4	227.7
Total contracted and other services	**1 364.0**	**1 202.9**

235. Contracted and other services include costs of air operations, telecommunications, security, operating lease payments, costs arising from field-level agreements with implementing partners, professional and consultancy services related to programmatic activities, and other contracted services such as United Nations common services and contributions to United Nations bodies.

Note 4.5: Staff and affiliated workforce costs

	2023	2022
	USD million	
Staff costs	1 178.4	1 023.0
Affiliated workforce costs	431.6	386.8

236. Staff costs represent WFP’s international and national staff salaries and payroll related entitlements, travel, training and staff workshops, and incentives. Affiliated workforce costs are those for consultants and service contract holders and include honoraria and salaries, travel, and other associated costs.

Note 4.6: Supplies, consumables and other running costs

	2023	2022
	USD million	
Telecommunications and IT	34.9	27.9
Equipment	152.2	163.8
Office supplies and consumables	50.9	47.8
Utilities	12.9	14.5
Vehicle maintenance and running costs	36.9	39.2
Total supplies, consumables and other running costs	**287.8**	**293.2**

237. Supplies, consumables and other running costs are cost of goods and services used for both direct project implementation and administration and support.

Note 4.7: Finance costs, depreciation, amortization and other expenses

	2023	2022
	USD million	
Finance costs	**18.5**	**25.0**
Depreciation and amortization		
Depreciation of property, plant and equipment	63.7	59.5
Amortization of intangible assets	3.6	3.1
Total depreciation and amortization	**67.3**	**62.6**
Other expenses		
Maintenance services	8.6	10.3
Insurance	25.1	14.7
Impairment and write-offs	16.4	29.3
Write-down of inventory to net realizable value	64.8	60.7
Other	37.9	48.5
Total other expenses	**152.8**	**163.5**

238. Finance costs include loan interest expense, bank charges and investment management and custodian fees.

239. Other expenses include maintenance expenses, insurance premiums, bank charges and investment fees, write-down of inventory to net realizable value, impairment and write-off expenses as well as other expenses such as advocacy and training expenses.

Note 5: Statement of Cash Flow

240. Cash flows from operating activities are not adjusted for donations of commodities-in-kind or services-in-kind as these donations have no impact on cash movements. Cash flows from investing activities are shown net of items where the turnover is rapid, the amounts are large, and the maturities are short.

Note 6: Statement of Comparison of Budget and Actual Amounts

241. WFP’s budget and financial statements are prepared using different bases. The Statement of Financial Position, Statement of Financial Performance, Statement of Changes in Net Assets and Statement of Cash Flow are prepared on a full accrual basis using a classification based on the nature of expenses in the Statement of Financial Performance, whereas the Statement of Comparison of Budget and Actual Amounts is prepared on a commitment accounting basis.

242. As required under IPSAS standard 24, "Presentation of Budget Information in Financial Statements", the actual amounts presented on a comparable basis to the budget shall, where the financial statements and the budget are not prepared on a comparable basis, be reconciled to the actual amounts presented in the financial statements, identifying separately any basis, timing and entity differences. There may also be differences in formats and classification schemes adopted for presentation of financial statements and the budget.

243. Budget amounts have been presented on a functional classification basis in accordance with the management plan (2023–2025), which presents a breakdown of the budget by year.

244. Statement V includes a column – implementation plan – which represents prioritized operational needs for approved CSPs, derived from the final budget, considering funding forecasts, available resources and operational challenges. Considering that WFP is a voluntarily funded organization and its operations and financial management therefore depend on the level of funding actually received.

245. Explanations of material differences between the original budget and final budget, final budget and the actual amounts, and implementation plan and the actual amounts are presented under the budget analysis section of the Executive Director’s statement.

246. Basis differences occur when the approved budget is prepared on a basis other than the accounting basis. For WFP, the budget is prepared on the commitment basis and the financial statements are prepared on the accrual basis. Open commitments including open purchase orders and net cash flows from operating, investing and financing activities are presented as basis differences.

247. Timing differences occur when the budget period differs from the reporting period reflected in the financial statements. There are no timing differences for WFP for purposes of comparison of budget and actual amounts.

248. Entity differences occur when the budget omits programmes or entities that are part of the entity for which the financial statements are prepared. Under entity differences, trust funds form part of WFP activities and are reported in the financial statements but, as they are considered extra-budgetary resources, are excluded from the budget.

249. Presentation differences are due to differences in the format and classification schemes adopted for presentation of Statement of Cash Flow and Statement of Comparison of Budget and Actual Amounts. Revenue and non-fund relevant expenses that do not form part of the Statement of Comparison of Budget and Actual Amounts are reflected as presentation differences.

250. A reconciliation between the actual amounts on a comparable basis in the Statement of Comparison of Budget and Actual Amounts (Statement V) and the actual amounts in the Statement of Cash Flow (Statement IV) for the year ended 31 December 2023 is presented below.

	Operating	**Investing**	**Financing**	**Total**
		USD million		
Actual amount on comparable basis (Statement V)	**(10 419.8)**	**-**	**-**	**(10 419.8)**
Basis differences	2 054.0	(430.2)	(6.7)	**1 617.1**
Presentation differences	8 951.4	-	-	**8 951.4**
Entity differences	(98.5)	-	-	**(98.5)**
Actual amount in the Statement of Cash Flow (Statement IV)	**487.1**	**(430.2)**	**(6.7)**	**50.2**

Note 7: Segment reporting

Note 7.1: Statement of Financial Position by segment

	2023					2022
	Programme category funds	General Fund and Special Accounts	Trust funds	Inter-segment transactions	Total	
	USD million					
Assets						
Current assets						
Cash, cash equivalents and short-term investments	2 948.8	944.8	599.3	-	**4 492.9**	**4 109.8**
Contributions receivable	3 972.7	116.4	140.8	-	**4 229.9**	**6 667.7**
Inventories	910.6	380.5	0.5	-	**1 291.6**	**1 498.9**
Other receivables	218.8	1 375.7	2.8	(1 260.1)	**337.2**	**419.5**
	8 050.9	**2 817.4**	**743.4**	**(1 260.1)**	**10 351.6**	**12 695.9**
Non-current assets						
Contributions receivable	79.8	28.7	6.8	-	**115.3**	**131.4**
Long-term investments	-	1 182.7	-	-	**1 182.7**	**987.3**
Property, plant and equipment	164.4	91.4	1.6	-	**257.4**	**248.2**
Intangible assets	0.5	19.3	0.7	-	**20.5**	**15.4**
	244.7	**1 322.1**	**9.1**	**-**	**1 575.9**	**1 382.3**
Total assets	**8 295.6**	**4 139.5**	**752.5**	**(1 260.1)**	**11 927.5**	**14 078.2**
Liabilities						
Current liabilities						
Payables and accruals	1 163.2	751.0	250.8	(1 260.1)	**904.9**	**1 393.5**
Deferred revenue	20.3	2.2	-	-	**22.5**	**32.0**
Provisions	3.7	12.8	1.3	-	**17.8**	**45.5**
Employee benefits	-	65.7	-	-	**65.7**	**70.4**
Loan	-	5.6	-	-	**5.6**	**5.6**
	1 187.2	**837.3**	**252.1**	**(1 260.1)**	**1 016.5**	**1 547.0**
Non-current liabilities						
Deferred revenue	8.0	-	-	-	**8.0**	**24.2**
Employee benefits	-	949.9	-	-	**949.9**	**814.0**
Loan	-	38.4	-	-	**38.4**	**44.0**
	8.0	**988.3**	**-**	**-**	**996.3**	**882.2**
Total liabilities	**1 195.2**	**1 825.6**	**252.1**	**(1 260.1)**	**2 012.8**	**2 429.2**
Net assets	**7 100.4**	**2 313.9**	**500.4**	**-**	**9 914.7**	**11 649.0**
Fund balances and reserves						
Fund balances	7 100.4	1 654.9	500.4	-	**9 255.7**	**10 753.2**
Reserves	-	659.0	-	-	**659.0**	**895.8**
Total fund balances and reserves, 31 December 2023	**7 100.4**	**2 313.9**	**500.4**	**-**	**9 914.7**	**11 649.0**
Total fund balances and reserves, 31 December 2022	**8 965.6**	**2 218.9**	**464.5**	**-**	**11 649.0**	

Note 7.2: Statement of Financial Performance by segment

	2023					2022
	Programme category funds	**General Fund and Special Accounts**	**Trust funds**	**Inter-segment transactions**	**Total**	
			USD million			
Revenue						
Monetary contributions	6 421.6	1 065.0	193.8	-	**7 680.4**	**13 252.1**
In-kind contributions	568.7	81.4	1.2	-	**651.3**	**832.5**
Currency exchange differences	(35.6)	227.7	1.5	-	**193.6**	**106.1**
Return on investments	24.5	295.4	2.0	-	**321.9**	**(15.7)**
Other revenue	447.1	1 566.6	0.9	(1 738.1)	**276.5**	**242.6**
Total revenue	**7 426.3**	**3 236.1**	**199.4**	**(1 738.1)**	**9 123.7**	**14 417.6**
Expenses						
Cash-based transfers distributed	2 943.7	-	-	-	**2 943.7**	**3 298.0**
Commodities distributed	3 272.6	1 337.6	(0.3)	(1 345.4)	**3 264.5**	**3 881.8**
Distribution and related services	1 131.0	28.9	1.0	(5.1)	**1 155.8**	**1 110.8**
Contracted and other services	1 233.5	329.8	24.8	(224.1)	**1 364.0**	**1 202.9**
Staff costs	761.7	396.9	31.5	(11.7)	**1 178.4**	**1 023.0**
Affiliated workforce costs	281.6	131.0	28.5	(9.5)	**431.6**	**386.8**
Supplies, consumable and other running costs	249.8	59.6	5.8	(27.4)	**287.8**	**293.2**
Finance costs	14.2	4.3	-	-	**18.5**	**25.0**
Depreciation and Amortization	38.7	28.0	0.6	-	**67.3**	**62.6**
Other expenses	140.9	120.2	6.6	(114.9)	**152.8**	**163.5**
Total expenses	**10 067.7**	**2 436.3**	**98.5**	**(1 738.1)**	**10 864.4**	**11 447.6**
Surplus (deficit) for the year, 2023	**(2 641.4)**	**799.8**	**100.9**	**-**	**(1 740.7)**	**2 970.0**
Surplus (deficit) for the year, 2022	**1 630.6**	**1 134.0**	**205.4**	**-**	**2 970.0**	

251. Cash and cash equivalents and short-term investments are presented as separate line items on the face of the Statement of Financial Position and presented together under segment reporting. The table below reconciles the amounts reported in the Statement of Financial Position and segment reporting.

	2023	2022
	USD million	
Cash and cash equivalents	2 735.0	2 680.4
Short-term investments	1 757.9	1 429.4
Total cash and cash equivalents and short-term investments	**4 492.9**	**4 109.8**

252. Some internal activities lead to accounting transactions that created inter-segment revenue and expense balances in the financial statements. Inter-segment transactions are reflected in the tables above to accurately present these financial statements.

253. Fund balances under programme category funds and trust funds represent the unexpended portion of contributions that are intended to be utilized for future operational requirements of the Programme.

Note 8: Commitments and contingencies

Note 8.1: Commitments

8.1.1 Property leases

	2023	2022
	USD million	
Obligations for property leases:		
Within 1 year	71.2	76.2
Later than 1 year and not later than 5 years	103.5	110.8
Beyond 5 years	22.7	17.9
Total property leases obligations	**197.4**	**204.9**

254. At 31 December 2023, property lease obligations for the WFP headquarters building in Rome represent 11 percent of the total obligations under the within 1 year category and 21 percent under the later than 1 year and not later than 5 years category (9 percent and 25 percent, respectively, at 31 December 2022). The lease can be renewed at WFP's option. Costs incurred in leasing the headquarters building are reimbursed by the host government. The commitments are disclosed for all operating lease agreements. The agreements include cancellation clauses allowing WFP to terminate for any reason with sixty days' notice period.

8.1.2 Other commitments

255. At 31 December 2023, WFP had commitments for the acquisition of food commodities, transportation, services, non-food items, and capital commitments contracted but not delivered as follows:

	2023	2022
	USD million	
Food commodities	304.5	693.8
Transportation – Food commodities	79.4	141.6
Services	454.2	416.6
Non-food items	123.6	119.9
Capital commitments	18.5	13.6
Total open commitments	**980.2**	**1 385.5**

256. These commitments will be recognized as expenses in future financial periods and will be settled from the unexpended portion of contributions after receipt of the related goods or services.

Note 8.2: Contingent liabilities and contingent assets

Contingent assets – donor contributions

257. WFP signed contribution agreements valued at USD 347.7 million at the end of 2023 (2022: USD 530.9 million), which are expected to be confirmed by the donor at the future date as they are subject to parliamentary appropriation or final confirmation of budget availability.

Contingent assets – other

258. In 2005, two WFP employees in the WFP regional bureau in South Africa were found to have committed fraud resulting in a loss of approximately USD 6.0 million. A criminal trial began in 2008, and the South African authorities restrained the employees' known assets, reportedly valued at ZAR 40 million (approximately USD 2.2 million at 31 December 2023).

259. WFP also initiated arbitration against the two employees for recovery of the misappropriated funds, to establish WFP's claim against the restrained assets irrespective of the outcome of the criminal proceedings. In 2010, the arbitral tribunal issued a default award in favour of WFP on all claims, for approximately USD 5.5 million, plus interest and costs. Following the required waiver by the United Nations and FAO of WFP's immunity, WFP applied to the High Court of South Africa to make the arbitral award an order of court for the purpose of enforcement in South Africa, which was granted in October 2011 and is now final. In December 2012, the two employees were found guilty and subsequently sentenced to 25 years of imprisonment. In 2016, the defendants' convictions were finalized.

260. Enforcement of the court decision against the restrained assets experienced delays after the criminal proceedings concluded. WFP is working with counsel to actively explore all options to ensure advancement of the proceedings to obtain a confiscation order for the defendants' assets.

Note 9: Losses, *ex-gratia* payments and write-offs

261. WFP financial regulation 12.3 provides that "The Executive Director may make such *ex-gratia* payments as the Executive Director deems necessary in the interest of WFP. The Executive Director shall report all such payments to the Board with the financial statements". In addition, financial regulation 12.4 provides that "The Executive Director may, after full investigation, authorize the writing off of losses of cash, commodities and other assets, provided that a statement of all amounts written off shall be submitted to the External Auditor with the financial statements."

262. The following table details the *ex-gratia* payments and losses of cash, food commodities and other assets.

	2023	2022
	USD million	
Ex-gratia payments	2.9	0.5
Contributions receivable	1.4	1.6
Food commodity losses	49.9	25.3
Non-food item losses	1.6	0.1
Other assets and cash losses	1.6	0.8
	Mt	
Commodity losses (quantity)	67 605	29 074

263. The *ex-gratia* payments mainly pertain to critical issues affecting WFP personnel. In 2023, *ex-gratia* payments were mainly made to local staff members in one country as a special measure due to security threats and as an exceptional measure in another country. Contributions receivable write-offs relate to the write-off of receivables from donors. The other assets and cash losses are related mainly to cash-based transfer losses and write-offs of other receivables. During 2023, USD 0.8 million was recovered from the third parties related to cash-based transfers (USD 0.2 million in 2022).

264. The food commodity losses include all losses that occur from the first receipt of commodity in WFP's custody until distribution to the beneficiaries, either directly or through the cooperating partners. These losses are insured by the WFP cargo self-insurance scheme up to the point at which commodities are distributed to beneficiaries or handed over to cooperating partners in case of distribution through cooperating partners. Included in food commodity losses are USD 26.4 million of losses in Sudan country office, which are also included in the reported theft and embezzlement case in the country office, disclosed in paragraph 265 below. During 2023, USD 31.0 million was recovered from insurers and the third parties responsible for the food commodity losses (USD 10.0 million in 2022). The non-food item losses are related mainly to warehouse losses.

265. In 2023, fraud substantiated by the Office of Inspections and Investigations resulted in financial losses of USD 8,225,156 of which USD 445,045 was recovered (USD 1,250,194 in 2022, USD 285,897 was recovered). As at 31 December 2023, presumptive fraud related to ongoing investigations where amounts can be reasonably estimated, was valued at USD 4,646,666 involving fraudulent practices by partners, third parties and WFP personnel (USD 9,767,250 in 2022). In addition, the Office of Inspections and Investigations reviewed and reported the cases of theft and embezzlement of USD 102,039,468 (USD 14,809,326 in 2022, recovered USD 8,862,319). Theft and embezzlement cases in 2023 include USD 96,492,203 valued at original cost in Sudan country office.

Note 10: Related party and other senior management disclosure

Note 10.1: Key management personnel

	Number of individuals	Number of positions	Compensation and post adjustment	Entitlements and benefits	Pension and health plans	Total remuneration	Outstanding advances against entitlements
				USD million			
Key management personnel, 2023	10	7	1.3	0.7	0.4	2.4	0.1
Key management personnel, 2022	8	8	1.2	0.7	0.4	2.3	0.1

266. Key management personnel are the Executive Director, Deputy Executive Director, Assistant Executive Directors and the Chief of Staff as they have the authority and responsibility for planning, directing, and controlling the activities of WFP.

Note 10.2: Other senior management

	Number of individuals	Number of positions	Compensation and post adjustment	Entitlements and benefits	Pension and health plans	Total remuneration	Outstanding advances against entitlements
				USD million			
Other senior management, 2023	37	29	4.9	1.9	1.5	8.3	0.7
Other senior management, 2022	32	29	4.5	1.6	1.4	7.5	0.6

267. In addition to key management personnel whose remuneration, advances and loans are required to be disclosed under IPSAS standard 20, “Related Party Disclosures”, similar disclosure is also made for other senior management of WFP for the sake of completeness and transparency. Other senior management include regional directors and headquarters divisional directors.

268. The tables above detail the number of positions and the number of staff who held these positions over the course of the year. The Executive Board consists of 36 Member States without personal appointment.

269. The aggregate remuneration paid to key management personnel and other senior management includes net salaries; post adjustment; entitlements such as representation allowance and other allowances, assignment and other grants, rental subsidy, personal effect shipment costs; post-employment benefits; other long-term employee benefits and employer pension and current health insurance contributions.

270. Key management personnel and other senior management qualify for post-employment benefits and other long-term employee benefits at the same level as other employees. The actuarial assumptions applied to measure such employee benefits are disclosed in note 2.12. Key management personnel and other senior management are ordinary members of the UNJSPF.

271. During 2023, compensation in the form of remuneration, entitlements and benefits provided to close members of the family of key management personnel and other senior management amounted to USD 0.1 million and USD 1.1 million respectively (USD 0.2 and USD 1.2 million, respectively, in 2022).

272. Advances are those made against entitlements in accordance with staff rules and regulations and are widely available to all WFP staff.

Note 11: Interest in other entities

International Computing Centre

273. The International Computing Centre (ICC) was established in January 1971 pursuant to Resolution 2741 (XXV) of the United Nations General Assembly. The ICC provides IT and communications services to partners and users in the United Nations system. As a partner bound by the mandate of the ICC, WFP would be proportionately responsible for any third-party claim or liability arising from or related to service activities of the ICC as specified in the ICC mandate. At 31 December 2023, there are no known claims that impact WFP. Ownership of assets is with ICC until dissolution. Upon dissolution, the division of all assets and liabilities among partner organizations shall be agreed by the management committee in accordance with a formula defined at that time.

African Risk Capacity

274. WFP and the African Risk Capacity (ARC) signed an administrative service agreement in June 2015 expiring on 31 August 2024. ARC is a specialized agency of the African Union that shares the goal of promoting food security with WFP.

275. While ARC is a separate legal entity, its financial and operating policies with reference to this agreement are subject to WFP rules. Funds received under this agreement are held under an ARC trust fund by WFP. WFP provides technical, administrative, personnel, and project management services to ARC. The Director-General of the ARC is employed by WFP and is accountable to both the WFP Executive Director and ARC. The agreement is considered a joint operation where, based on the terms of the agreement, the financial transactions of ARC are consolidated within WFP financial statements. As at 31 December 2023, the accumulated surplus held under an ARC trust fund totalled USD 14.0 million.

UN Fleet

276. In 2022, WFP and UNHCR signed a Memorandum of Understanding to establish a joint operation for the provision of fleet solutions including vehicle leasing, insurance services and other related services to the UN system. UN fleet is jointly governed and funded by WFP and UNHCR. UN fleet commenced with operations in 2023. WFP recognizes its share in assets, liabilities, revenues and expenses held or incurred jointly with UNHCR.

Note 12: Events after reporting date

277. WFP’s reporting date is 31 December 2023. On the date of certifying of these financial statements by the Executive Director, there have been no material events, favourable or unfavourable, incurred between the balance sheet date and the date when the financial statements have been authorized for issue that would have impacted these statements.

ANNEX

	Name	Address
WFP	World Food Programme	Via Cesare Giulio Viola 68/70 Parco de' Medici 00148 Rome, Italy
General Counsel and Director, Legal Office	Bartolomeo Migone	Via Cesare Giulio Viola 68/70 Parco de' Medici 00148 Rome, Italy
Actuaries	Ernst & Young Advisory	Tour First, 1 place des Saisons 92037 Paris La Défense France
Principal Bankers	Citibank N.A.	Via Mercanti, 12 20121 Milan, Italy
	Standard Chartered Plc	1 Basinghall Avenue London, EC2V 5DD United Kingdom
External Auditor	President of the Federal Court of Auditors (Germany)	Adenanerallee 81 53113, Bonn Germany

Acronyms

APP	Annual Performance Plan
ARC	African Risk Capacity
ASMP	after-service medical plan
BMIP	Basic Medical Insurance Plan
CCI	critical corporate initiative
COSO	Committee of Sponsoring Organizations of the Treadway Commission
CSP	country strategic plan
DSC	direct support cost
ECL	expected credit loss
ESG	Environmental, Social and Corporate Governance
FAO	Food and Agriculture Organization of the United Nations
GEMS	Global Equipment Management System
HACT	Harmonized Approach to Cash Transfer
IATI	International Aid Transparency Initiative
ICC	International Computing Centre
ICSP	interim country strategic plan
IPC	Integrated Food Security Phase Classification
IPSAS	International Public Sector Accounting Standard
IRA	Immediate Response Account
ISC	indirect support cost
MICS	Medical Insurance Coverage Scheme
MIGO	Enhanced Goods Receipt Transaction
MPO	micro-purchase order
MSCI	Morgan Stanley Capital International
NGO	non-governmental organization
OSRB	other separation-related benefits
PSA	programme support and administrative (budget)
PSAEA	Programme Support and Administrative Equalization Account
R2	risk and recommendation tracking tool
SCP	Staff Compensation Plan
SDG	Sustainable Development Goal
SMART	specific, measurable, achievable, relevant, and time-bound
SPPI	solely payments of principal and interest
SPS	Separation Payment Scheme
STRIPS	United States Treasury Separate Trading of Registered Interest and Principal of Securities
TPA	third-party agreement

UNHCR	Office of the United Nations High Commissioner for Refugees
UNJSPF	United Nations Joint Staff Pension Fund
UNORE	United Nations operational rates of exchange
VAT	Value-added tax