



## Resource Management seminar on EB.A/2023 matters

23 May 2023



World Food  
Programme

SAVING  
LIVES  
CHANGING  
LIVES

# Agenda

## Part 1: Accountability and reporting documents

- I. Audited annual accounts, 2022: financial statements
- II. External audit findings: 2022 financial statements and fuel management
- III. Management response: external audit on fuel management

Q&A

- 
- IV. Management review of significant risk and control issues, 2022
  - V. Report on the implementation of the External Auditor's recommendations

Q&A

## Part 2: Resource and budgetary documents

- I. Report on the utilization of WFP's strategic financing mechanisms, 2022
- II. Utilization of the Programme Support and Administrative Equalization Account reserve

Q&A

## Part 3: 2022 Security report

Q&A

## Key RM dates and documents in 2023

# Part 1: Accountability and reporting documents

---

## I. Audited annual accounts, 2022: financial statements

# Change in Accounting Policy – Note 1 to Statements

**Contribution revenue recognition policy** was changed in consultation with the External Auditor:

i

**Contribution revenue** is no longer deferred for multi-year agreements **without donor conditions** (refund obligations). **Revenue is recognized for full amount** of agreement, including future implementation years. **If conditions are present**, revenue for future years is deferred.

ii

**Asset (contribution receivable)** is no longer recognized for multi-year agreements where future year allocations are subject to **appropriation approvals** under respective donor legislations, as control over asset has not passed to WFP.

iii

IPSAS Board has issued **new IPSAS 47, Revenue** standard at its March 2023 session with **effective date from 1 January 2026**.

# Reclassifications – Note 1 to Statements



## Restatement impact on previous period from changes

At 1.1.2021

Opening **net assets** ↑ USD 806.4 million

In 2021

**Revenue** and **surplus** ↓ USD 165.9 million

At 31.12.2021

**Contribution receivables** ↓ USD 648.3 million

**Deferred revenue** ↓ USD 1,288.8 million

**Net assets** ↑ USD 640.5 million



## Changes in presentation and classification

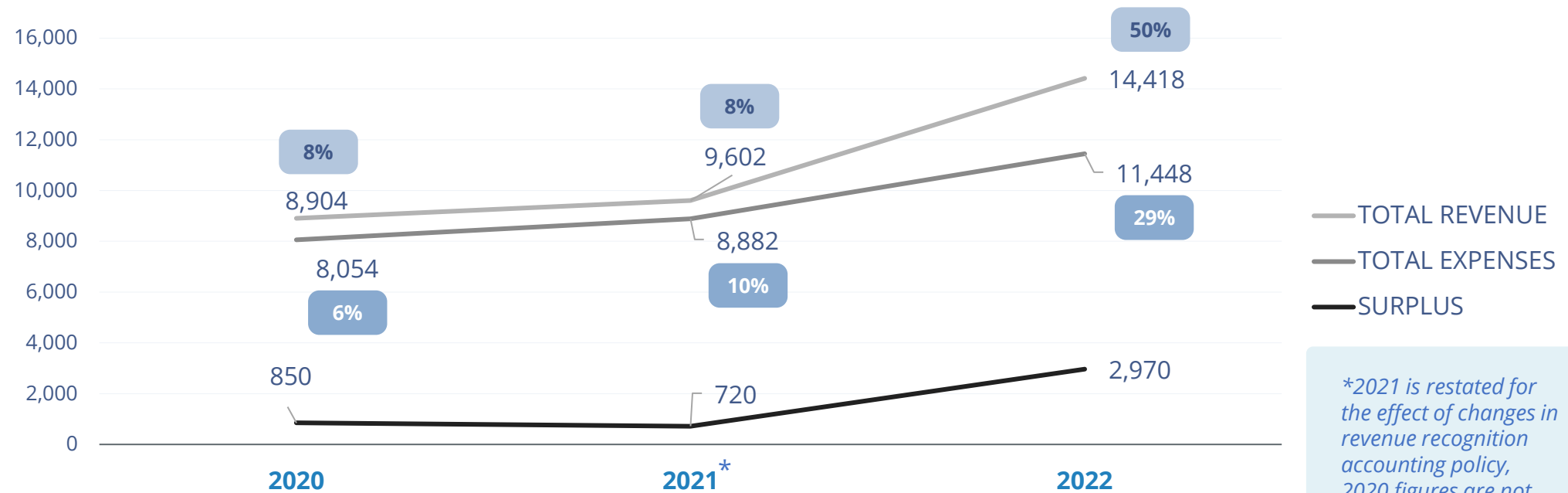
Change in presentation of expenses lines  
Statement II: **staff costs, affiliated workforce costs, finance costs** and **other expenses**

Note 3, **Revenue** and Note 4, **Expenses** were further **disaggregated**

## Statement II – Financial Performance

In 2022, the growth of both revenue and expenses accelerated reaching record high. The exceptional growth in revenue is impacting the surplus for the year due to time lag between revenue and expenses recognition.

### EVOLUTION OF REVENUE, EXPENSES AND SURPLUS (IN USD M)

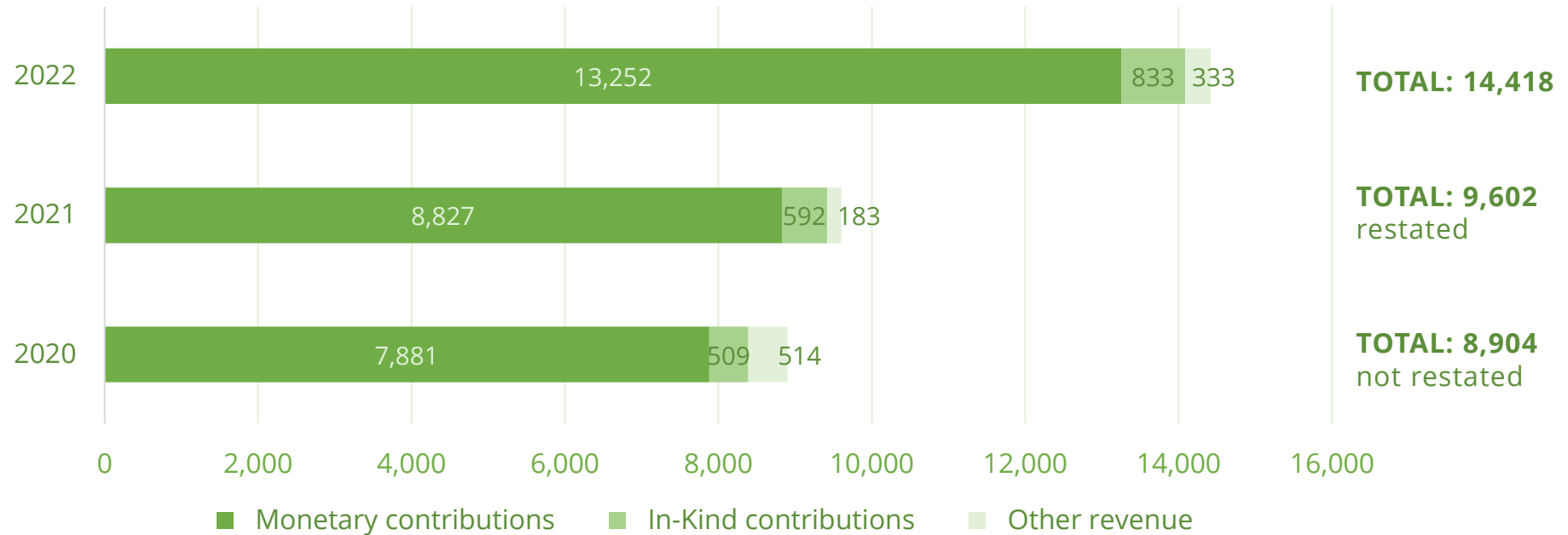


*\*2021 is restated for the effect of changes in revenue recognition accounting policy, 2020 figures are not restated.*

## Statement II – Revenue

USD 14.1b or 98% of total 2022 revenue was from donor contributions, an increase of USD 4.7b or 50% compared to 2021 (restarted).

### EVOLUTION AND COMPOSITION OF REVENUE (IN USD M)



## Statement II – Expenses






Strong growth in expenses of 29% driven by 42% increase in CBT and 37% increase in the value of commodities distributed (12% increase in mt.) Other expenses in aggregate increased by 14%.

### EVOLUTION AND COMPOSITION OF EXPENSES (IN USD M)





# Statement I – Financial Position

 <b>TOTAL ASSETS</b>	of <b>USD 14,078.2 million</b> increased by USD 3,073.2 million (28%) mainly due to increase in contribution, cash and inventories.
 <b>INVENTORIES</b>	stand at <b>USD 1,498.9 million</b> , an increase of 23% in value, due to increase in mt held of 12% and increase in commodity prices.
 <b>TOTAL LIABILITIES</b>	increased by USD 14.2 million or 1% from USD 2,415.0 million in 2021 to <b>USD 2,429.2 million</b> in 2022, due to increase in payables offset by employee benefit liabilities decrease.
 <b>EMPLOYEE BENEFITS LIABILITIES</b>	totalled <b>USD 884.4 million</b> , a decrease of 20%. The investments covering long-term liabilities were valued at USD 951.7 million. The funding ratio is <b>117%</b> .
 <b>NET ASSETS</b> (Fund Balances and Reserves)	totalled <b>USD 11,649 million</b> . Out of total net assets, USD 8,965.6 million relate to programmes/CSPs, representing approximately five months of operational activity.

# Statement V – Comparison of Budget and Actual amounts

CSP costs	Budget amount		Actual on comparable basis	Difference final budget and actual	Implementation plan	Utilisation rate final budget
	Original budget	Final budget				
SR.1 Everyone has access to food	9,793.1	15,557.8	9,328.8	6,229.0	8,891.3	60%
SR.2 No one suffers from malnutrition	822.9	900.8	498.8	402.0	636.3	55%
SR.3 to SR 7	1,057.9	1,231.6	534.3	697.3	760.7	43%
SR.8 Strengthening global partnerships	920.2	1,855.5	906.1	949.4	1,081.0	49%
Direct support costs	524.8	656.9	487.6	169.3	521.5	74%
<b>Subtotal direct operational costs</b>	<b>13,118.9</b>	<b>20,202.6</b>	<b>11,755.6</b>	<b>8,447.0</b>	<b>11,890.8</b>	<b>58%</b>
PSA	496.1	513.3	511.7	1.6	496.1	100%
Critical corporate initiatives	42.4	79.0	52.4	26.6	42.4	66%
<b>Subtotal indirect costs</b>	<b>538.5</b>	<b>592.3</b>	<b>564.1</b>	<b>28.2</b>	<b>538.5</b>	<b>95%</b>
<b>Total</b>	<b>13,657.4</b>	<b>20,794.9</b>	<b>12,319.7</b>	<b>8,475.2</b>	<b>12,429.3</b>	<b>59%</b>

1

**Final budget is higher than original by USD 7.1 billion.** Major increases were in Afghanistan, Ukraine, Ethiopia, Somalia and Lebanon

2

**Utilisation rate of the final budget is 59%** compared to **65% in 2021.**

3

**Largest CBT operations:** Somalia, Afghanistan, Ukraine and Lebanon.

**Largest food operations:** Afghanistan, Yemen, Ethiopia, Syria, South Sudan and Ukraine.

# Part 1: Accountability and reporting documents

---

## II. External audit findings: 2022 financial statements and fuel management

# External Audit World Food Programme

Resource Management Seminar, 23 May 2023

Lutz Hoffmann, Director of External Audit

Runa Schnell, Deputy Director of External Audit

# Outline

- Introduction
- Audit of the WFP 2022 Financial Statements
- Audit of WFP Fuel Management
- Q & A

# Introduction (1)

- External Auditor
  - ✓ Independent
  - ✓ Contract with the Executive Board
  - ✓ Provides a report to enable the Executive Board to approve the financial statements
  - ✓ The Executive Board may request the External Auditor to perform specific examinations and issue separate reports thereon.

## Introduction (2)

- External Auditor issued
  - ✓ Opinion on the WFP 2022 Financial Statements
  - ✓ Finance Audit Report
  - ✓ Performance Report “Fuel Management”
  - ✓ Performance Report “Support Services”
- External Auditor visited
  - ✓ WFP headquarters Rome
  - ✓ Regional Bureaux Cairo and Johannesburg
  - ✓ Country Offices Egypt, Jordan, Lebanon, Malawi, Mozambique, Tanzania, Zimbabwe (remote)

# Audit of the WFP 2022 Financial Statements (1)

## The External Auditor issued

- ✓ an unmodified audit opinion.
- ✓ *“In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of WFP as at 31 December 2022 and its financial performance and its cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS).”*



# Audit of WFP 2022 Financial Statements (2)

## Key audit finding and recommendation areas

- ✓ Contributions Receivable
- ✓ Inventories
- ✓ Property, Plant and Equipment
- ✓ Payroll Process
- ✓ Accounting Processes

# Audit of WFP Fuel Management

## Key finding and recommendation areas

- ✓ Lack of Long-term Agreements
- ✓ Cash Payments
- ✓ Energy production data of Solar Projects not reliable

# Part 1: Accountability and reporting documents

---

## III. Management response: external audit on fuel management

# Management response to the recommendations in the report of the External Auditor on fuel management

One of the two performance audits undertaken by the External Auditor in 2022 (the other was on Support Services) focusing on economy, efficiency and effectiveness of fuel management in line with the International Standards of Supreme Auditing Institutions.

## Areas covered include:

- **Aviation and vehicle fuel:** on matters relating to procurement processes, vendor selection and management; Fleet Management System data quality and WFP Fleet performance measurement
- **Accounting of fuel:** its impact on financial reporting and capitalization of fuel held on stock
- **Renewable power supply:** on energy consumption data recording and analysis

# Management response to the recommendations in the report of the External Auditor on fuel management

## A total of 17 recommendations

- **Aviation and vehicle fuel:** 11 recommendations
- **Accounting of fuel:** 4 recommendations
- **Renewable power supply:** 2 recommendations
- All recommendations accepted by management

## Status of implementation

- 3 recommendations have been implemented
- Implementation of remaining recommendations ongoing with target completion dates between September 2023 to June 2024

# Q&A

# Part 1: Accountability and reporting documents

---

## IV. Management review of significant risk and control issues, 2022

# Management Review of Significant Risk and Control Issues, 2022

The Executive Director's Assurance Exercise concluded in January 2023 with **98% submission rate** by the deadline

- Launched **one month earlier** to help participants frontload work before end-of-year closures
- **Improved survey experience** and **detailed/multilingual guidance**
- **Wider sharing of findings** through tailored analyses, including linkages to risk registers, and results webinar for participants

WFP will develop a funded and costed work plan to address significant risk and control issues

**Progress made, but continued attention required**

Workplace culture and conduct

**Needs improvement**

Talent management and workforce planning

NGO management

Beneficiary management and IT solutions



# 2022 Management Review: Management feedback

## Talent management and workforce planning

“Indeed, hiring consultants through a competitive process implies longer recruitment process compared to before. It requires a huge time investment with the risk of delaying too much the hiring process as candidates accept other job opportunities in the meantime.”

- HQ respondent

“Due to the limited availability of long term, multi-year funding, there are constraints in terms of staff’s contracts duration and sustainability.”

- CO respondent

## Beneficiary management and IT solutions

“The introduction of real-time biometric identification has led to a marked decrease in duplicates but is seen as a heavy expense for country offices.”

- RB respondent

“The proliferation of fragmented guidance in the form of non-mandatory provisions fosters an uneven approach to beneficiary data management that hampers data quality and prevents rigorous data collection.”

- HQ respondent

## Workplace culture and conduct

“Narrative at the top (organization wide) needs to be followed by concrete actions with regard to inclusion and diversity as well as the equal opportunity for all.”

- CO respondent

“Leadership is key and messaging around workplace culture might have lost its energy in 2022.”

- HQ respondent

## Non-governmental organization management

“NGO partners have limited capacities to fully comply with WFP requirements... While not a significant challenge, this results in delays in finalizing FLA agreements.”

- CO respondent

There is a mutual understanding that WFP is committed to localize partnerships, but no clarity as to how, no clear strategy to guide country offices decision-making when it comes to partners selection and capacity building, other than the risk mitigation aspects.”

- RB respondent

## 2022 Management Review: Material incidents

WFP is strengthening controls in eight countries as a result of material events that took place in 2022:

- **Afghanistan:** food safety and quality;
- **Democratic Republic of Congo:** food loss, supply chain restrictions, food safety and quality, **cooperating partner fraud**;
- **Ethiopia:** security incidents, looting, food and fuel loss;
- **Haiti:** security incidents, looting, food and asset loss;
- **Madagascar:** food safety and quality;
- **Somalia:** food diversion, **fraud and corruption**;
- **South Sudan:** food loss; and
- **Sudan:** security incidents, food loss.

*Risk management is forward looking, but we learn from incidents and adapt our control environment accordingly.*

# Revised Anti-Fraud & Anti-Corruption (AFAC) Policy: Awareness, Training and Fraud Risk Assessments

## Awareness & Training in 2022



### ACTIVITIES

#### 47 AFAC Trainings

- Some joint with OIGI and Ethics

#### Visibility channels

- Poster
- WFPgo
- Yammer

#### eLearning

- Jointly with Ethics
- Roll-out in Q3 2023

#### AFAC Awareness Quiz



### GEOGRAPHICAL SPREAD

#### 6 RBx + HQ

HQ, RBB, RBC, RBD, RBJ, RBN, RBP

#### 19 Country Offices

Cameroon, Djibouti, DRC, Ghana, Guinea, Jordan, Kenya, Libya, Nigeria, Rwanda, Sierra Leone, South Sudan, Sudan, Syria, Tunisia, Uganda, Ukraine, Yemen, Zimbabwe

#### 2 Functional Units

LEG, OIGI



### STAFF REACHED

#### Training

2,500+ staff

#### Digital dissemination

600+ staff

*Yammer posts*

*WFPgo article*

## Fraud Risk Assessments

2022

**5 FRAs covering 2 RBx**

**RBD:** Burkina Faso / Nigeria

**RBN:** Rwanda / Sudan / Uganda

2023

**13 FRAs covering 6 RBx**

**RBB:** Afghanistan\*

**RBC:** Syria\* / Algeria\*

**RBD:** Mauritania / Mali\* / Cameroon\* / Liberia\* / Guinea\*

**RBJ:** Democratic Republic of Congo

**RBN:** Djibouti / Ethiopia

**RBP:** Colombia / Haiti\*

\* Planned for second half of 2023

# Part 1: Accountability and reporting documents

---

## V. Report on the implementation of the External Auditor's recommendations

# Report on the Implementation of External Auditor Recommendations

(as of 11 May 2023)

- **46** outstanding recommendations from EB.A/2022, of which **21** closed this period
- **52** outstanding recommendations, including **27 new recs** from the 2022 audited annual accounts and **3 recs** submitted to the External Auditor for validation and closure

Year report issued	Report name	Outstanding recommendations at the 2022 annual session	Closed prior to EB.A/2023	Outstanding recommendations at 11 May 2023
2017	<u>Changes in human resources</u>	1	1	-
2018	<u>Food-related losses</u>	1	1	-
2020	<u>Real estate portfolio</u>	1	1	-
	<u>Air transport services</u>	4	2	2
2021	<u>Beneficiary information management</u>	4	2	2*
	<u>Critical corporate initiatives</u>	4	4	-
2022	<u>Oversight by management</u>	12	5	7*
	<u>Management of cooperating partners</u>	15	4	11*
	<u>2021 audited annual accounts</u>	4	1	3
2023	2022 audited annual accounts	-	-	27
<b>Total</b>		<b>46</b>	<b>21</b>	<b>52</b>

\*With 1 recommendation submitted to the External Auditor for validation and closure

# Q&A

# Part 2: Resource and budgetary documents

---

## I. Report on the utilization of WFP's strategic financing mechanisms, 2022

# WFP's Strategic Financing Mechanisms



## 1 Advance financing

**Internal Project Lending:** provides advances to Country Strategic Plans against forecast contributions

**Immediate Response Account:** provides life-saving assistance allocations in absence of forecast contributions



## 2 Global Commodity Management Facility

Anticipatory food procurement based on aggregated operational needs and funding projections before contributions are confirmed to reduce delivery lead-time.

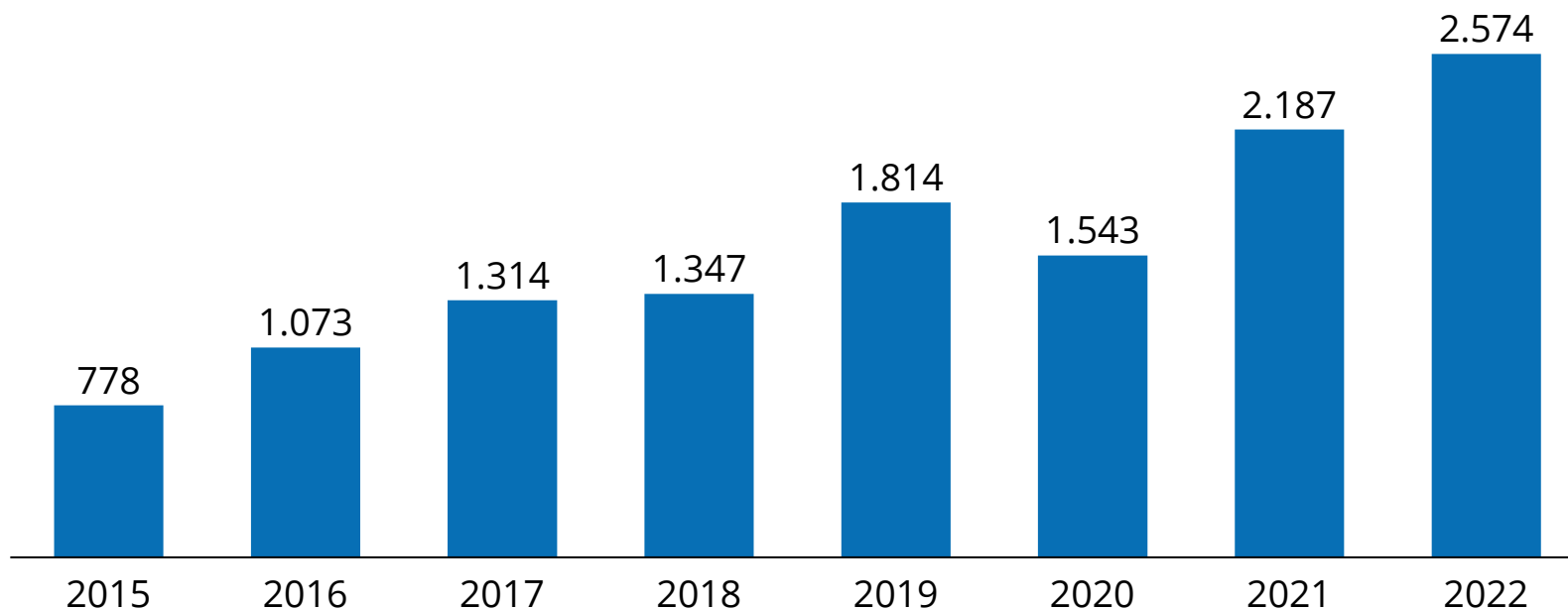


## 3 Corporate Services Financing

Allows WFP to make investments to harness efficiency and provide services to COs economically and efficiently through three mechanisms.



# 1 – Internal project lending (IPL) (in USD millions)



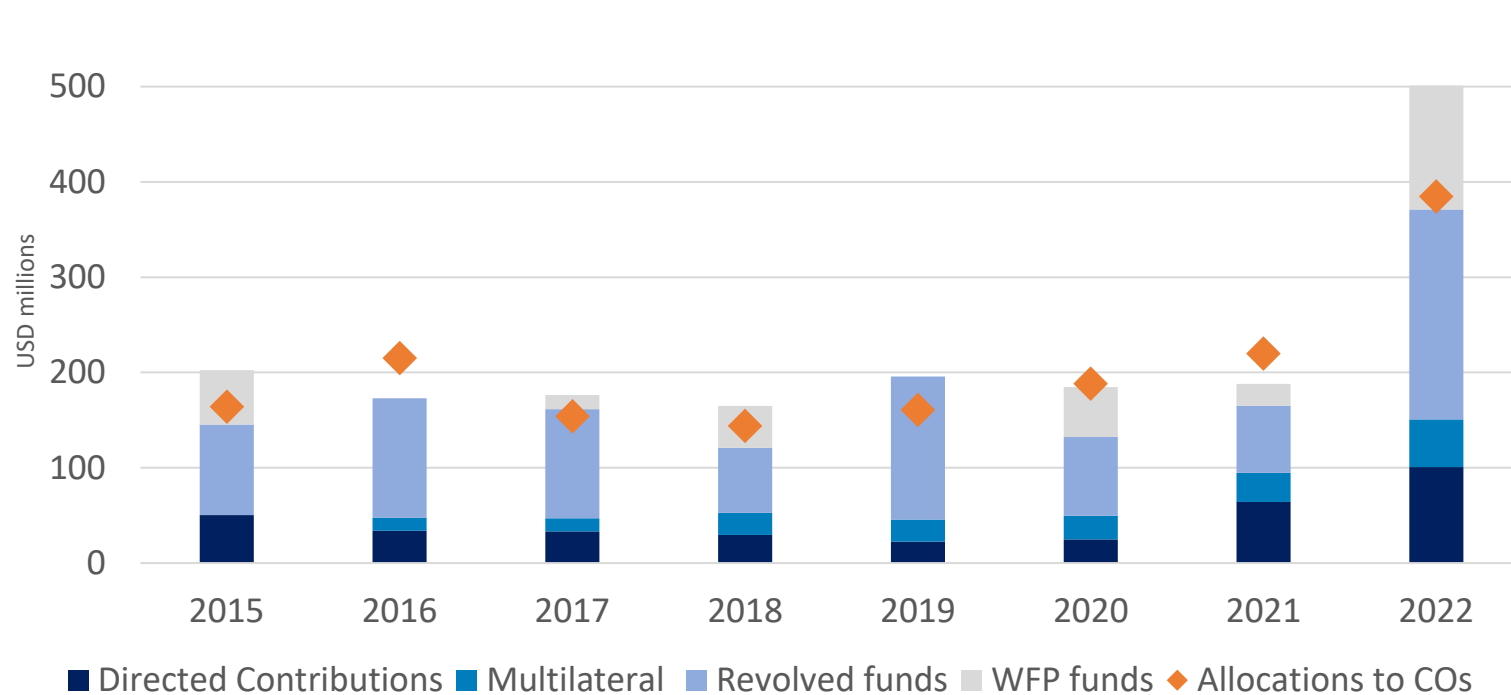
Internal Project Lending (USD M)

- Provides spending authority against donor forecast contributions for timely operational response.
- Highest advance level reached in July 2022, with USD 868 million (or 91% of the USD 950 million ceiling at the time).

**60** CSPs  
where Internal Project  
Lending was used

**75** days  
funds received on average 75  
days before contributions  
date

## 2 – Revenue to the Immediate Response Account vs Allocations (IRA) (in USD millions)



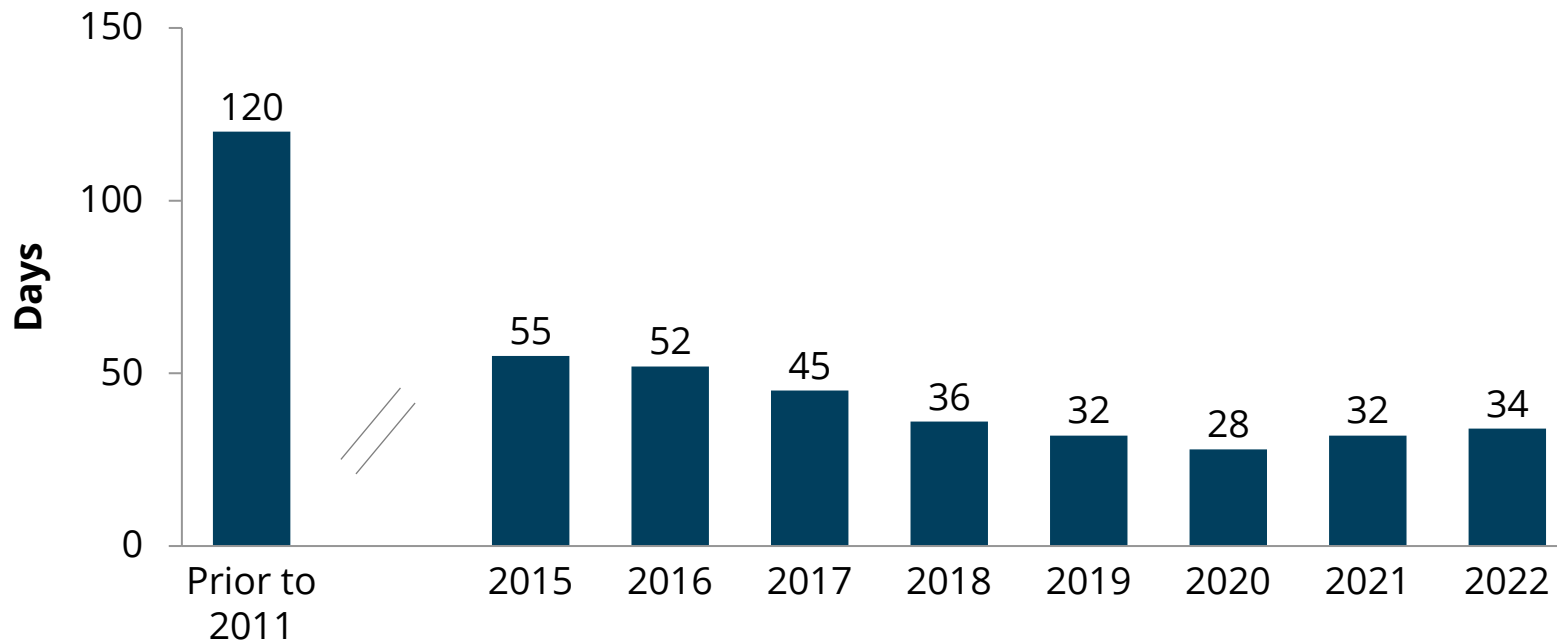
### 2022 Facts

- ✓ Allocations totaled **USD 385 million** to 36 CSPs in 2022
- ✓ Donors directed **USD 101.1 million** contributions to the IRA
- ✓ WFP allocated **USD 50 million** of unearmarked donor contributions to the IRA
- ✓ Amount revolved totaled **USD 220 million** from 35 CSPs in 2022
- ✓ WFP funds transfer **USD 130 million**

- The IRA is a critical financing tool for **immediate assistance in life-threatening situations** as a last resort, in the absence of donor contributions or donor forecast contributions to support use of IPL (Internal Project Lending).
- Donor support to this mechanism is essential to maintain WFP ability to save lives.

### 3 – Global Commodity Management Facility (GCMF) (in days)

Average lead time when country office benefit from anticipated procurement with GCMF (days)



**2.9 million mt**  
 (+17% vs 2021)  
 =  
**USD 2.3 billion**  
 (+50% vs 2021)

**65%**  
 of total COs food purchases was through GCMF

**34 days**  
 average lead-time

WFP purchases food commodities in advance of contribution confirmation to reduce food delivery lead-time.

**GCMF objectives:**

1. reduced delivery lead-time for purchase of food commodities
2. possibility to purchase food when market conditions are more favourable
3. shortened emergency response time
4. Increased local and regional purchases, including from small holder farmers



# Part 2: Resource and budgetary documents

---

## II. Utilization of the Programme Support and Administrative Equalization Account (PSAEA) reserve

## Transfer of USD 100 Million from PSAEA to IRA (in USD millions)

PROJECTIONS OF THE PROGRAMME SUPPORT AND ADMINISTRATIVE EQUALIZATION ACCOUNT FOR 2023 (USD million)	
<b>PSAEA balance at 1 January 2023*</b>	<b>461.3</b>
<b>2023 projected movements</b>	
ISC projected revenue (based on global contribution forecast income of USD 11.0 billion)	625.0
Approved PSA budget	(576.3)
<i>Proposed transfer to Immediate Response Account</i>	<i>(100.0)</i>
<b>Projected PSAEA balance at 31 December 2023</b>	<b>410.0</b>
PSAEA target (equivalent to five months of 2023 PSA expenditures)	240.1
PSAEA floor (equivalent to two months of 2023 PSA expenditures)	96.1

Balance of the PSAEA projected to be well **above the target of five-months' PSA expenditures**

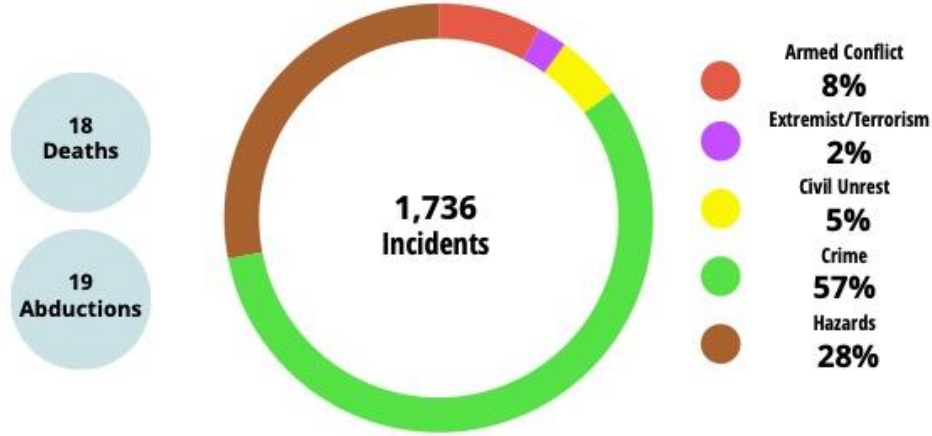
- PSAEA beginning balance refers to the end balance as at 31 December 2022 on a budgetary basis less approved 2023 PSAEA drawdowns of USD 106.5 million (2022–2024 management plan).

# Q&A

# Part 3: 2022 Security report

---

# WFP Security Incidents\*: 2022 Highlights



18 Deaths

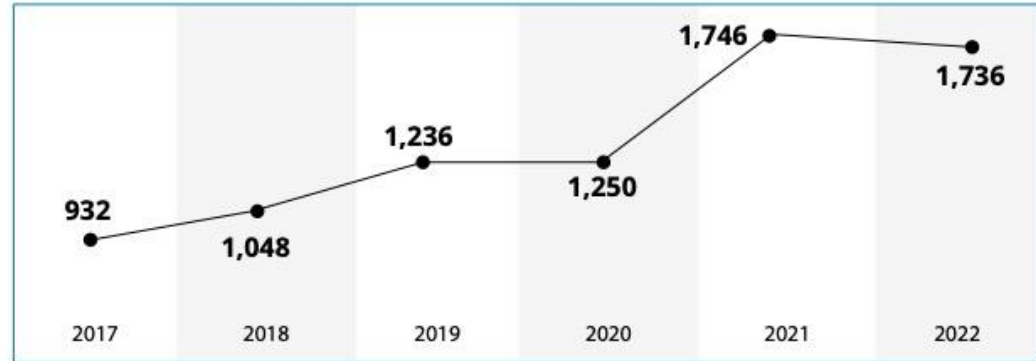
19 Abductions

**Crime remains the most common threat**

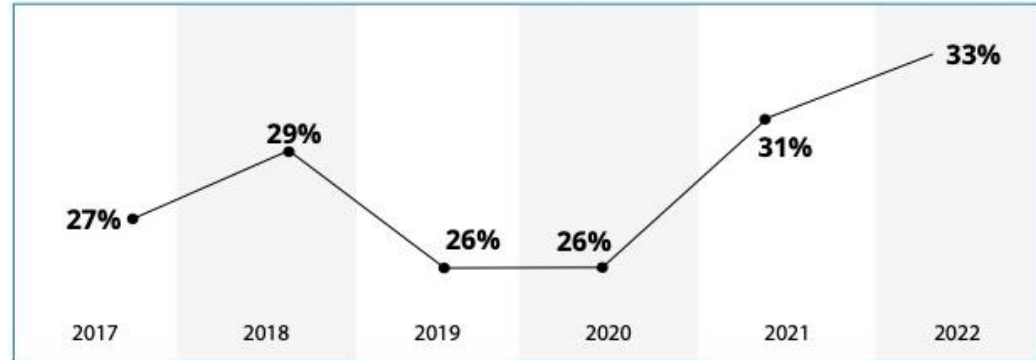
No WFP Staff Killed in Acts of Violence in 2022

No WFP Work-Related Deaths in Security Incidents in 2022

## GLOBAL NUMBER OF INCIDENTS PER YEAR



## PERCENTAGE OF INCIDENTS INVOLVING VIOLENCE/THREAT OF VIOLENCE



\*Security and Safety incidents affecting/involving WFP, Cooperating Partners and Contractors providing services for WFP based on information reported in the WFP Security Information Management and Security Analysis System (SIMSAS) as of 15 January 2023.



## 1 ASSESSMENT

- Supported 447 UNSMS area SRMs
- Produced 25 analysis ad hoc reports

## 2 DESIGN

- Provided context and conflict analysis to CSPs
- Determined risk mitigation measures
- Established security budgeting



# How Security Division supported programmes in 2022

## 5 EVALUATION

- Afghanistan: Lessons learned
- APP
- ERM

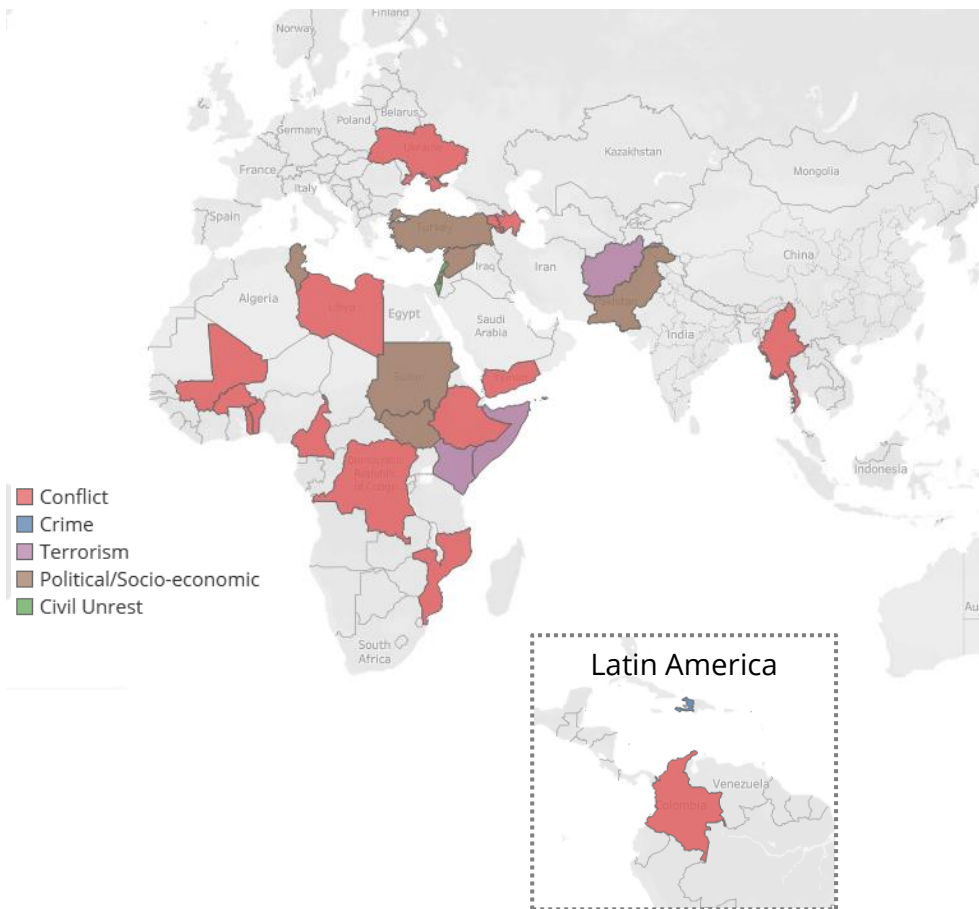
## 3 IMPLEMENTATION

- Incident management and response
- Ad hoc SRMs, SOPs to facilitate programme delivery
- Negotiated and enabled access
- Delivered security certification training programmes
- Information management

## 4 MONITORING

- Ensured security compliance
- Reviewed SRMS, access measures and SOPs

# 2022 Operational focus countries



## Countries of concern due to insecurity & political instability in 2022

<b>Afghanistan</b>	Supported scale up of operations through access negotiations, ad hoc SRMs, and securing prepositioning areas
<b>Burkina Faso</b>	Dealt with access constraints through partnership strategies and implementing SLT framework
<b>Haiti</b>	Revised evacuation and contingency plans, also putting in place alternate working modalities to reduce exposure of personnel
<b>DRC</b>	Supported with access negotiations, evacuation plans and relocation of non-essential personnel and reinforced capacities to support the onset emergency crisis
<b>Ukraine</b>	Established SOPs with the UNSMS team to build up the humanitarian notification system and deconfliction mechanisms

# Looking forward



Partnerships



Information & Knowledge Management



Capacity Building

# Q&A

# Key MD dates in 2023

<b>23 May</b>	Informal consultation on the Annual Performance Report 2022
<b>31 May</b>	Briefing on the Management Plan (2024-2026)
<b>5-7 Jun</b>	196 <sup>th</sup> session of the FAO Finance Committee
<b>26-30 Jun</b>	<b>Annual Session of the Executive Board</b>
<b>19 Jul</b>	1 <sup>st</sup> informal consultation on the Management Plan (2024-2026)
<b>8 Sep</b>	2 <sup>nd</sup> informal consultation on the Management Plan (2024-2026)
<b>30-31 Oct</b>	197 <sup>th</sup> session of the FAO Finance Committee
<b>13-17 Nov</b>	<b>Second Regular Session of the Executive Board</b>

# Key MD documents for approval in 2023

## **Annual Session of the Executive Board (26-30 Jun)**

1. Audited Annual Accounts, 2022
2. Utilization of the PSAEA reserve
3. Annual Performance Report, 2022

## **Second Regular Session of the Executive Board (13-17 Nov)**

1. WFP Management Plan (2024-2026)