

# 2016 Audited Annual Accounts

*Executive Board Annual Session*

12-16 June 2017



**World Food Programme**

# Structure of session



1. Structure of WFP Audited Annual Accounts
2. Review of 2016 WFP Accounting Policies
3. Financial Performance 2013-2016
4. Statement II - Statement of Financial Performance
5. Statement I - Statement of Financial Position
6. Statement V – Comparison of Budget and Actual Amounts
7. Overview of Statement on Internal Control

# Structure of WFP Audited Annual Accounts



## Section I

### 1. Executive Director's Statement provides overview of:

- Financial and Budgetary Analysis
- Enhancing Transparency and Accountability
- Integrated Road Map
- Financial Risk Management

### 2. Statement on Internal Control

- Internal Control Framework and Enterprise Risk Management
- Review of the Effectiveness of Internal Control
- Significant Risk and Internal Control Matters

### 3. Financial Statements I to V provide financial views on WFP's operations.

Key statements are:

- Statement I – financial position of WFP as of 31 December 2016
- Statement II – financial performance of WFP for 2016
- Statement V – comparison of WFP's Actual performance against Budget

### 4. Notes to the Financial Statements

- Disclosure of WFP's accounting policies (Note 1)
- Explanation of elements of the Financial Statements (Notes 2 – 11)

## Section II

### 5. External Audit Opinion and Report

WFP World Food Programme wfp.org		Executive Board Annual Session Rome, 12–16 June 2017
Distribution: General Date: 12 May 2017 Original: English	Agenda Item 6 WFP/EB.A/2017/6-A/1 Resource, Financial and Budgetary Matters <b>For approval</b>	
Executive Board documents are available on WFP's website ( <a href="http://www.wfp.org">http://www.wfp.org</a> ).		
<b>Audited Annual Accounts, 2016</b>		
The Secretariat is pleased to submit the Audited 2016 Financial Statements together with the Audit Opinion and the Report by the External Auditor. The Financial Statements have been prepared under International Public Sector Accounting Standards. 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.		
The Secretariat's responses to the External Auditor's recommendations are contained in "Report on the Implementation of the External Auditor Recommendations" (WFP/EB.A/2017/6-1/1).		
<b>Draft decision*</b>		
The Board:		
i) approves the 2016 Annual Financial Statements of WFP, together with the Report of the External Auditor, pursuant to General Regulation XIV.6 (b);		
ii) notes the funding from the General Fund of USD 4,387,371.30 during 2016 for the write-off of receivables; and		
iii) notes post-delivery losses of commodities during 2016 forming part of the 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.		
<b>Focal points:</b> Mr M. Juneja Assistant Executive Director Resource Management Department and Chief Financial Officer tel.: 066513-2855		Mr N. Nelson Director Finance and Treasury Division tel.: 066513-6410
Ms T. Tropen Chief General Accounts Branch tel.: 066513-2426		
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## Accounting Policy changes:

- WFP's non-exchange revenue recognition accounting policy was changed, in order to provide meaningful and relevant information related to contributions revenue stipulated for future years. As a result, deferred revenue of USD 986.2m was recorded in 2016 and USD 238.6m in 2015.

## Procedure refinements:

- Update in estimate methodology for determination of allowance for impairment from a statistical approach to a case-by-case review.

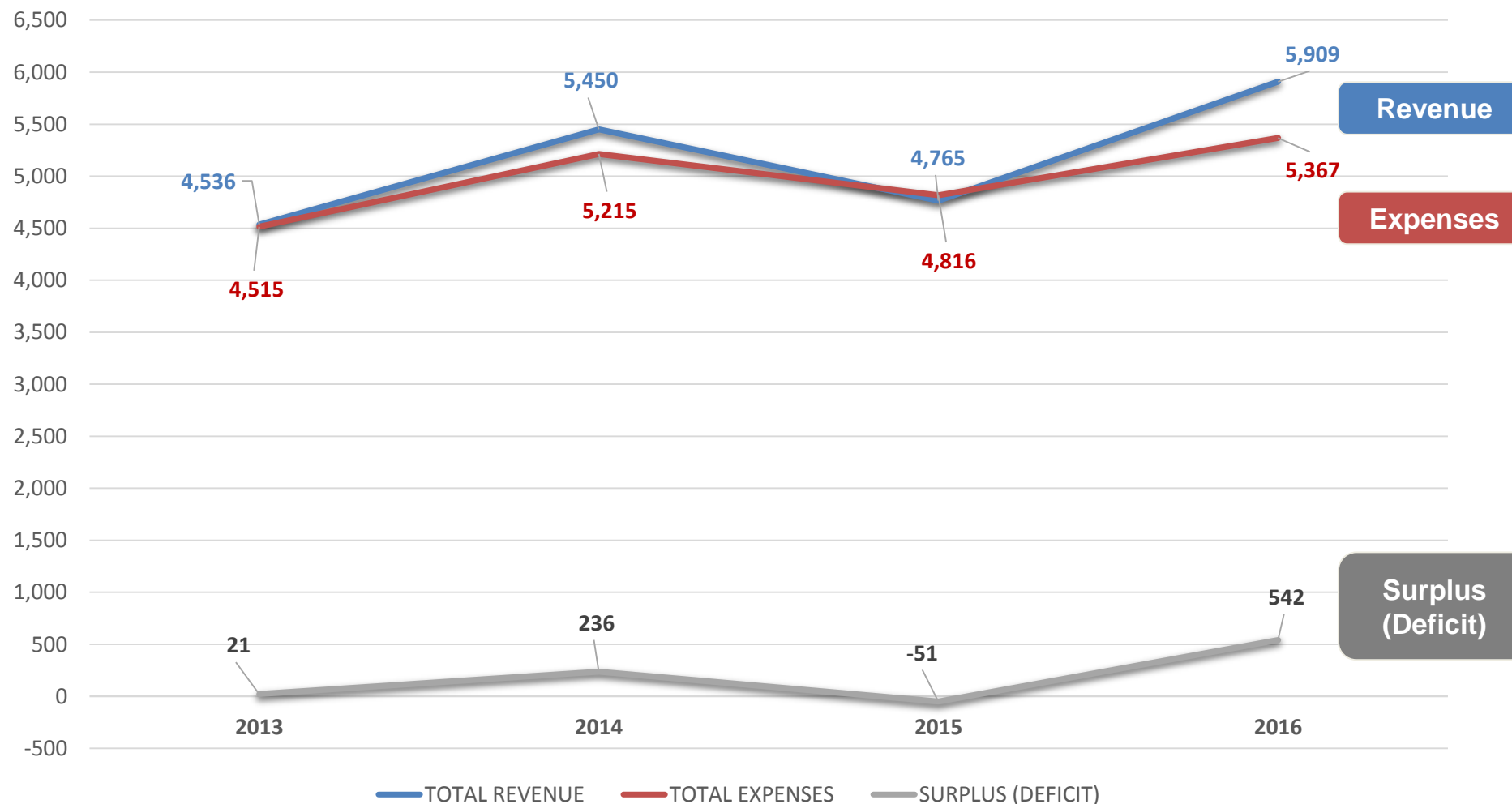
## Accounting policy review:

- Food and CBT expense accounting policy was reviewed and cleared by the External Auditor.

# Financial Performance 2013-2016



(USD million)



Note: Years 2013 and 2014 have not been updated for the accounting policy change.

# Statement II - Statement of Financial Performance

(Audited Annual Accounts 2016, Statement II, page 18)



USD million	2016	2015
<b>REVENUE</b>		
Monetary contributions	5,300.4	4,111.3
In-Kind contributions	470.7	550.9
Other revenue	137.8	103.2
<b>TOTAL REVENUE</b>	<b>5,908.9</b>	<b>4,765.4</b>
<b>EXPENSES</b>		
Cash-based transfers distributed	882.3	679.1
Food commodities distributed	2,051.1	1,784.1
Distribution and related services	641.4	635.9
Wages, salaries, employee benefits and other staff costs	826.4	797.4
Supplies, consumables and other running costs	170.8	167.3
Contracted and other services	689.5	645.0
Finance Costs	2.1	2.2
Depreciation and amortization	48.3	52.4
Other expenses	55.3	52.9
<b>TOTAL EXPENSES</b>	<b>5,367.2</b>	<b>4,816.3</b>
<b>SURPLUS FOR THE YEAR</b>	<b>541.7</b>	<b>(50.9)</b>

Contribution revenue increased by \$1,108.9m (24%), mainly due to increased monetary contributions received from two major donors for the programmatic response in Syria, Egypt, Iraq, Jordan, Lebanon, and Turkey

Cash-based transfers distributed increased by \$203.2m (30%), mainly due to increased response to Syria and Yemen crisis emergency

Cost of food commodities distributed increased by \$267.0m (15%). 63% of food commodities distributed in MT and 56% in value are attributable to WFP's large scale operations (Syria, Ethiopia and Yemen, Malawi, South Sudan, Sudan, and Pakistan)

Wages increased by \$29.0m (4%), mainly due to increase in the number of international professionals, national staff and consultants

Contracted and other services increased by \$44.5m (7%), mainly increase in expenses related to services rendered by Cooperating partners in South Sudan operations

Total expenses increased by \$550.9m (11%)

# Statement I - Statement of Financial Position

(Audited Annual Accounts 2016, Statement I, page 17)

USD million	31.12.2016	31.12.2015
Cash and cash equivalents	777.5	772.2
Short-term investments	1,176.6	817.2
Contributions receivable	2,756.9	2,233.4
Inventories	643.2	650.1
Other receivables		109.4
<b>TOTAL Current Assets</b>	<b>5,481.3</b>	<b>4,582.3</b>
Contributions receivable	488.4	36.5
Long-term investments	506.3	462.3
Property, plant and equipment	140.3	144.5
Intangible assets	5.7	5.2
<b>TOTAL Non-current Assets</b>	<b>1,140.7</b>	<b>648.5</b>
<b>TOTAL Assets</b>	<b>6,622.0</b>	<b>5,230.8</b>
Payables and accruals	557.8	513.8
Deferred revenue	486.9	198.9
Provisions	7.0	5.7
Employee benefits	7.8	10.6
Loan	5.7	5.8
<b>Total Current Liabilities</b>	<b>1,065.2</b>	<b>734.8</b>
Deferred revenue	499.3	39.7
Employee benefits	652.3	601.9
Loan	78.1	83.8
<b>Total Non-current Liabilities</b>	<b>1,229.7</b>	<b>725.4</b>
<b>Total Liabilities</b>	<b>2,294.9</b>	<b>1,460.2</b>
<b>TOTAL NET ASSETS</b>	<b>4,327.1</b>	<b>3,770.6</b>
Fund Balances	3,997.4	3,492.4
Reserves	329.7	278.2
<b>TOTAL FUND BALANCES AND RESERVES</b>	<b>4,327.1</b>	<b>3,770.6</b>

Cash and STI increased \$364.7m (23%), mainly due to a 44% increase in STI due to a significant increase in donor contributions

Contribution receivables increased \$975.4m (43%) due to a significant increase in donor contributions

Food inventory decreased US\$4.7m (0.7%), due to decrease in stock held from 1.1m mt in 2015 to 1.0m mt in 2016

Total liabilities increased \$834.7m (57%) primarily due to the recognition of a deferred revenue liability because of the change in accounting policy on contributions revenue stipulated for future years

# Statement V – Comparison of Budget and Actual Amounts

(Audited Annual Accounts 2016, Statement V, page 21)



USD Million	Budget Amount		Actual on comparable basis	Difference: final budget and actual	Prioritized Plan
	Original	Final			
Food and related direct operational costs (DOC)	4,265.7	4,996.7	2,949.4	2,047.3	2,354.0
Cash-based transfers and related DOC	2,421.5	1,717.3	970.6	746.7	1,140.0
Capacity augmentation	465.0	562.8	371.6	191.2	286.0
Direct support costs	867.4	1,011.9	622.3	389.6	561.0
<b>Subtotal direct project costs</b>	<b>8,019.6</b>	<b>8,288.7</b>	<b>4,913.9</b>	<b>3,374.8</b>	<b>4,341.0</b>
Regular PSA	290.3	290.3	289.7	0.6	290.3
Critical corporate initiatives	20.0	28.7	19.2	9.5	20.0
<b>Subtotal indirect costs</b>	<b>310.3</b>	<b>319.0</b>	<b>308.9</b>	<b>10.1</b>	<b>310.3</b>
<b>TOTAL</b>	<b>8,329.9</b>	<b>8,607.7</b>	<b>5,222.8</b>	<b>3,384.9</b>	<b>4,651.3</b>

Original budget is increased by \$277.8m, mainly due changes in: a) increases in the Syria crisis, Ethiopia, Haiti and Nigeria and b) decreases in Yemen, Iraq and Niger

Utilization of final budget in 2016 is 61%, due to the constraints of amount, timing and predictability of contributions, as well as operational constraints.

Actual is higher than Prioritized Plan, due to higher than expected contribution revenue mainly driven by response to Syrian crisis and Ethiopia operation

**The Prioritized Plan includes the Provisional Prioritized Programme of Work for the direct costs portion and the Final Budget for the indirect costs portion (MP 2016-2018)**



# Overview of Statement on Internal Control Process



## **2016 is sixth year for which a Statement on Internal Control is being produced**

- Global best practice to assure stakeholders and demonstrate accountability
- SIC, signed by Executive Director, to be published with Annual Financial Statements (June 2017)

## **Completed Assurance Statements on internal control for each Office/Division form the basis of ED Statement**

- In 2016, one new question on evaluation was added and several questions on ethics, gender, fraud, handovers and IT were updated.
- Directors of WFP offices and HQ divisions submitted to RDs and DED/AEDs
- RDs and DED/AEDs cleared submissions by Directors reporting to them
- Evidence from other sources was also considered

## **100% of Directors, managing 136 WFP HQ divisions and field offices, submitted an Assurance Statement and Letter of Representation**

## **Statement on Internal Controls includes four significant risk and internal control matters**

- Two areas previously reported need further progress (improving operational monitoring and review systems, the impact of an unusually high number of L-3 and L-2 emergencies on internal control in WFP).
- Two new internal control weaknesses arose during 2016 (enterprise risk management and oversight, talent management and workforce planning).

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