

Informal consultation on Resource Management Items for EB.A/2015

*2014 Financial Statements, Annual Performance Report, and
Enterprise Risk Management Policy*

4 May 2014: Part II



World Food Programme

Today's agenda: **WFP's three key accountability documents**

2014 Financial Statements

- WFP's financial accountability tool providing information about the financial position and performance of WFP prepared under International Public Sector Accounting Standards (IPSAS)
- Reflects WFP's commitment to maintaining the highest standards of financial and budgetary management and financial reporting

Annual Performance Report 2014

- WFP's accountability tool for demonstrating results against the objectives set in the Strategic Plan
- Follows the structure of WFP's Performance Management Framework, discussing results at Strategic and Management level
- Framed in accordance with the UN principles for harmonized results reporting

Enterprise Risk Management Policy

- First revision of Enterprise Risk Management (ERM) Policy since 2005
- Provides an overview of actions taken to strengthen ERM in the organization and way forward

2014 Financial Statements

Structure of presentation

1. Structure of WFP Financial Statements
2. Financial Performance for the Year ended 31 December 2014
3. Financial Position as of 31 December 2014
4. Comparison of Budget and Actual Amounts for the Year ended 31 December 2014
5. Overview of Statement on Internal Control

Structure of WFP Financial Statements

1. Executive Director's Statement provides overview of:

- ❖ Financial and Budget Highlights
- ❖ Enhancing Transparency and Accountability
- ❖ Financial Framework Review and Financial Risk Management

2. Statement on Internal Control

- ❖ The 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.

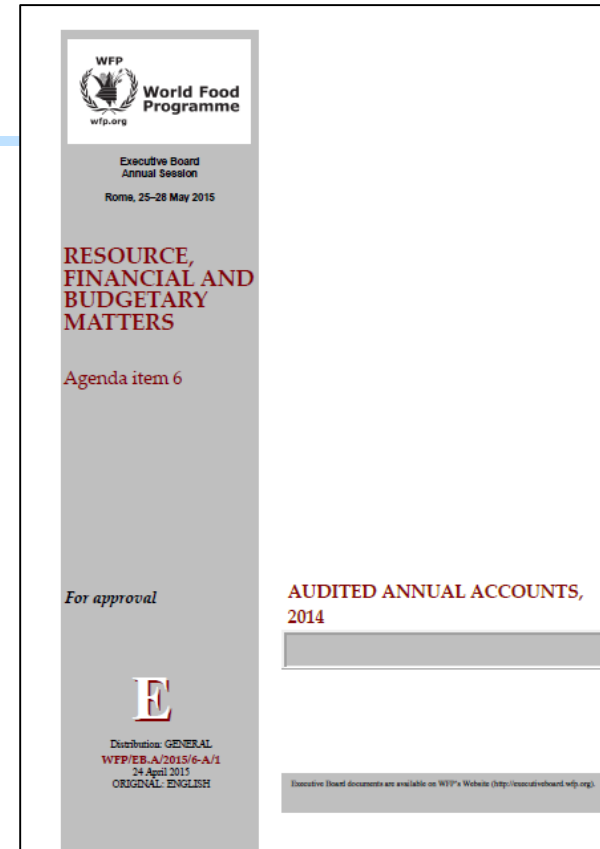
Key statements are:

- ❖ Statement I – states the financial position of WFP as of 31 December 2014
- ❖ Statement II – states the financial performance of WFP for 2014
- ❖ Statement V – compares WFP's Actual performance against Budget

4. Notes to the Financial Statements

- ❖ Disclose WFP's accounting policies (Note 1)
- ❖ Provide explanatory detail to elements of the Financial Statements (Notes 2 – 12)

5. External Audit Opinion and Report



Statement II - Statement of Financial Performance

(Financial Statements 2014, Statement II, page 24)

(USD million)	2014	2013
REVENUE		
Monetary contributions	4,877.8	3,868.4
In-Kind contributions	503.3	511.2
Other revenue	69.3	156.2
TOTAL REVENUE	5,450.4	4,535.8
EXPENSES		
Cash and vouchers distributed	845.6	498.1
Food commodities distributed	1,988.5	2,053.4
Distribution and related services	650.4	578.6
Wages, salaries, employee benefits & other staff costs	850.6	718.1
Supplies, consumables and other running costs	183.5	159.0
Contracted and other services	572.8	405.3
Finance Costs	2.4	2.5
Depreciation and amortization	50.3	49.0
Other expenses	70.5	50.8
TOTAL EXPENSES	5,214.6	4,514.8
SURPLUS FOR THE YEAR	235.8	21.0

Contribution revenue increased by USD 1,001.5m mainly in response to L3 emergencies

Total expenses increased by USD 699.8m

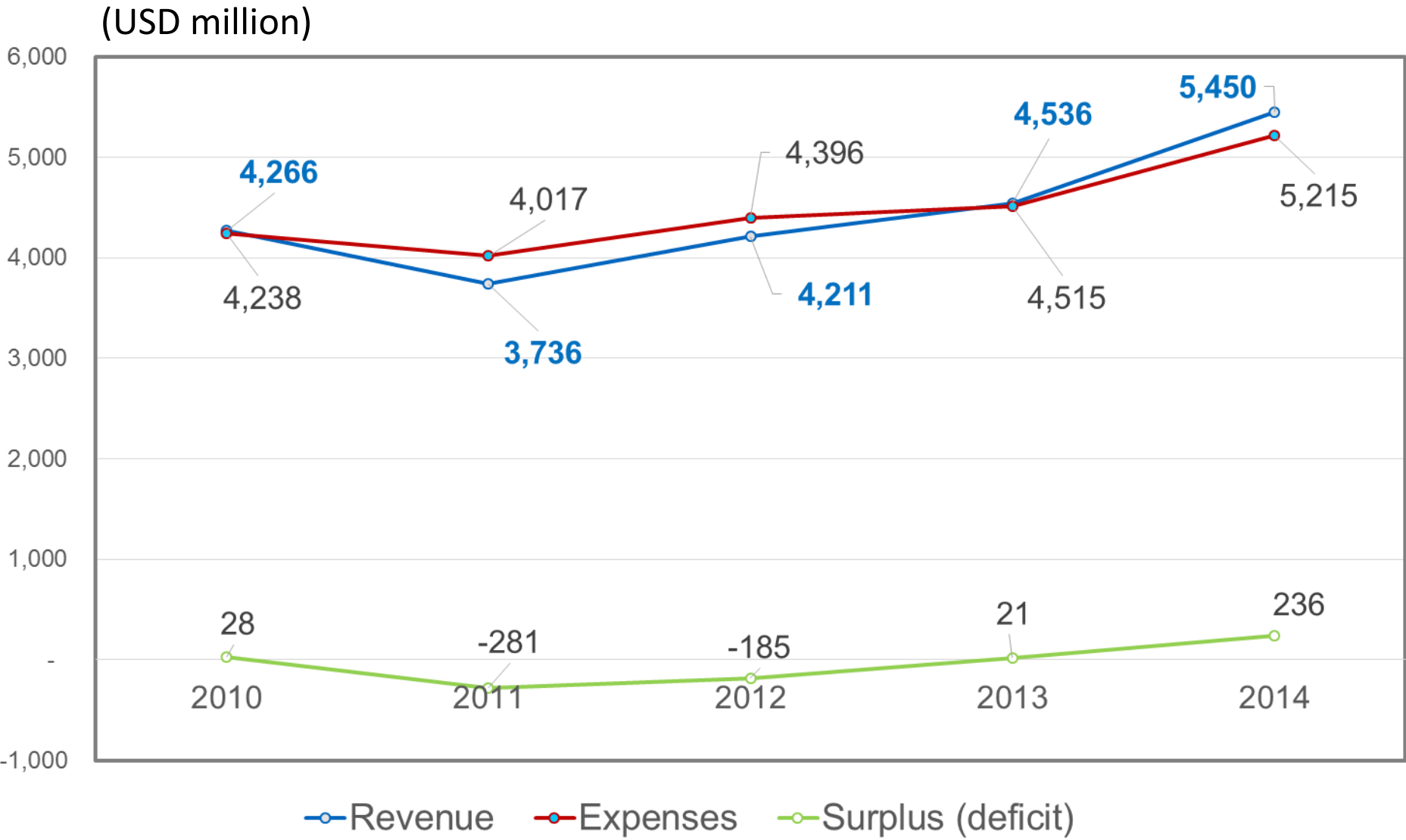
Cash and vouchers distributed increased by USD 347.5m reflecting increased use of this food assistance tool

Cost of food commodities distributed decreased by USD 64.9m reflecting approx. the same food tonnage distributed in 2014 as in 2013

Staff costs line increased by USD 132.5m reflecting primarily the incremental expense (USD 101.9m) related to employee benefits valuation of locally recruited staff

Contracted and other services increased by USD 167.5M mainly due to increased air operations in emergencies (South Sudan)

Surplus (Deficit) Evolution 2010-2014: Revenue less Expenses



Statement I - Statement of Financial Position

(Financial Statements 2014, Statement I, page 23)

USD million	31.12.2014	31.12.2013
Cash and cash equivalents	822.0	652.7
Short-term investments	854.0	783.5
Contributions receivable	2,099.8	1,774.1
Inventories	578.6	664.9
Other receivables	122.2	137.4
TOTAL Current Assets	4,476.6	4,012.6
Contributions receivable	93.1	165.7
Long-term investments	448.9	427.5
Property, plant and equipment	125.2	110.7
Intangible assets	8.9	15.9
TOTAL Non-current Assets	676.1	719.8
TOTAL Assets	5,152.7	4,732.4
Payables and accruals	535.9	499.0
Provisions	6.2	10.7
Employee benefits	10.4	23.7
Loans	32.8	32.8
Total Current Liabilities	585.3	566.2
Employee benefits	555.1	398.1
Long-term loan	89.6	95.4
Total Non-current Liabilities	644.7	493.5
Total Liabilities	1,230.0	1,059.7
TOTAL NET ASSETS	3,922.7	3,672.7
Fund Balances	3,591.3	3,400.2
Reserves	331.4	272.5
TOTAL FUND BALANCES AND RESERVES	3,922.7	3,672.7

Cash and Short Term Investments increased USD 239.8m (17%) mainly from operational activities (increase in contribution revenue)

Contributions Receivable increased USD 253.1m (13%) due to increase in contribution revenue

Inventory decreased USD 86.3m (13%) due to reduction in tonnage held from 1.1m mt in 2013 to 0.9m mt in 2014.

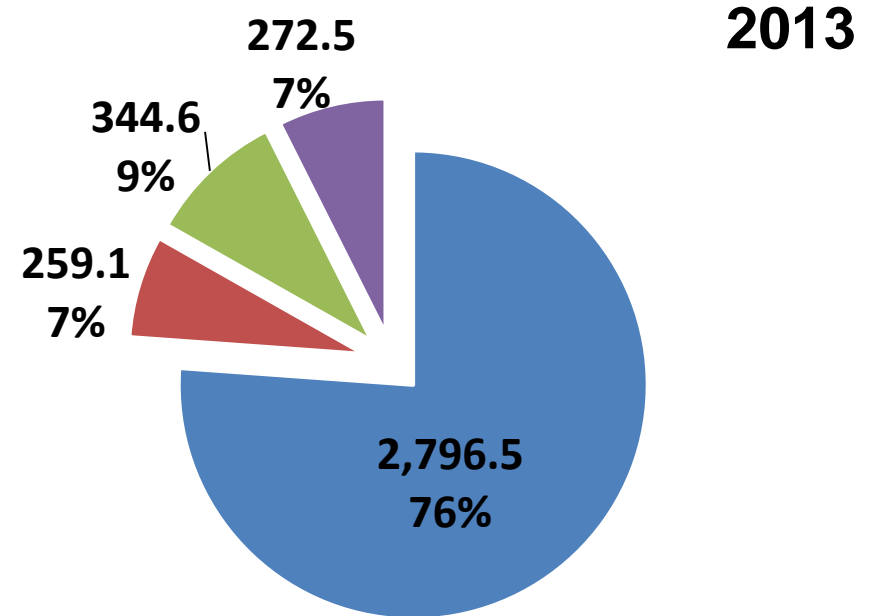
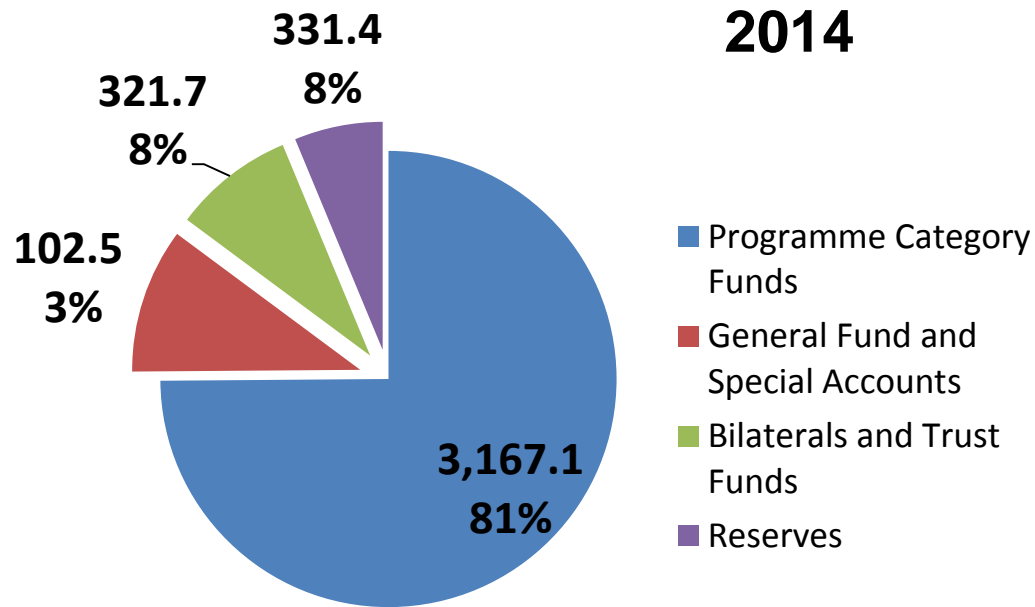
Employee Benefits Liabilities increased USD 143.7m primarily due to:

- 1) actuarially determined liability for locally recruited staff, increase of USD 101.9m
- 2) increase in earned benefit entitlement

Funding status – 64%

WFP's fund and reserve balances

(Financial Statements 2014, Note 2.15, pages 59-62)



Fund balance and reserves represent contributions received but not yet distributed to beneficiaries

Total fund and reserve balances increased by USD 250.0m from USD 3,672.7m in 2013 to USD 3,922.7m in 2014. The fund balance related to the Programme's projects represents approximately six months of operational activity

Statement V – Comparison of Budget and Actual Amounts

(Financial Statements 2014, Statement V, page 27)

USD million	Budget Amount		Actual on comparable basis	Difference: final budget and actual
	Original	Final		
Cost components				
Food and related direct operational costs (DOC)	3,698.8	4,978.3	2,830.2	2,148.1
Cash and vouchers and related DOC	1,127.0	1,493.3	816.2	677.1
Capacity augmentation	333.7	552.9	302.7	250.2
Direct support costs	697.3	879.9	579.6	300.3
Subtotal direct project costs	5,856.8	7,904.4	4,528.7	3,375.7
Regular PSA	281.8	281.8	280.5	1.3
Capital and capacity funds	9.2	9.2	8.7	0.5
Subtotal indirect costs	291.0	291.0	289.2	1.8
TOTAL	6,147.8	8,195.4	4,817.9	3,377.5

In 2015, a new format to Statement V will be introduced. Additional info on actual funds available during the year will be disclosed in order to distinguish WFP's funding performance vs its operational performance.

Prepared on a Commitment basis – 'Actual' includes goods and services received and commitments outstanding at year end

Overview of Statement on Internal Control

2014 is the fourth year for which a ‘Statement on Internal Control’ is produced

- Global best practice to assure stakeholders and demonstrate accountability
- To be signed by the ED and published with Annual Financial Statements

Directors were required to complete an “Assurance Statement” on internal control for their Office/Division to form the primary basis of ED Statement

- Directors of WFP offices and HQ divisions submitted to RDs and DED/AEDs
- DED/AEDs and RDs reviewed and cleared submissions by Departments/Offices reporting to them
- Other evidences were considered from other sources

100% of Directors managing 135 HQ and field offices within WFP submitted their Assurance Statement along with LoR

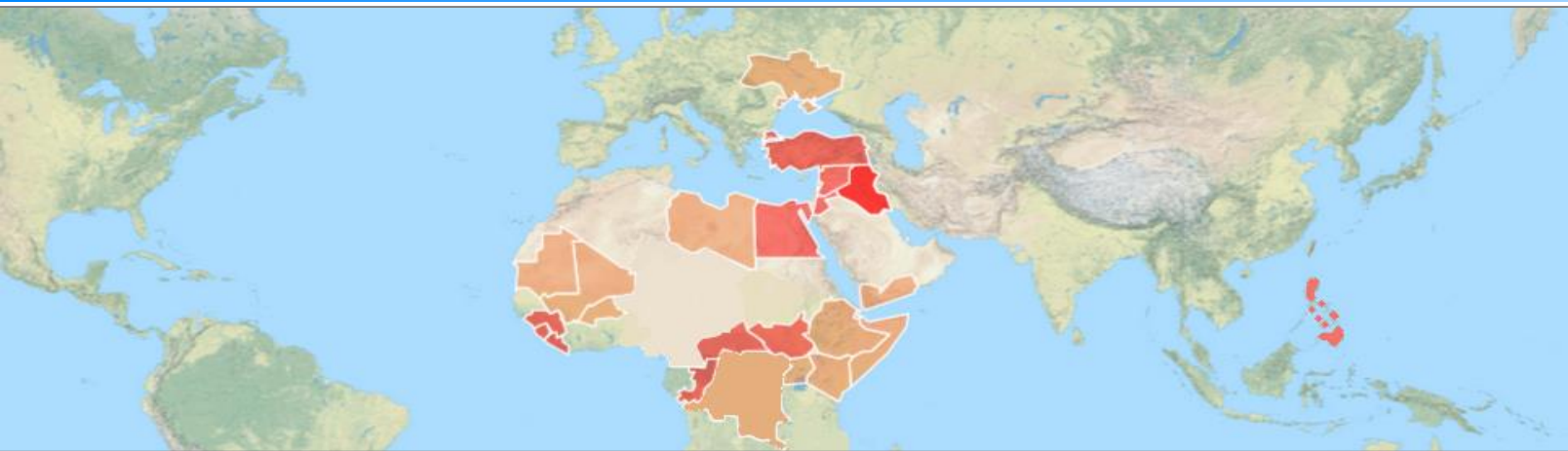
Analysis indicates progress in strengthening internal control systems within WFP compared to last year but there are still areas of improvement

- Areas related to implementation of the enterprise risk management strategy and emergency preparedness strengthening are closed
- Other two areas previously reported on (PACE and Monitoring and Review) will need further improvement actions
- A new area highlighted in 2014 – the impact of increased number of Emergencies - will require monitoring and remedial action, as required

Annual Performance Report 2014

Key highlights

The **frontline** of WFP's work shifted during 2014



Level 3 emergencies

Six complex Level 3 emergencies during the year:

Central African Republic and refugees, Iraq, the Philippines, South Sudan, Syria and refugees, West Africa Ebola.

Level 2 emergencies

Six Level 2 emergencies :

Democratic Republic of Congo, Horn of Africa, Libya, Mali, Ukraine and Yemen.

Unprecedented response

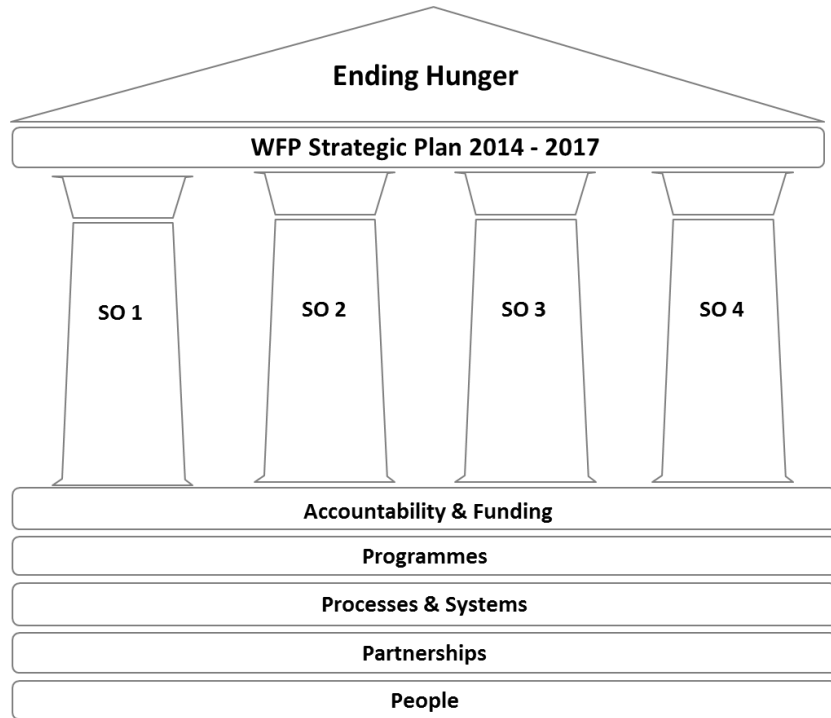


Highest level of contributions received by WFP in its history
(contribution revenue USD 5.38 billion: 79% directed to emergencies)



One in five of the total WFP workforce worked on one or more of the six Level 3 emergencies during 2014

APR 2014 **Discussing performance based on 2014-2017 results frameworks**



What?


Performance Results by Strategic Objective
Progress against targets set for WFP's food assistance projects


How?



Performance Results by Management Result Dimension
Progress against targets set for WFP management

APR 2014 WFP's performance against programme targets

Assisting people in need with the right food at the right time

Plan
Nov 2013

75.9 million

Actual
Dec 2014

80 million

 **84%** women and children
 **13%** C&V increase

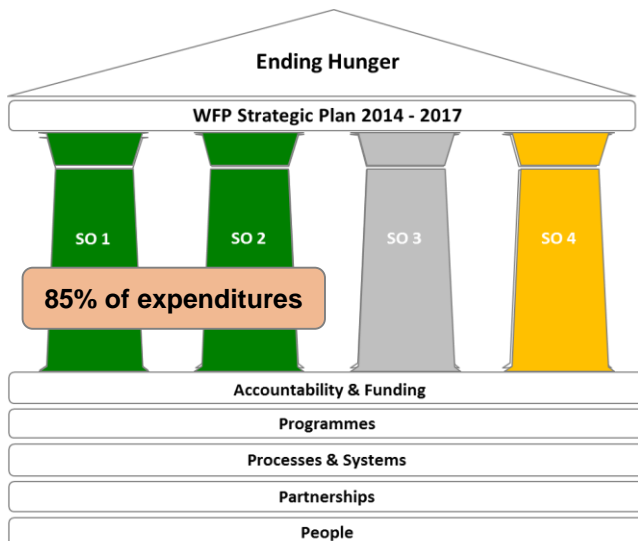


12 billion rations distributed



Methodology to estimate
'Tier-2' beneficiaries

Achieving results at outcome level (revised methodology)



- Targets achieved/on track for **Strategic Objectives 1&2**;
- Performance in areas of **Strategic Objective 3** (e.g. local purchase) strong but insufficient data to determine overall WFP performance;
- Nutrition programmes under **Strategic Objective 4** met targets; enrolment targets (school feeding) remain a challenge;
- Monitoring and reporting on **capacity development** needs further strengthening.

APR 2014 Progress against targets set for WFP management

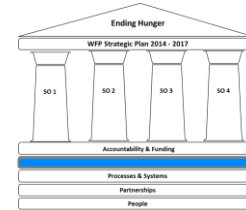
Drawing from a wider pool of performance metrics



Cost per ration extrapolated from analysis of **17 largest projects**

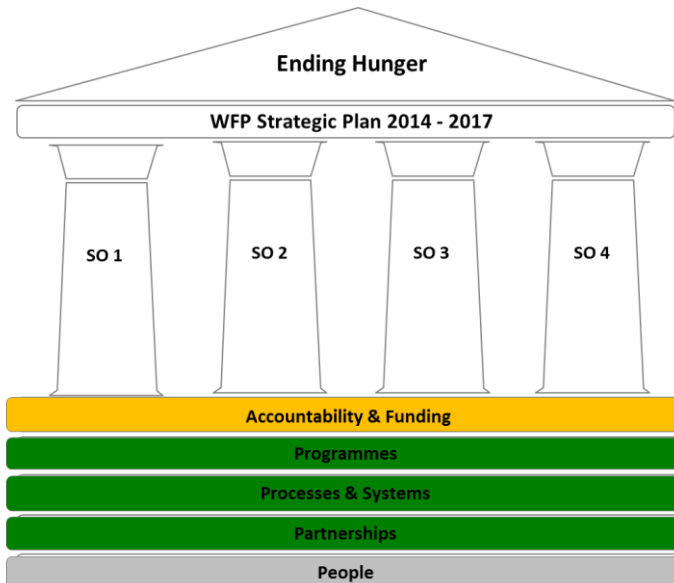


Average cost **estimated to be USD 0.27** (average cost in MP 2015 cca. USD 0.34).



“Programme” Dimension included for the first time in 2014

Achieving management results



- Strong progress: **Partnerships, Programmes** and **Processes & Systems**
- Progress under **“Accountability & Funding”** – funding highest in history; proportion of multilateral funds below target.
- KPIs for **“People” Dimension** to be informed by the **Global Staff Survey** in 2015. APR provides qualitative information on results flowing from the People Strategy.

APR 2014 Challenges and looking forward

Addressing Zero Hunger

2015 viewed as a potential **turning point to address Zero Hunger** with key events: Conference on Financing for Development; Finalization of the post-2015 SDGs; preparation for the 2016 Global Humanitarian Summit.

Reflecting on capacity to respond to emergencies

WFP's emergency responsiveness based on its ability to respond to **two ongoing Level 3 emergencies and one further rapid Level 3 emergency** - to be reviewed with recommendations flowing from the evaluation of WFP's **Preparedness and Response Programme (PREP)**.

Moving towards improved programme management

WFP is developing robust systems to define, measure and report on its performance. **The roll-out of all systems and procedures** will continue in 2015 with the aim of giving those on the front line better evidence for decision-making and programme improvements.

Enterprise Risk Management policy

Overview

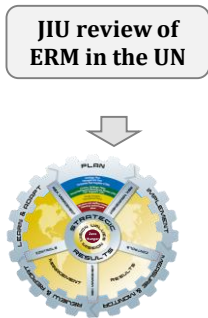
Recap: Enterprise Risk Management (ERM) in WFP

2005



WFP's 1st
Enterprise
Risk
Management
policy

2010



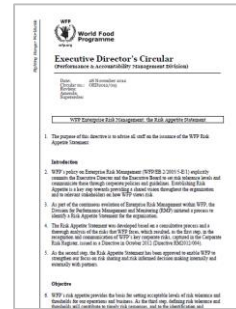
Integration of
ERM in the
Performance
Management
framework

2011

Category	Value	Value	Value
Overall Risk	Low	Low	Low
Operational Risk	Low	Low	Low
Financial Risk	Low	Low	Low
Reputational Risk	Low	Low	Low
Strategic Risk	Low	Low	Low

Corporate
Risk
Register

2012



Risk
Appetite
statement

2013



Inter-
agency
activities

2015



Enterprise
Risk
Management
policy
2015

Continuous implementation of ERM in WFP

Recap: ERM Policy 2015 Structure

Context in which WFP operates



How WFP implements ERM



Risk appetite, tolerance and escalation



Definitions, objectives and principles of ERM



ERM Methodology



Monitoring, responsibilities & links to other processes



ERM Policy 2015: Highlights/Action points following Internal Consultations w/ EB

- ✓ Clarification/strengthening of the EB role in ERM



- ✓ Clarification of role of risk appetite in the ERM policy

- ✓ Emphasis on mainstreaming/integration of ERM in WFP (cost-neutrality)



- ✓ Clarification of WFP's role in strengthening ERM within the humanitarian community

Thank you!

