

2013 Financial Statements

Executive Board Annual Session
4 June 2014



World Food Programme

Structure of WFP Financial Statements

Executive Director's Statement provides overview of:

- ❖ Financial and Budget Highlights
- ❖ Enhancing Transparency and Accountability
- ❖ Enterprise Risk Management and Financial Risk Management

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

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

Financial statements are:

- ❖ Statement I – states the financial position of WFP as of 31 December 2013
- ❖ Statement II – states the financial performance of WFP for 2013
- ❖ Statement V – compares WFP's Actual performance against Budget

Notes to the Financial Statements

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

External Audit Opinion and Report



AUDITED ANNUAL ACCOUNTS
2013

This document is printed in a limited number of copies. It is available on WFP's Website (<http://www.wfp.org>)

Improvements across all internal control weaknesses identified in last year's Statement on Internal Control

Improvement areas 2012

Progress 2013

1 Full implementation of the enterprise risk management strategy

Compliance increased overall, 94% of WFP Country Offices (88% in 2012) had formal risk registers in place, covering 98% of operational expenditure (97% in 2012)

2 Further implementation of emergency preparedness strengthening initiatives

Strong progress, 75 COs (92% of total Country Offices) have implemented the EPRP by 31 December 2013 (75% in 2012)

3 Improving operational monitoring and evaluation systems

M&E generally in place: 95% of offices state that they have effective M&E in place

- Regional M&E Advisors assumed functions at each RB
- A new Strategic Results Framework (SRF) and related indicators for the 2014-2017 have been developed

4 Ensuring staff performance is appraised in a timely manner

Strong improvements in 2013: as of 28 Feb 2014 (revised target date) **94%** of all staff had finalized the annual PACE process for 2013 (74% in 2012)

5 Ensuring effective segregation of duties is embedded in the corporate IT systems

Necessary improvement actions have been taken during 2013

- 97%** of offices state they have effective segregation of duties
- Internal Audit high risk recommendation about management of key roles within WINGS has been closed in recognition of the actions taken in 2013

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Review of 2013 IPSAS Accounting Policies

- No new IPSAS standards were issued
- No changes to accounting policies – only changes in disclosures
- Pursuant to CAG 2011 Audit recommendation #4, WFP reviewed and confirmed policy on expensing of aid. Additional wording included in expense policy to reflect growing use of cash and vouchers.

NOTE 1: ACCOUNTING POLICIES

New paragraph 4 in Basis of Preparation section: “Food commodities and cash and vouchers are expensed when distributed directly by WFP or once they are handed over to cooperating partners or service providers for distribution.”

supersedes paragraph 15 in Inventories section in 2012 Accounts: “Food commodities are expensed when distributed directly by WFP or once they are handed over to cooperating partners for distribution.”

Review of 2013 IPSAS Accounting Policies – Financial Instrument

WFP applied the three IPSAS standards relating to Financial Instruments issued in 2010 and effective from 1 January 2013

- No change to accounting policies
- Additional Disclosures in 2013 - based on external professional advice

IPSAS 28 – Financial Instruments: Presentation (replaces IPSAS 15)

IMPACT: There are no substantial changes arising from the implementation of IPSAS 29.

IPSAS 29 – Financial Instruments: Recognition and Measurement (replaces IAS 39)

IMPACT: There are no changes arising from the implementation of IPSAS 28.

IPSAS 30 – Financial Instruments: Disclosures (replaces disclosure section of IPSAS 15)

IMPACT - New Disclosures:

- ✓ Fair value hierarchy (para 142) – Disclosure of the level of the inputs used in determining fair value
- ✓ Change in Level 3 (para 145) – Disclosure of changes in Level 3 financial instruments.
- ✓ Sensitivity analysis (para 154-157) – Disclosure of the market risk exposure dealing with each individual variable (sensitivity of interest rate, futures price, equity price, FX forwards)
- ✓ Other minor disclosures can be found in para 69, 78 and 140

Statement II - Statement of Financial Performance

Financial Statements 2013, Statement II, page 22)

| (USD million) | 2013 | 2012 |
|---|----------------|----------------|
| REVENUE | | |
| Voluntary contributions | 3,868.4 | 3,338.0 |
| Grants and contributions | 511.2 | 706.3 |
| Other revenue | 156.2 | 167.1 |
| TOTAL REVENUE | 4,535.8 | 4,211.4 |
| EXPENSES | | |
| Food and vouchers distributed | 498.1 | 191.8 |
| Food commodities distributed | 2,053.4 | 2,264.6 |
| Transportation and related services | 578.6 | 602.5 |
| Salaries, salaries, employee benefits and other staff costs | 718.1 | 691.4 |
| Supplies, consumables and other running costs | 159.0 | 156.7 |
| Contracted and other services | 405.3 | 389.7 |
| Finance Costs | 2.5 | 2.6 |
| Depreciation and amortization | 49.0 | 43.8 |
| Other expenses | 50.8 | 52.6 |
| TOTAL EXPENSES | 4,514.8 | 4,395.7 |
| PLUS (DEFICIT) FOR THE YEAR | 21.0 | (184.3) |

Contribution revenue increased by 8%, mainly a result of donors' responses to Syria crisis

Total expenses increased by 3%

Cash and vouchers distributed increased by 160% - reflecting increased use of this food assistance tool

Cost of food commodities distributed decreased by 9% reflecting a decrease of 11% in food tonnage distributed in 2013

Statement I - Statement of Financial Position

Financial Statements 2013, Statement I, page 21)

| USD million | 31.12.2013 | 31.12.2012 |
|---|----------------|----------------|
| and cash equivalents | 652.7 | 438.5 |
| term investments | 783.5 | 835.5 |
| contributions receivable | 1,774.1 | 1,723.9 |
| prepaid expenses | 664.9 | 709.9 |
| receivables | 137.4 | 147.9 |
| Total Current Assets | 4,012.6 | 3,855.7 |
| contributions receivable | 165.7 | 202.4 |
| term investments | 427.5 | 352.7 |
| property, plant and equipment | 110.7 | 110.5 |
| intangible assets | 15.9 | 24.1 |
| Total Non-current Assets | 719.8 | 689.7 |
| Total Assets | 4,732.4 | 4,545.4 |
| provisions and accruals | 499.0 | 415.2 |
| provisions | 10.7 | 14.3 |
| employee benefits | 23.7 | 19.5 |
| | 32.8 | 5.8 |
| Total Current Liabilities | 566.2 | 454.8 |
| employee benefits | 398.1 | 365.1 |
| term loan | 95.4 | 101.2 |
| Total Non-current Liabilities | 493.5 | 466.3 |
| Total Liabilities | 1,059.7 | 921.1 |
| Total NET ASSETS | 3,672.7 | 3,624.3 |
| Balances | 3,400.2 | 3,351.2 |
| reserves | 272.5 | 273.1 |
| Total FUND BALANCES AND RESERVES | 3,672.7 | 3,624.3 |

Increase of \$162.2m mainly from operational activities (increase in contribution revenue)

Increase of \$74.8m due to:
 1) increased value of invested assets
 2) cash set aside for amounts charged for employee benefit liabilities

Net increase of \$13.5m due to increase in contribution revenue

Decrease of US\$45.6m in food inventory due to minor change in value of food held while tonnage held remained same as in 2012

Increase of \$37.2m primarily due to increase in earned benefit entitlements. Funding status – 82%

Increase in total fund balances and reserves of \$48.4m

Statement V – Comparison of Budget and Actual Amounts

(Financial Statements 2013, Statement V, page 25)

| USD million | Budget Amount | | Actual on comparable basis | Difference: final budget and actual |
|---|----------------|----------------|----------------------------|-------------------------------------|
| | Original | Final | | |
| Cost components | | | | |
| Food and related direct operational costs (DOC) | 3,543.6 | 4,286.5 | 2,528.8 | 1,757.7 |
| Cash and vouchers and related DOC | 464.4 | 903.4 | 607.0 | 296.4 |
| Capacity augmentation | 303.7 | 318.1 | 235.8 | 82.3 |
| Project support costs | 657.5 | 768.0 | 531.7 | 236.3 |
| Subtotal direct project costs | 4,969.2 | 6,276.0 | 3,903.3 | 2,372.7 |
| Regular PSA | 249.1 | 249.1 | 247.4 | 1.7 |
| Capital and capacity funds | 20.4 | 20.4 | 19.4 | 1.0 |
| Subtotal indirect costs | 269.5 | 269.5 | 266.8 | 2.7 |
| TOTAL | 5,238.7 | 6,545.5 | 4,170.1 | 2,375.4 |

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

THANK YOU