

Key elements of the 2012 Financial Statements



Structure of seminar

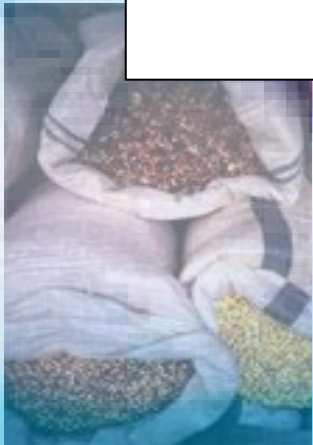
- 1. Preparation of the 2012 Financial Statements**
- 2. Highlights of the 2012 Financial Statements**
- 3. Financial Performance for the Year ended 31 December 2012**
- 4. Financial Position as of 31 December 2012**

Key elements of the 2012 Financial Statements



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Preparation of the 2012 Financial Statements



Preparation of the 2012 Financial Statements

- 18 Mar: Full set of draft Financial Statements including Notes submitted to External Auditor
- 21 Mar: Presented to Audit Committee
- 28 Mar: Signed by Executive Director
- 9 May: To be presented to Board members in Finance Seminar
- 15 May: To be reviewed by ACABQ
- 27 May: To be reviewed by FAO Finance Committee
- 7 Jun: To be presented to Executive Board

Preparation of the 2012 Financial Statements

- Key steps in 2012 Financial Statement preparation:
 1. Oversight of financial reporting risks throughout 2012
 2. Q1/Q2/Q3 unaudited quarterly Financial Statements and analysis for Executive Management Group
 3. Q3 and annual Financial Statement Closure Guidelines circulated to all staff
 4. Attendance of RM senior staff at all Country Director and Finance Officer meetings in 2012
 5. Review of Letters of Representation and Assurance Statements received from senior managers
 6. Monitoring of Financial Statement-related oversight work (External and Internal Audit)

Review of 2012 Accounting Policies

- There were no changes to WFP's Accounting Policies in 2012 compared with 2011
- In 2012, no new IPSAS standards were issued.
- In 2013, WFP will be applying the three IPSAS standards relating to Financial Instruments issued in 2010 but applicable from 1 January 2013
- Continued membership of UN IPSAS Task Force provides WFP additional assurance that Accounting Policies remain valid.

Result: No changes to WFP's Accounting Policies in 2012
Accounting Policies remain IPSAS-compliant

Key elements of the 2012 Financial Statements



2 Highlights of the 2012 Financial Statements



Structure of WFP Financial Statements

1. Executive Director's Statement provides overview of:

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

2. Statement of Internal Control

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

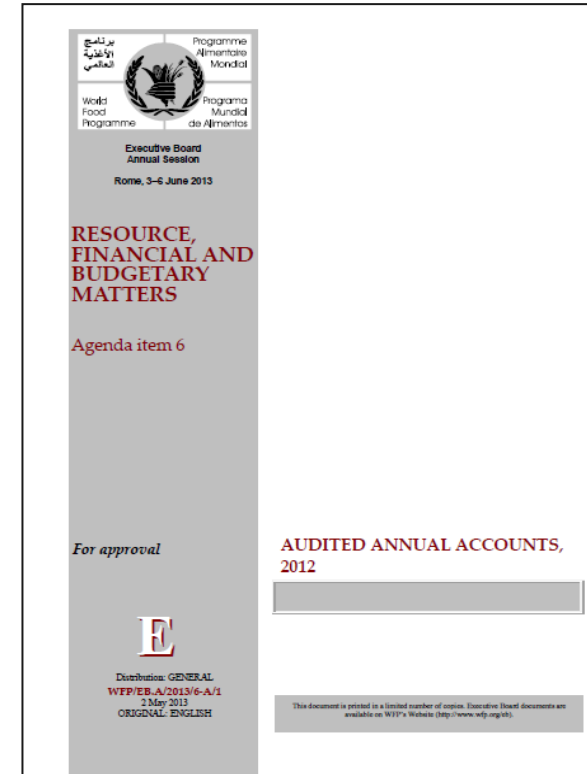
3. Financial Statements I to V provide financial views on WFP's operations. Key statements are:

- ❖ Statement I – states the financial position of WFP as of 31.12.2012
- ❖ Statement II – states the financial performance of WFP for 2012
- ❖ 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



Relationship Between key Financial Statements

Statement I: Statement of Financial Position

WORLD FOOD PROGRAMME STATEMENT I STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2012 (US\$ millions)			
Note	2012	2011	
ASSETS			
Current assets			
Cash and cash equivalents	2.1	438.6	689.0
Short-term investments	2.2	830.0	990.3
Contributions receivable	2.3	1 723.9	1 025.7
Inventories	2.4	709.9	738.6
Other receivables	2.5	141.9	122.0
		3 844.3	4 165.6
Non-current assets			
Contributions receivable	2.3	202.4	189.4
Long-term investments	2.6	382.7	281.1
Property, plant and equipment	2.7	1 105.0	100.9
Intangible assets	2.8	24.1	32.8
		1 714.2	504.2
TOTAL ASSETS		5 558.5	4 669.8
LIABILITIES			
Current liabilities			
Payables and accruals	2.9	415.2	536.2
Provisions	2.10	14.3	7.8
Employee benefits	3.11	19.9	19.9
Current portion of long-term loan	3.12	5.8	5.8
		455.2	589.7
Non-current liabilities			
Employee benefits	3.11	305.1	329.1
Long-term loan	2.12	101.2	102.1
		406.3	431.2
TOTAL LIABILITIES		861.5	1 020.9
NET ASSETS		4 697.0	3 648.9
FUND BALANCES AND RESERVES			
Fund balances	7.1	3 391.2	3 890.2
Reserves	2.14	273.7	237.7
TOTAL FUND BALANCES AND RESERVES		3 664.9	4 127.9

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

Richard Coombe
Executive Director

Rome, 28 March 2013

Contents:
 (+) Assets
 (-) Liability
 (=) Net Assets

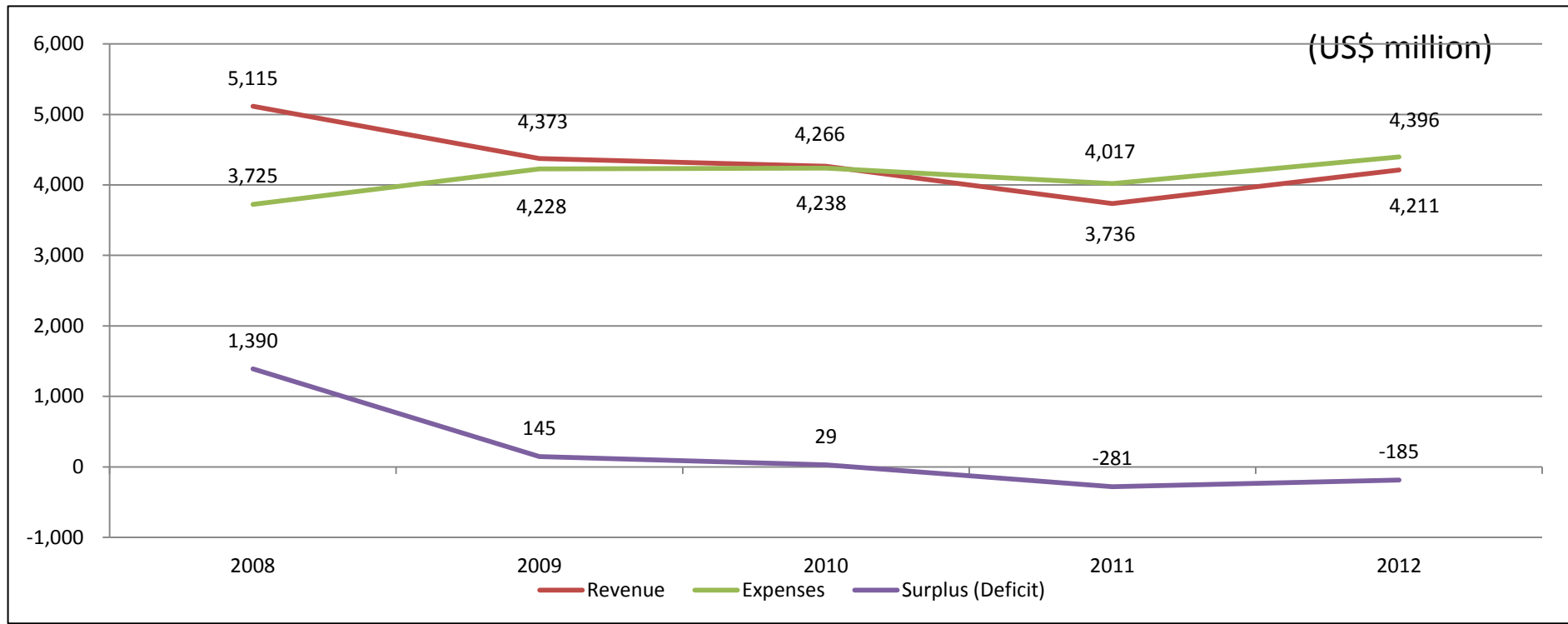
Statement II: Statement of Financial Performance

WORLD FOOD PROGRAMME STATEMENT II STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 31 DECEMBER 2012 (US\$ millions)			
		2012	2011
REVENUE			
Monetary contributions	3.1	3 336.0	2 979.0
In-kind contributions	3.2	706.3	617.8
Currency exchange differences	3.3	42.8	(0.5)
Return on investments	3.4	24.0	27.5
Other income	3.5	336.5	112.6
TOTAL REVENUE		4 445.6	3 736.4
EXPENSES			
Costs and vouchers distributed	4.1	191.8	120.7
Food commodities distributed	4.2	2 204.8	2 085.2
Distribution and related services	4.3	802.5	532.9
Wages, salaries, employee benefits and other staff costs	4.4	691.4	682.4
Registries, materials and other running costs	4.5	136.7	148.1
Contracted and other services	4.6	348.7	287.2
Finance costs	4.7	2.8	3.1
Depreciation and amortisation	4.8	43.8	37.1
Other expenses	4.9	52.8	69.9
TOTAL EXPENSES		4 267.7	4 019.8
DEFICIT FOR THE YEAR		(181.9)	(283.4)

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

Contents:
 (+) Revenue
 (-) Expense
 (=) Surplus

Surplus (Deficit) Evolution 2008-2012: Revenue less Expenses



Fund Balances and Reserves (US\$ million)	2008	2009	2010	2011	2012
Opening fund balance and reserves	2,516.0	3,900.1	4,058.1	4,094.1	3,787.5
Closing fund balance and reserves	3,900.1	4,058.1	4,094.1	3,787.5	3,624.3

Key elements of the 2012 Financial Statements



3 Financial Performance for the Year ended 31 December 2012



Statement II - Statement of Financial Performance

(Financial Statements 2012, Statement II, page 22)

(US\$ million)	01.01.2012 to 31.12.2012	01.01.2011 to 31.12.2011
REVENUE		
Monetary contributions	3,338.0	2,979.0
In-Kind contributions	706.3	617.5
Other revenue	167.1	139.6
TOTAL REVENUE	4,211.4	3,736.1
EXPENSES		
Cash and vouchers distributed	191.8	120.7
Food commodities distributed	2,264.6	2,061.2
Distribution and related services	602.5	532.9
Wages, salaries, employee benefits and other staff costs	691.4	680.4
Supplies, consumables and other running costs	156.7	148.1
Contracted and other services	389.7	387.2
Finance Costs	2.6	2.7
Depreciation and amortization	43.8	37.1
Other expenses	52.6	46.5
TOTAL EXPENSES	4,395.7	4,016.8
DEFICIT FOR THE YEAR	(184.3)	(280.7)

Contribution revenue increased by 12%

Total expenses increased by 9%

Cash and vouchers distributed increased by 59% - reflects increased use of this food assistance tool

Cost of food commodities distributed increased by 10% - reflects increase in price of some food commodities in cereal (sorghum, maize and mixed corn-soya blend) and increased distribution of more expensive foods.

Key elements of the 2012 Financial Statements



4 Financial Position as of 31 December 2012



Statement I - Statement of Financial Position

(Financial Statements 2012, Statement I, page 21)

US\$ million	31.12.2012	31.12.2011
Cash and cash equivalents	438.5	659.6
Short-term investments	835.5	996.3
Contributions receivable	1,723.9	1,625.7
Inventories	709.9	776.6
Other receivables	147.9	122.0
TOTAL Current Assets	3,855.7	4,180.2
TOTAL Non-current Assets	689.7	612.2
Total Current Liabilities	(454.8)	(568.7)
Total Non-current Liabilities	(466.3)	(436.2)
TOTAL NET ASSETS	3,624.3	3,787.5
Fund Balances	3,351.2	3,550.2
Reserves	273.1	237.3
TOTAL FUND BALANCES AND RESERVES	3,624.3	3,787.5

This Statement is important in assessing WFP's financial health.

Main elements:

- Cash and investments
- Contributions receivable
- Inventories
- Employee benefit liabilities
- Fund balances and reserves

Cash and cash equivalents, short-term and long-term investments

(Financial Statements 2012, Notes 2.1, 2.2, 2.6, pages 33-34, 39-40)

	31.12.2012	31.12.2011	Change (\$M)	Change (%)
Cash and cash equivalents	438.5	659.6	(221.1)	(34)
Short-term investments	835.5	996.3	(160.8)	(16)
Long-term investments	352.7	281.1	71.6	25
Total Cash and Investments	1,626.7	1,937.0	(310.3)	(16)

Decrease in cash and short-term investments due to:

- 1) use in operational activities
- 2) transfer of cash into long-term investments
- 3) purchase of capital assets

Increase in long-term investments due to:

- 1) increased value of invested assets
- 2) investment of cash into bonds and equities for amounts charged for employee benefit liabilities in line with the asset allocation policy of investing 50% in bonds and 50% in global equities

Contributions receivable

(Financial Statements 2012, Notes 2.3, pages 34-36)

Year of confirmation	31.12.2012		31.12.2011	
	\$M	%	\$M	%
2012	1,585.5	78	-	-
2011	261.5	13	1,338.9	70
2010 and earlier	178.0	9	580.3	30
Subtotal	2,025.0	100	1,919.2	100
Revaluation (non-US\$ contribution receivables)	(8.6)	-	(16.3)	-
Total Contributions Receivable before allowance	2,016.4	100	1,902.9	100
Allowance for reductions in contribution revenue	(76.0)		(68.6)	
Allowance for doubtful accounts	(14.1)		(9.2)	
Net Contributions Receivable (short term and long term)	1,926.3		1,825.1	

Average collection period decreased from 6.3 months in 2011 to 6.0 months in 2012

Food and non-food inventory and Food inventory turnover ratio

(Financial Statements 2012, Notes 2.4, pages 36-38)

The value of food and non-food inventory at end of 2012 decreased by US\$66.7 million from 2011

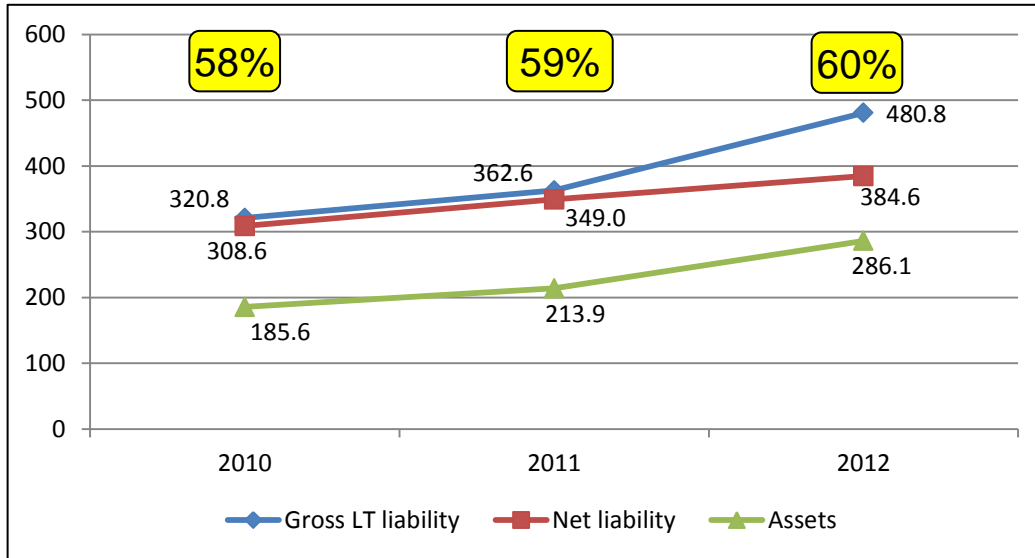
	31.12.2012	31.12.2011	Change (\$M)	Change (%)
Food Inventory	694.4	758.6	(64.2)	(8)
Non-food items	15.5	18.0	(2.5)	(14)
Total Inventory	709.9	776.6	(66.7)	(9)

Inventory turnover ratio shows that WFP has on average 3.8 months of inventory on hand.

	31.12.2012	31.12.2011
Food distributed in MT	3.6	3.8
Average MT held	1.2	1.2
Inventory balance held in months	3.8	4.1

Employee Benefit Liabilities

(Financial Statements 2012, Note 2.11, pages 43-51; and Note 2.6, pages 39-40)



Gross LT liability increase in 2012 is primarily due to the decrease in discount rate used in valuation.

Net liability increase in 2012 is primarily due to the increase in earned benefit entitlement.

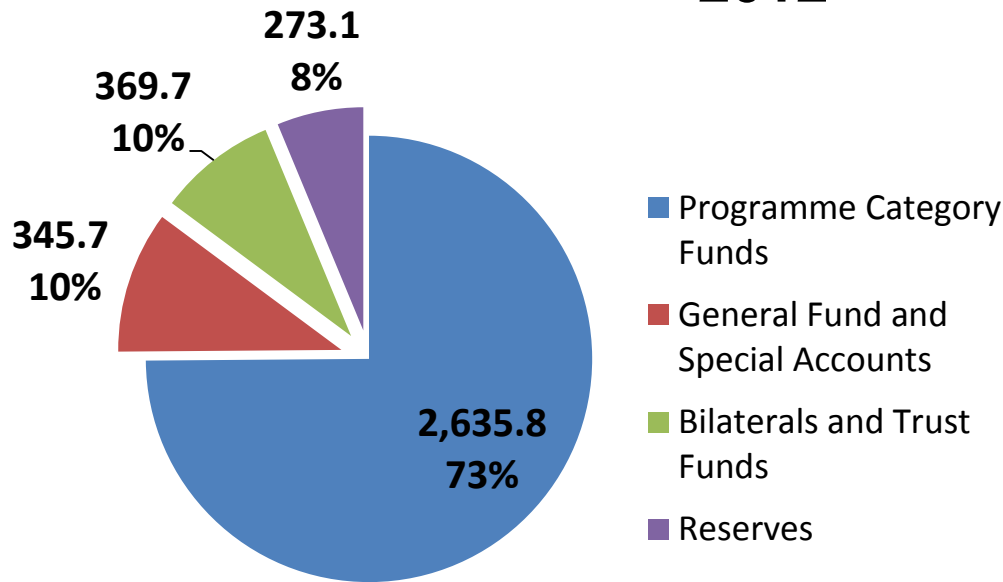
During the 2010 Annual Session, the Board approved a funding plan to provide for the unfunded employee benefit liabilities currently allocated to the General Fund. The funding plan includes an incremental annual funding of US\$7.5 million in the Standard staff cost over a 15-year period starting in 2011 with a view to achieving fully funded status at the end 2025.

Based on the actuarial valuation at year end 2012, WFP remains on track to achieve full funding by 2025.

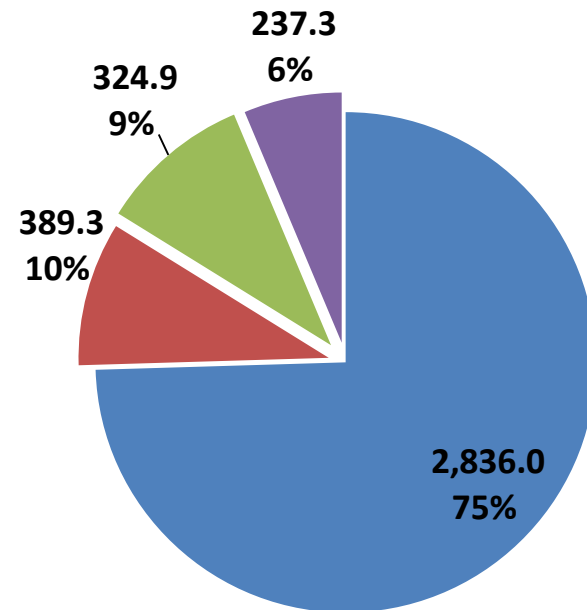
WFP's fund and reserve balances

(Financial Statements 2012, Note 2.14, pages 54-56)

2012



2011



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

Total fund and reserve balances decreased by US\$163.2m from US\$3,787.5m in 2011 to US\$3,624.3m in 2012.

Statement V - Comparison of Budget and Actual Amounts

(Financial Statements 2012, Statement V, page 25)

US\$ million	Budget Amount		Actual on comparable basis	Difference: final budget and actual
	Original	Final		
Cost components				
Food and related direct operational costs (DOC)	3,624.0	4,802.2	2,819.9	1,982.3
Cash and vouchers and related DOC	254.8	405.3	222.6	182.7
Capacity augmentation	308.3	383.7	236.2	147.5
Direct support costs	636.7	759.9	514.2	245.7
Subtotal direct project costs	4,823.8	6,351.1	3,792.9	2,558.2
Regular PSA	249.1	249.1	246.9	2.2
Capital and capacity funds	23.1	22.3	21.3	1.0
Indirect costs	272.2	271.4	268.2	3.2
TOTAL	5,096.0	6,622.5	4,061.1	2,561.4

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

Statement V - Comparison of Budget and Actual Amounts

(Financial Statements 2012, Statement V, page 25)

- The original 2012 Programme of Work of US\$5,096.0 million was presented to the Board in November 2011. Between then and the end of 2012, it had expanded to reflect changes in WFP's project needs due to the emergency operations in the Sahel, the Horn of Africa, South Sudan, Pakistan and countries affected by the Arab Spring events.
 - The Final budget of US\$6,622.5 million was the budget that included newly approved operations and revisions of project needs, which had previously been approved in the original management plan, supplemental operational appropriations as well as revisions to the PSA budget.
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- In 2012, WFP utilized US\$4,061.1 or 61 % of its total final Programme of Work.
 - Utilization is limited by the availability of resources made to fund the Programme of Work. WFP's business model involves a time-lag between when a contribution is confirmed and when it is used.