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Programa Mundial de Alimentos  
برنامج الأغذية العالمي

**Executive Board**  
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## **Report of the Advisory Committee on Administrative and Budgetary Questions (ACABQ)**

The Executive Director is pleased to submit herewith the report of the Advisory Committee on Administrative and Budgetary Questions (ACABQ) pertaining to WFP. The report covers the following agenda items:

- Audited annual accounts, 2017 (WFP/EB.A/2018/6-A/1)
- Appointment of three members to the Audit Committee (WFP/EB.A/2018/6-B/1)
- Utilization of the programme support and administrative equalization account reserve (WFP/EB.A/2018/6-C/1)
- Report on the utilization of WFP's advance financing mechanisms (1 January–31 December 2017) (WFP/EB.A/2018/6-D/1)
- Annual report of the Audit Committee (WFP/EB.A/2018/6-E/1)
- Annual report of the Inspector General (WFP/EB.A/2018/6-F/1) and note by the Executive Director (WFP/EB.A/2018/6-F/1/Add.1)
- Report of the External Auditor on food-related losses (WFP/EB.A/2018/6-G/1) and WFP management response to the recommendations (WFP/EB.A/2018/6-G/1/Add.1)
- Report of the External Auditor on the scale-up and scale-down of resources in emergency operations (WFP/EB.A/2018/6-H/1) and WFP management response to the recommendations (WFP/EB.A/2018/6-H/1/Add.1)
- Report on the implementation of the External Auditor's recommendations (WFP/EB.A/2018/6-I/1)
- Update on the implementation of General Assembly resolution 70/244 with regard to raising the mandatory age of separation of WFP staff members (WFP/EB.A/2018/6-J/1)
- Report of the Executive Director on the utilization of contributions and waivers of costs (General Rules XII.4 and XIII.4 (h)) (WFP/EB.A/2018/6-K/1)
- Update on the Integrated Road Map (WFP/EB.A/2018/5-D/1)

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Advisory Committee on  
Administrative and Budgetary Questions

14 June 2018

Dear Mr Beasley,

Please find attached a copy of the report of the Advisory Committee that included the following submissions:

Audited Annual Accounts, 2017 (WFP/EB.A/2018/6-A/1); Utilization of the Programme Support and Administration Equalization Account Reserve (WFP/EB.A/2018/6-C/1); and, the Report on the Utilization of WFP's Advance Financing Mechanisms (1 January–31 December 2016) (WFP/EB.A/2018/6-D/1). A list of documents that were before the Advisory Committee is contained in the annex to the report of the Committee.

I should be grateful if you could arrange for the Committee's report to be placed before the Executive Board at its forthcoming session, as a complete and separate document. I would appreciate it if a printed version of the document could be provided to the Advisory Committee at the earliest possible opportunity.

Yours sincerely,

Carlos G. Ruiz Massieu  
Chairman

Mr David Beasley  
Executive Director  
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## I. Introduction

1. The Advisory Committee on Administrative and Budgetary Questions has considered a total of 15 reports of the World Food Programme (WFP) Secretariat, which are being submitted to the WFP Executive Board annual session, to take place in Rome, Italy, from 18-22 June 2018. Four of the documents are submitted to the Executive Board for approval, ten for consideration, and one for information (see annex for a full list of reports). During its consideration of the reports, the Advisory Committee met with representatives of the WFP Secretariat, who provided additional information and clarification, concluding with written responses received on 8 June 2018.

## II. Documents submitted to the Executive Board for approval

### A. Audited Annual Accounts, 2017

2. The report on the audited annual accounts for 2017 (WFP/EB.A/2018/6-A/1) contains: (a) the Executive Director's statement, a statement on internal control, financial statements I-V and notes to the financial statements in section I; and (b) the opinion of the External Auditor on the financial statements and the long-form report of the External Auditor in section II.
3. The External Auditor has issued an unqualified audit opinion on WFP's Financial Statements for the financial period ended 31 December 2017. The Advisory Committee notes that the External Auditor has issued seven recommendations, covering matters such as cash-based transfers, contributions revenue and receivables, and IT related issues, of which four are considered to be high priority regarding cash-based transfers and IT issues and requiring the immediate attention of management. The report fully takes into account WFP's comments and answers on the External Auditor's proposed recommendations. The Committee was informed, upon enquiry, that WFP management accepted all audit recommendations. **The Advisory Committee trusts that the External Auditor's recommendations will be implemented in full and in a timely fashion.**

### *Financial performance and financial position*

4. In terms of the WFP's financial performance for 2017, the Executive Director has provided information in paragraphs 11-31 of his statement. The total revenue for 2017 was USD6,403.9 million, an increase of USD522 million or 9 per cent compared with 2016, mainly from the increased contributions received from major donors for the programmatic response to the Syrian Arab Republic and Syrian refugees emergency and to potential famines in four countries (South Sudan, Nigeria, Somalia, and Yemen). In 2017, total expenses were USD 6,219.2 million, representing an increase of 16 per cent from 2016. The Advisory Committee also notes that staff costs increased by 7 per cent to USD 884.0 million mainly due to an increase in the number of international professionals, national staff, and consultants.
5. In his statement, the Executive Director's also indicates that as at 31 December 2017, WFP's total assets were valued at USD7,975.5 million, an increase of USD1,375.5 million or 20 percent, over 2016. Total liabilities were valued at USD3,545.6 million in 2017, an increase of USD1,208.2 million or 52 percent over 2016. Its total net assets (assets minus liabilities), comprising fund balances and reserves, were valued at USD4,433.9 million, compared with a net asset value of USD4,284.6 million in 2016.

6. The Advisory Committee was informed that assistance from WFP reached 91.4 million beneficiaries in 83 countries. Overall, WFP's revenue increased by nearly USD 2 billion from 2013 to 2017 while operational spending over the same period increased from USD 4.5 billion to USD 6.2 billion. Upon request, the Advisory Committee was also provided with the following financial ratio analysis, reflecting WFP's assets and liabilities as at 31 December 2017:

#### Ratio analysis

	<b>Current ratio</b> <b>Current assets:</b> <b>Current liabilities</b>	<b>Total assets:</b> <b>Total liabilities</b>	<b>Cash Ratio</b> <b>Cash + short-term</b> <b>investments:</b> <b>current liabilities</b>	<b>Quick ratio</b> <b>Cash + short-term</b> <b>investments +accounts</b> <b>receivable: current</b> <b>liabilities</b>
2015	8.6	4.3	3.0	7.3
2016	9.5	4.9	3.4	8.4
2017	9.8	4.9	3.5	8.7

The Committee notes the increase in the ratios since 2015 as compared to previous periods and an overall improvement in the financial position of WFP. Nevertheless, the Committee was informed that humanitarian needs continue to grow, resulting in an unprecedented gap between needs and funding.

7. Upon enquiry, the Advisory Committee was also informed that 2017 was marked by a significant increase in the level of contributions stipulated by donors for future years. Total deferred revenue in 2017 was USD 1.9 billion, of which 1.55 billion to be used in 2018 and the remaining USD 378 million was to be set aside for use in 2019 and beyond. In the view of WFP, the increase in deferred revenue is a positive trend, that enhances both, the predictability of WFP's resources as well as WFP's ability to plan effectively its future operations.
8. **The Advisory Committee notes WFP's improved financial situation. The Advisory Committee recommends approval of the audited annual accounts for 2017.**
9. On a related matter, the Advisory Committee also requested and received information regarding the planning and prioritisation of operations. The Committee was informed that approximately 95 percent of the WFP's 2017 contributions revenue were provided under conditions determining the use of the contribution which often stipulate the activity type within a certain country, leaving WFP with little flexibility for discretionary allocations to particular locations or operations as needed. The remaining 5 percent of revenue is considered unearmarked or softly earmarked and is directed towards the most pressing requirements. **The Advisory Committee is concerned that the low percentage of unearmarked contributions results in less flexibility for WFP to redeploy resources to meet emergency humanitarian needs.**
10. In terms of its donor base, the Committee was informed that WFP is planning on increasing its donor base over the next 3 years by expanding its individual giving programme. Estimated income from such donors is anticipated to grow from USD 14 million in 2018 to over USD 30 million in 2021. The Committee notes that the majority of this income growth will be for unearmarked income. WFP also intends to solicit contributions from corporations and foundations for specific programmes with an increase in estimated contributions from these sources of USD 66 million to USD 80 million between 2018 and 2021.

11. The Advisory Committee notes the USD 3.8 billion funding gap for 2017 between WFP's contribution revenue (USD 6.0 billion) and total requirements (USD 9.8 billion) and that as a result of the gap, the report indicates that WFP has prioritized its work programme and activities geographically, between households, and across activities.

### **Other matters**

#### *Cash-based transfers*

12. The statement of the Executive Director indicates that cash-based transfers (CBTs) increased to USD 1,446.1 million in 2017 from USD 882.3 million in 2016. This 64 percent increase is largely due to the use of such transfers in response to the situations in the Syrian Arab Republic and Somalia and the ongoing crisis relating to Syrian refugees in neighbouring countries. Upon enquiry, the Advisory Committee was informed of the significant growth in the use of CBTs in WFP's field operations since 2010 when CBTs stood at USD 60 million. CBT transfers are expected to account for USD 1.76 billion (32 percent) of the 2018 implementation plan, thereby increasing from a quarter to a third of WFP direct costs. The Committee was also informed that WFP considers different transfer modalities in terms of specific programmatic objectives. As a result, in any given programme, resource transfers could be entirely unrestricted cash; commodity vouchers; in-kind; or any combination thereof to best achieve programme objectives. **The Advisory Committee notes the increasing use of cash-based transfers in the provision of assistance and trusts that effective monitoring and oversight mechanisms are in place for CBTs to ensure that funds are properly used and risks mitigated.**

#### *Employee benefit liabilities*

13. The Executive Director's statement notes that liabilities for employee benefits stood at USD878.1 million as at 31 December 2017 and that the level of assets set aside for funding gross long-term employee benefits liabilities stood at USD573.1 million. This represents a 68 percent funding level, increasing from the 66 percent funding level in 2016 as a result of an increase in return on assets which rose to 18.2 percent for the year. The statement also indicates that the asset-liability study will be finalized in early 2018. The Advisory Committee was informed, upon enquiry, that a revised report using full year 2017 financial information is expected to be issued in mid-2018 and presented to the Investment Committee for review. Any change to the funding policy would be subject to Executive Board review and approval. **The Advisory Committee notes the positive increase in the funding for long-term employee benefits liabilities.**

### **B. Utilization of the programme support and administration equalization account reserve**

14. The report on the utilization of the programme support and administration equalization account reserve (WFP/EB.A/2018/6-C/1) indicates that the Immediate Response Account is a tool for internal project lending for life threatening situations. In order to maximise its impact, management proposes a transfer of USD35 million from the programme support and administration equalization account (PSAEA) to the Immediate Response Account (IRA). The transfer would increase WFP's capacity to allocate IRA funds to programmes and is proposed under the rubric of "strengthening WFP's reserves" as approved by the Board.

15. The report also indicates that the use of the Emerging Donor Matching Fund (EDMF) in the 2003 to 2016 period led to an expansion of WFP's donor base with 30 governments and new resource partnerships. The EDMF was drawn down completely by 2016 and as such, management is requesting Executive Board approval of the revitalization of the EDMF through an allocation from the PSAEA of USD30 million. The allocation would be used in line with the frameworks established by the 2030 Agenda for Sustainable Development, the WFP Strategic Plan (2017–2021) and the Policy on Country Strategic Plans.
16. Upon enquiry, the Advisory Committee was informed that USD 73.4 million had been invested in Critical Corporate Initiatives (CCI) over the period 2012-2015 and that USD 35.6 million was allocated under the 2018-2020 Management Plan to approved CCIs. The Annex to the report indicates two other potential uses for the remaining PSAEA surplus of \$194.8 million: (a) a 2030 transition fund to help WFP to reposition and operationalize its activities based on the outcomes of comprehensive national strategic hunger reviews, including through the efficient and effective deployment of support throughout all stages of the country strategic plan process; (b) a “start-up” capital to fund private sector fundraising operations and investment until contributions reach a level sufficient to enable self-financing of the operations. The Advisory Committee was informed, upon enquiry, that the two potential uses of the surplus PSAEA funds are presented as examples of proposals that may be presented for approval in the future, but that they are not being submitted as proposals at this time.
17. **The Committee notes that a total of USD109 million has been invested in CCIs since 2012 and trusts that WFP will provide consolidated information relating to the results of past investments when proposing new CCI allocations. The Advisory Committee does not object to the allocation of funds from the programme support and administration equalization account to the Immediate Response Account in the amount of USD35 million and the Emerging Donor Matching Fund in the amount of USD30 million.**

### **C. Report on the utilization of WFP's advance financing mechanisms**

18. The report on the utilization of WFP's advance financing mechanisms during the period 1 January-31 December 2016) (WFP/EB.A/2018/6-D/1) indicates that the Global Commodity Management Facility (GCMF) is a tool enabling WFP to reach beneficiaries by providing a steady supply of commodities with reduced lead times and with better value for money. In 2017, the GCMF accounted for 46 % of food purchased by country offices. Countries purchasing from the facility were able to deliver food to beneficiaries in 41 days and an improvement in the lead times of the conventional procurement process of an average of three months. The report indicates that the GCMF is limited by the USD 350 million approved ceiling level and that a further expansion of the facility is required so that more WFP operations can benefit from faster delivery of food. The Board is requested to approve an increase in the ceiling of the GCMF from USD 350 million to USD 500 million. Upon enquiry, the Advisory Committee was informed that the revolving ceiling of USD 500 million is calculated based on WFP's Management Plan (2018-20) in which country offices indicated operational requirements and expected resourcing for upcoming calendar years. This resulted into an expected GCMF volume of 2 million mt for 2018 with a USD value of USD 1.1 billion. GCMF would therefore need USD 440 million, to be rotated 2.5 times with the remaining USD 60 million supporting procurement from smallholder farmers (USD 20 million) and responding to arising emergencies (USD 40 million). **The Advisory Committee does not object to the increase in the GCMF ceiling from USD 350 million to USD 500 million.**

## D. Appointment of Three Members to the Audit Committee

19. In the report WFP/EB.A/2018/6-B/1, the Executive Director recommends the reappointment of the following three members to the Audit Committee with terms ending on 14 November 2018 for a second and final term of three years: Mr. Suresh Kana (South Africa), Mr. Omkar Goswani (India) and Ms. Elaine June-Cheung (China). The report notes that under the Audit Committee's Terms of Reference, the Board approves the appointment of Committee members on the recommendation of a selection panel consisting of five representatives appointed by the Board. **The Advisory Committee does not object to the reappointment of the three candidates for members of the Audit Committee.**

## III. Documents submitted to the Executive Board for consideration

### A. Report of the External Auditor on food-related losses / Management Response to the Recommendations of the Report of the External Auditor

20. Information related to the report of the External Auditor on food-related losses is provided in report WFP/EB.A/2018/6-G/1 and the management response to the recommendations of the External Auditor are contained in report WFP/EB.A/2018/6-G/1/Add.1. The report of the External Auditor indicates that in 2017, WFP distributed 3.9 million metric tons (mt) of food and handled 4.5 million mt, particularly in countries experiencing acute crises. The portion of food not reaching intended recipients amounted to 28,477 mt, or 0.82 percent of foodstuffs handled. The External Auditor notes that the relatively low level of such food losses despite increased risks of incidents and increasingly complex emergency situations, though various factors and partners throughout the supply chain contribute, in its view, to the quantity of losses and a fragmentary approach in the accounting of such losses.
21. The Advisory Committee was provided with the following trends in commodity losses over time. The Committee was informed that the continued use of the integrated Supply Chain, supported by strong management processes and risk mitigation measures, as well as greater support to country offices by regional bureaux, were instrumental in keeping the food commodity loss ratio low.

#### Food commodity losses

Year	Food commodity losses (in USD million)	Food commodity losses As a percentage of total food commodities handled
2017	14.2	0.33
2016	21.1	0.47
2015	11.6	0.36
2014	11.8	0.49
2013	18.7	0.66

The Committee was also informed that mechanisms are in place to minimize food losses throughout the planning, sourcing and receipt and delivery phases of the supply chain as well as various prevention and mitigation measures at the local level. **The Advisory Committee notes that food commodity losses have declined in the past year and reiterates the importance of keeping food losses to a minimum.**

## **B. Update on the Integrated Road Map**

22. WFP indicates that the year 2017 witnessed the beginning of the roll-out of the Integrated Road Map (IRM) (see WFP/EB.A/2018/6-A/1) . The Committee was informed, upon enquiry, that as of May 2018, 67 country offices had moved to the IRM framework, representing approximately 65 percent of WFP's programme of work. It is anticipated that an additional three country offices will complete the transition in July 2018 while the remaining 11 country offices are in various stages of completing a national zero hunger strategic review or developing their Country Strategic Plan (CSP) or Interim Country Strategic Plan (ICSP). In terms of lessons learned, the Committee was informed that improvements to the framework and processes should ensure a smooth transition for the remaining country offices. Approval of the remaining CSPs and ICSPs is being staggered over the upcoming Board sessions to ensure a balanced workload. It is expected that all country offices should move to the IRM framework by early 2019.
23. Updated information and proposals with regard to WFP's Integrated Road Map are contained in document WFP/EB.A/2018/5-D/1. Following the completion of an internal review, the report sets out the emerging recommendations resulting from the findings. The Advisory Committee recalls its recommendations on the transitional governance arrangements for 2017 and 2018 to accommodate the phased implementation of the Integrated Road Map as well as the approval sought for a temporary measure of interim delegation of authority relating to the Executive Director's authority to approve programmes and revise budgets.
24. In this regard, the Advisory Committee requested an update on the use of the interim delegations of authority and was informed that they are effective from 1 January 2018 to 29 February 2020. Permanent delegations of authority, drawing on experience from the interim period as well as the review, will be presented for approval at the Board's 2020 first regular session and, if approved, will take effect on 1 March 2020. The Committee was also informed that since the commencement of the interim delegations of authority in January 2018, the Executive Board approved the revisions of the T-ICSPs of Turkey, the Dominican Republic, Haiti and Nepal. An additional five revisions relating to crisis response for the Burkina Faso T-ICSP, Bangladesh CSP, Mauritania T-ICSP, Mali T-ICSP and Zambia T-ICSP were shared with the Board for comments, and the Executive Director approved revisions of the Zimbabwe CSP and Swaziland's T-ICSP under the delegation of authority. In addition, during the course of 2017, two revisions for Bangladesh and Colombia were approved for pilot Country Strategic Plans in accordance with the temporary delegated authority granted to the Executive Director.

## **C. Annual Report of the Inspector General and the Note by the Executive Director on the Annual Report of the Inspector General**

25. Information related to the Annual Report of the Inspector General is contained in document WFP/EB.A/2018/6-F/1, with the management response contained in document WFP/EB.A/2018/6-F/1/Add.1. In terms of WFP's risk appetite and the use of risk assessments, the Advisory Committee was informed, upon enquiry, that as a voluntarily funded organization, WFP relies on the support of its donors to carry out its mandate. The Committee was also informed that 2016-2017 oversight reports indicate the need to strengthen organizational risk assessment and management processes, tools and guidance, including fraud risk assessments, and to ensure that they are embedded in WFP's day-to-day processes. In this regard, the Advisory Committee notes the positive development of establishing the position of Chief Risk Officer in 2017 to head the newly created Enterprise Risk Management Division in the Resource Management Department.



## ANNEX

### Reports presented to the Advisory Committee for approval:

- Audited Annual Accounts, 2017 (WFP/EB.A/2018/6-A/1)
- Utilization of the Programme Support and Administration Equalization Account Reserve (WFP/EB.A/2018/6-C/1)
- Appointment of Three Members to the Audit Committee (WFP/EB.A/2018/6-B/1)
- Report on the Utilization of WFP's Advance Financing Mechanisms (1 January-31 December 2016) (WFP/EB.A/2018/6-D/1)

### Reports presented to the Advisory Committee for consideration:

- Update on the Integrated Road Map (WFP/EB.A/2018/5-D/1)
- Annual Report of the Audit Committee (WFP/EB.A/2018/6-E/1)
- Annual Report of the Inspector General (WFP/EB.A/2018/6-F/1)
- Note by the Executive Director on the Annual Report of the Inspector General (WFP/EB.A/2018/6-F/1/Add.1)
- Report of the External Auditor on food-related losses (WFP/EB.A/2018/6-G/1)
- Management Response to the Recommendations of the Report of the External Auditor on food-related losses (WFP/EB.A/2018/6-G/1/Add.1)
- Report of the External Auditor on the Scale-up and Scale-down of Resources in Emergency Operations (WFP/EB.A/2018/6-H/1)
- Management Response to the Recommendations in the Report of the External Auditor on the Scale-up and Scale-down of Resources in Emergency Operations (WFP/EB.A/2018/6-H/1/Add.1)
- Report on the Implementation of the External Auditor Recommendations (WFP/EB.A/2018/6-I/1)
- Update on the Implementation of General Assembly Resolution 70/244 with regard to raising the Mandatory Age of Separation of WFP Staff Members (WFP/EB.A/2018/6-J/1)

### Reports presented to the Advisory Committee for information:

- Report of the Executive Director on the Utilization of Contributions and Waivers of Costs (General Rules XII.4 and XIII.4 (h)) (WFP/EB.A/2018/6-K/1)