



World Food
Programme

SAVING
LIVES
CHANGING
LIVES

Resource Management Seminar on EB.A items

Thursday, 14 May 2020
09:30–12:30

AGENDA

Part 1: Key accountability and reporting documents

- i. Statement on Internal Control and Management
Review of Significant Risk and Internal Control Issues
- ii. 2019 Annual Audited Accounts: Financial Statements
- iii. Updates on External Audit Matters
- iv. External Audit on WFP's Real Estate Portfolio

Part 2: Other resource and budgetary matters

- i. Replenishment of the Special Account for Wellness Programmes
- ii. WFP's Advance Financing Tools

Key EB dates



Key accountability and reporting documents

- i. Statement on Internal Control and Management Review of Significant Risk and Internal Control Issues



Scope of the 2019 Statement on Internal Control

The 2019 **Statement** builds on findings from a detailed **Management Review of Significant Risk and Internal Control Issues**. Sources include:

- ✓ **The 2019 ED Assurance Exercise:** Feedback collected from 127 senior managers through the enhanced and redesigned ED Assurance Exercise;
- ✓ **The Office of the Inspector General's 2019 Annual Report:** The Management Review has allowed for a streamlined ED Response to the OIG Annual Report;
- ✓ **Other evidence:** including oversight findings from the Office of the Inspector General, the Office of Evaluation, External Audit, Corporate Risk Registers and feedback from the Audit Committee.

2019 Statement on Internal Control and Management Review of Significant Risk and Control Issues

The 2019 Statement highlights 8 risk and internal control issues:

- **New areas emerging in 2019:**
 - Workplace culture and conduct
 - Food safety and quality
- **Carried forward from 2018:**
 - NGO management
 - Beneficiary management
 - Talent management and workforce planning
 - Monitoring and review systems
 - Scale-up to cope with the emergency portfolio
 - IT system implementation, integration and cybersecurity



Redesigned process focuses on feedback from global management, and illustrates risk and control issues with quotes



Redesign of the ED Assurance Exercise

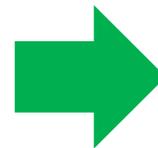
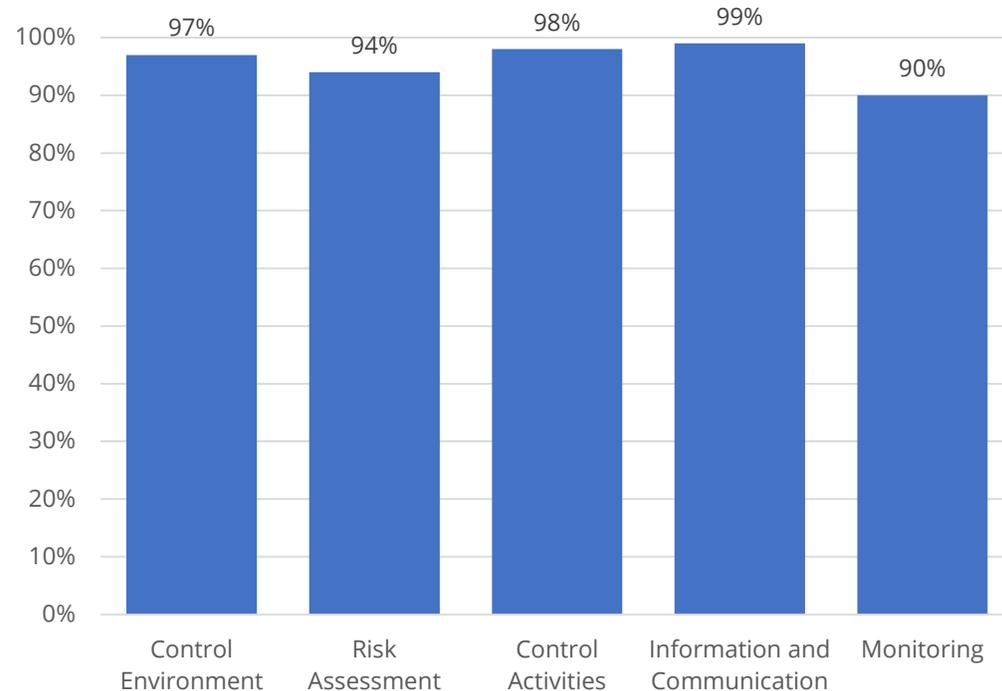
In 2019, WFP conducted a major redesign of the ED Assurance Exercise (formerly 'Assurance Statement') that provides evidence for the **Management Review** used to substantiate the **Statement on Internal Control**:

- **What's working? What's not?** Redesigned as an action-oriented reflection on control based on specific criteria
- **New open-ended questions** about top challenges and suggestions for organization-level improvements
- **All questions revised** in consultation with business experts
- **Tailored** by respondent type (CO, RB, HQ function, etc.)
- **Automated** with approvals based on reporting lines

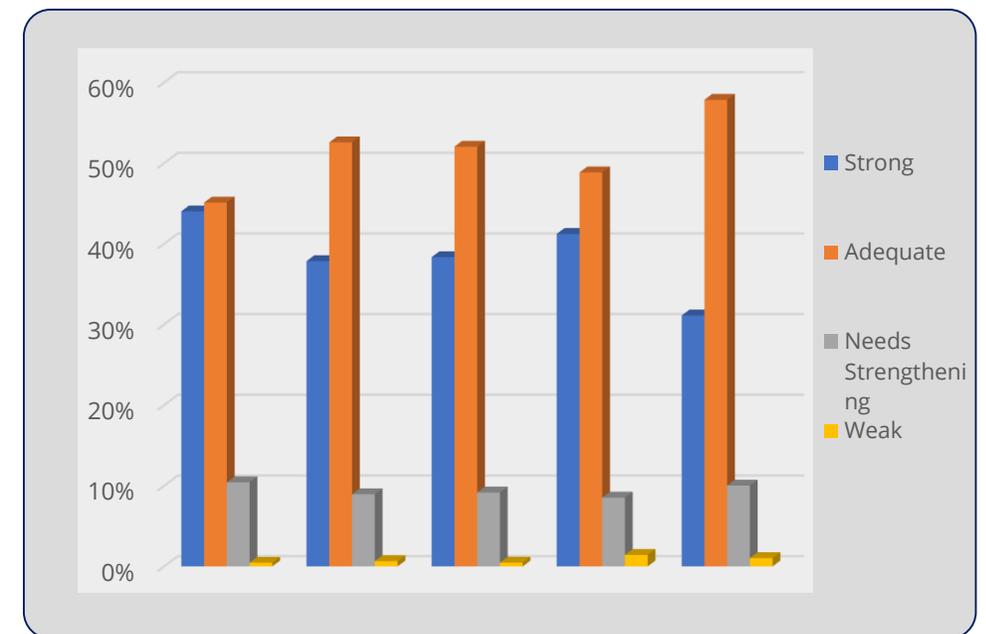
ED Enhanced Assurance

The redesign resulted in a wealth of fresh insights from global management on WFP's system of internal control and opportunities for improvement.

Percentage "Yes" Response in 2018
Exercise by COSO* category



Response Summary for 2019
Exercise



Key accountability and reporting documents

ii. 2019 Annual Audited Accounts:
Financial Statements



2019 Annual Audited Accounts

Section I – Report of the External Auditor

Section II

- Executive Director's Statement
- Statement on Internal Control
- **Financial Statements I, II, III, IV and V**
- Notes to the Financial Statements

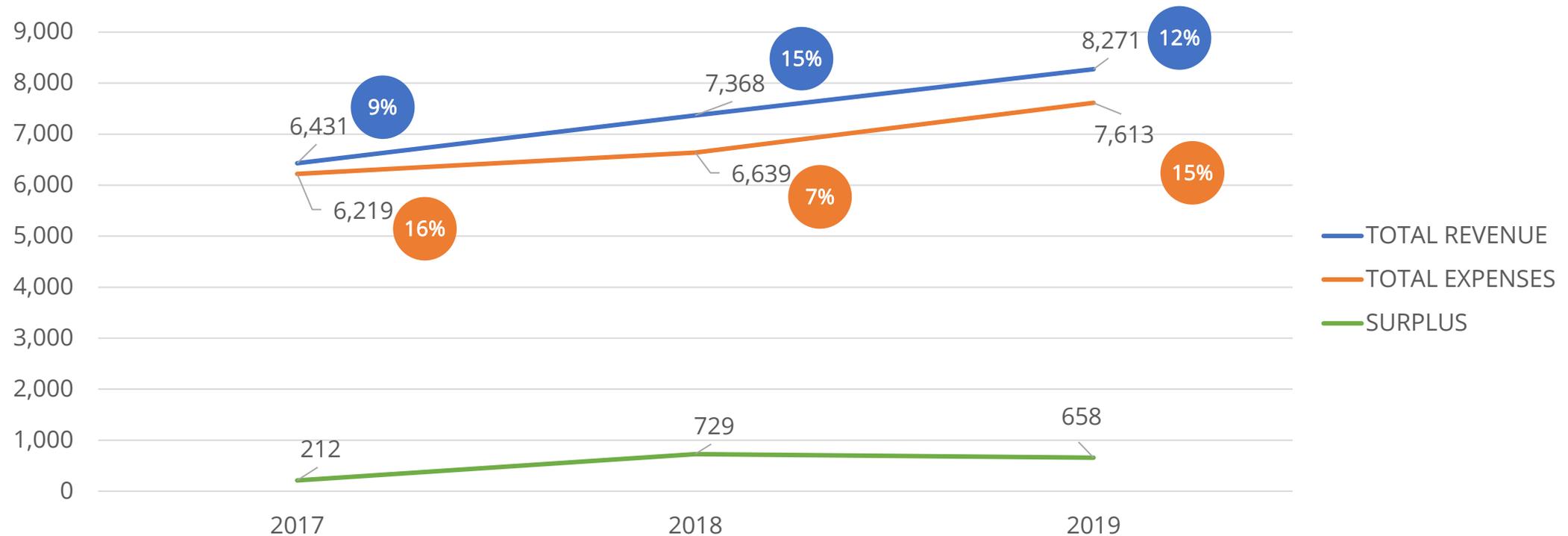


Statement of Financial Performance (Statement II)

In 2019 revenue was at record level, reaching USD 8.3 billion, 12% growth compared to 2018. Operational spending increased by 15% in 2019 and reached USD 7.6 billion.

Evolution of revenue, expenses and surplus

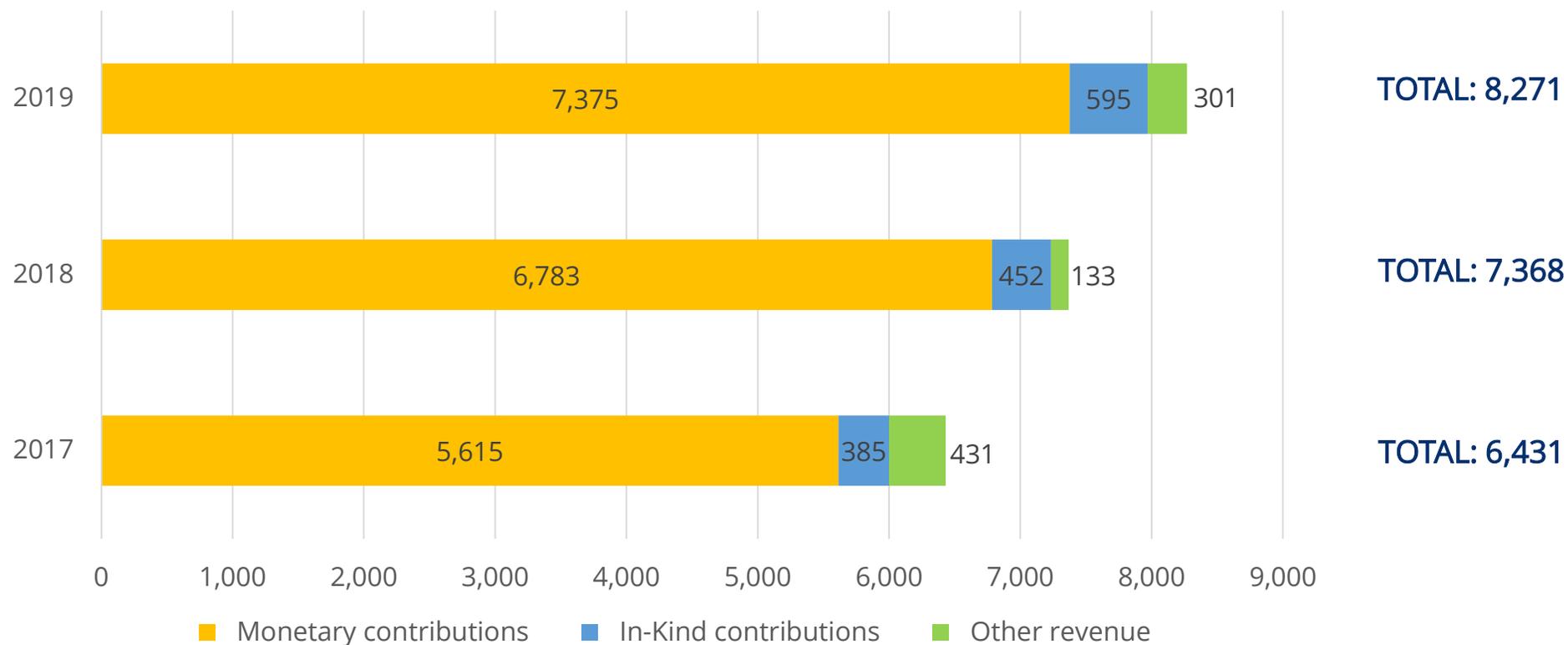
USD millions



Revenue

USD 8 billion or 96% of total 2019 revenue was from donor contributions, an increase of USD 0.7 billion or 10% compared to 2018.

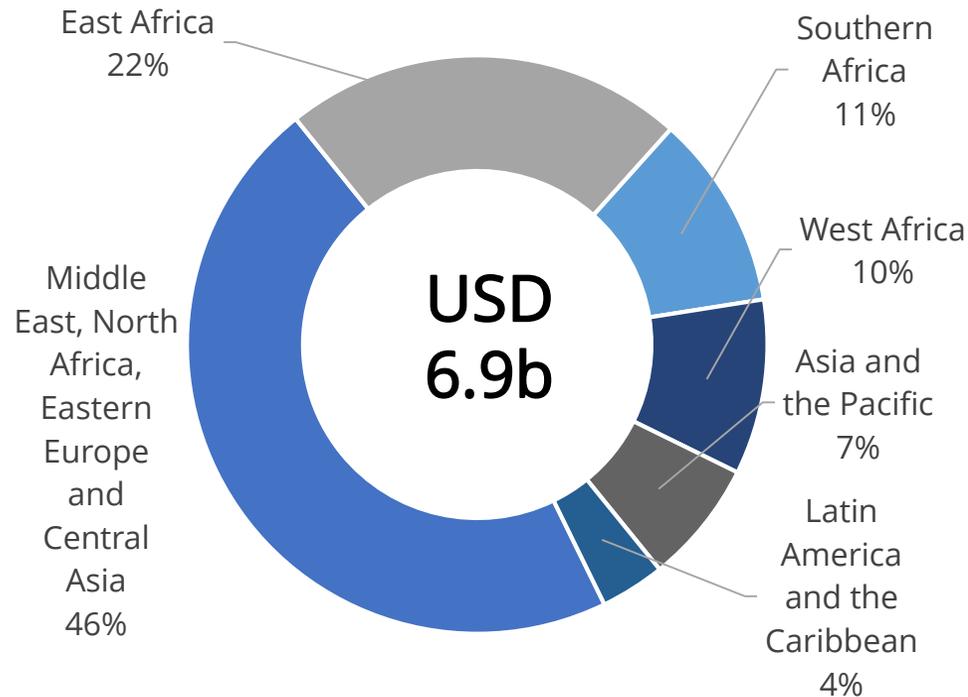
Evolution and composition of revenue (in USD millions)



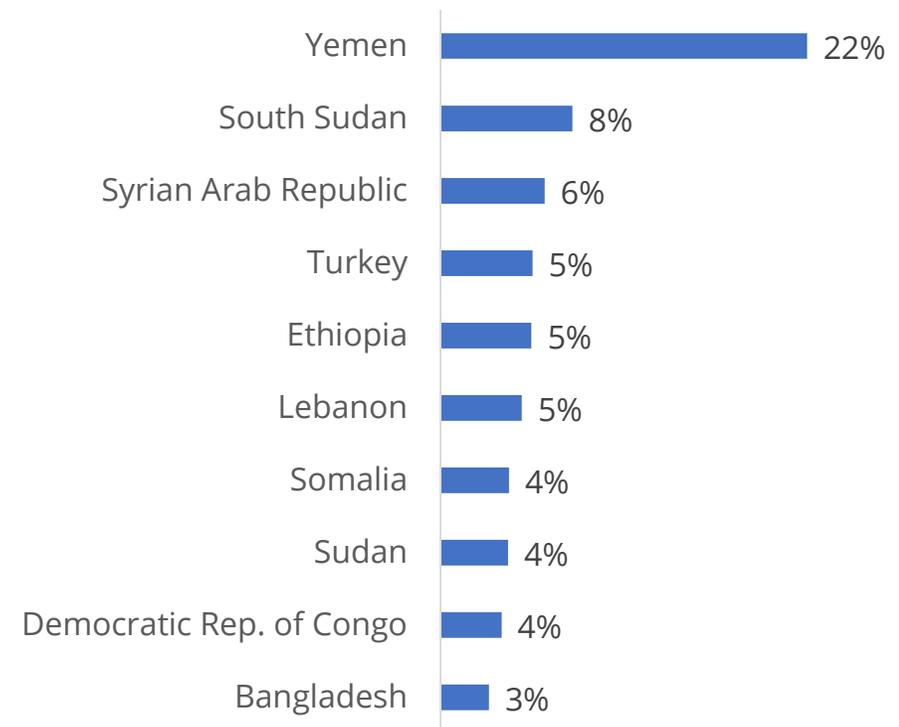
Contribution revenue

88% of contribution revenue of USD 8 billion are for programme category funds and directed to major emergencies and other large operations. The remaining balance of contribution revenue is for General Fund, Bilateral and Trust fund operations.

Contribution revenue distribution
by Regional Bureau

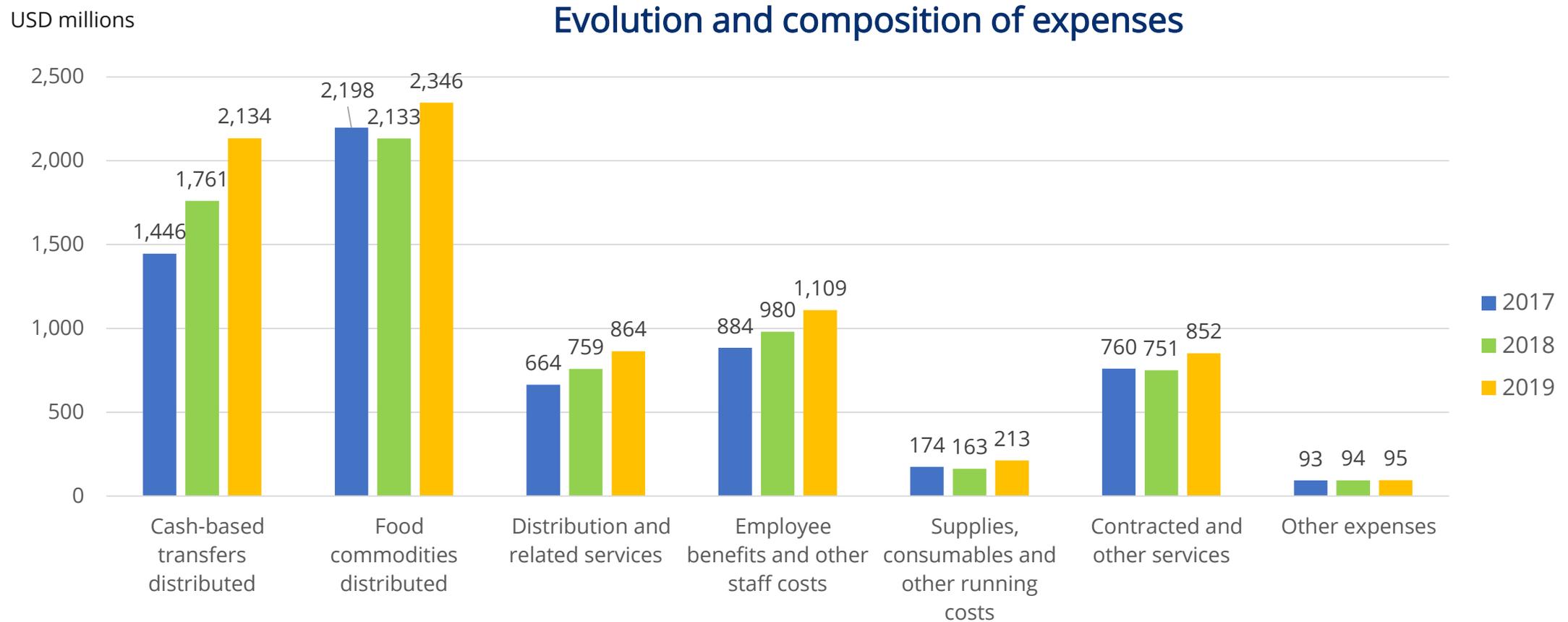


Top 10 Countries by Revenue
Distribution



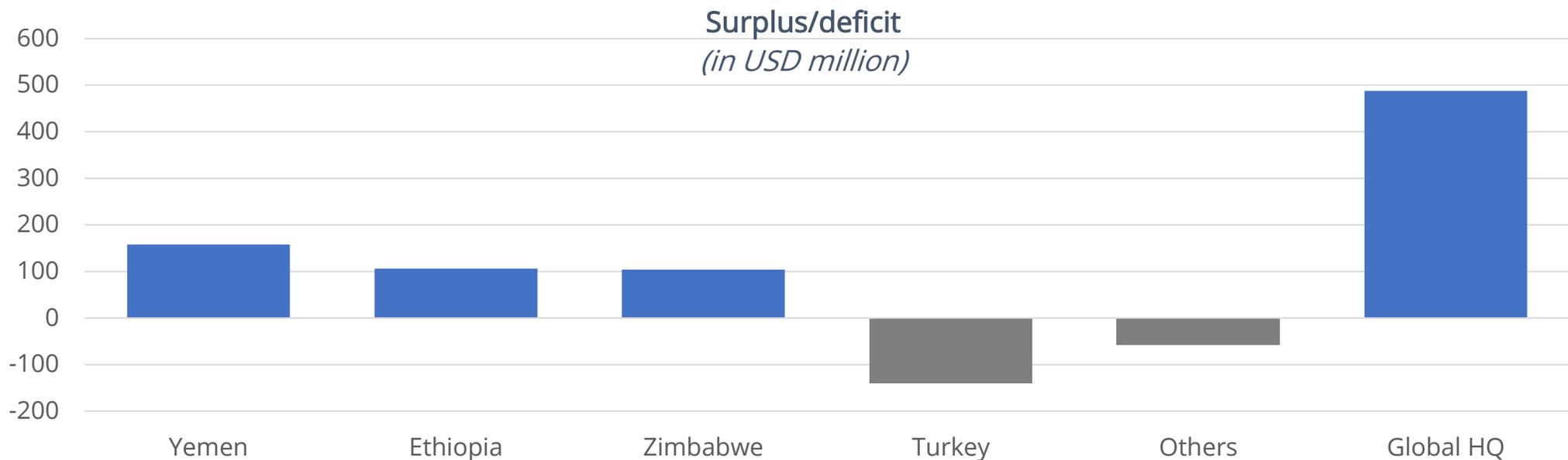
Expenses

Both cash-based transfers (CBT) and food commodities distributions increased in 2019, by USD 373.5 million (22%) and USD 213.4 million (10%), respectively. Growth in spending is also noted in all major cost categories.



Surplus/deficit

Higher increase in spending in 2019, resulted in 10 percent decrease in surplus. Over 50 percent of total surplus of USD 658 million realized in three large operations. Deficits arose as operations continued to utilize fund balances accumulated from previous periods. In general time lag between revenue recognition and spending remains a main factor for surpluses/deficits.



Statement I

- **Net assets** (WFP Fund Balances and Reserves) totalled **USD 5,870.0 million**. Out of total net assets, USD 4,947.2 million relate to programmes/CSPs, representing approximately six months of operational activity (six months in 2018).
- **Food inventories** stand at USD 919.6 million, an increase of 10% in value as a result of increase in mt held, from 1.6 million mt in 2018 to 1.8 million in 2019. 60 percent of inventories were held in six locations: Yemen, South Sudan, the Syrian Arab Republic, Sudan, Ethiopia and Somalia.
- The increase in total **employee benefits liabilities** of USD 287.4 million (37%) is mostly result of changes in actuarial assumptions, in particular, lower discount rate as well as update of assumptions based on recent experience studies. The increase due to discount rate change amounts to USD 219.9 million.
- Assets set aside in the form of **cash and long-term investments** (bonds and equities) for the funding of employee benefits liabilities totalled USD 764.9 million, an increase of USD 178.5 million (30%) from USD 586.4 million in 2018. This results in 75% funding level of liabilities (2018: 80%).

Statement V - Comparison of Budget and Actual Amounts

1
Final budget (USD 12 billion) is higher than original by USD 2.4 billion

- Primarily due to increases related to Yemen emergency
- Other increases were related to Mozambique, DRC, Somalia and Syrian Regional response

	Budget amount		Actual on comparable basis	Difference: final budget and actual	Implementation plan	Utilisation rate final budget
	Original budget	Final budget				
Project costs	-	-	100.3	(100.3)	-	
CSP costs						
SR.1 Everyone has access to food	6,122.8	7,848.8	5,154.7	2,694.1	5,871.9	66%
SR.2 No one suffers from malnutrition	889.0	998.6	409.6	589.0	673.5	41%
SR.3 to SR 7	653.6	736.2	357.2	379.0	489.2	49%
SR.8 Strengthening global partnerships	1,139.0	1,545.9	993.9	552.0	1,005.4	64%
Adjusted DSC	393.4	490.2	308.3	181.9	381.4	63%
Subtotal CSP costs	9,197.8	11,619.7	7,223.7	4,396.0	8,421.5	62%
Regular PSA	385.1	385.1	384.2	0.9	385.1	100%
Critical corporate initiatives	50.5	60.7	38.8	21.9	50.5	64%
Subtotal indirect costs	435.6	445.8	423.0	22.8	435.6	95%
Total	9,633.4	12,065.5	7,747.0	4,318.5	8,857.1	64%

2
Actuals represent 87% of the implementation plan (the plan as at 1 January 2020)

3
Utilization rate of the final budget is 64% compared to 68% in 2018

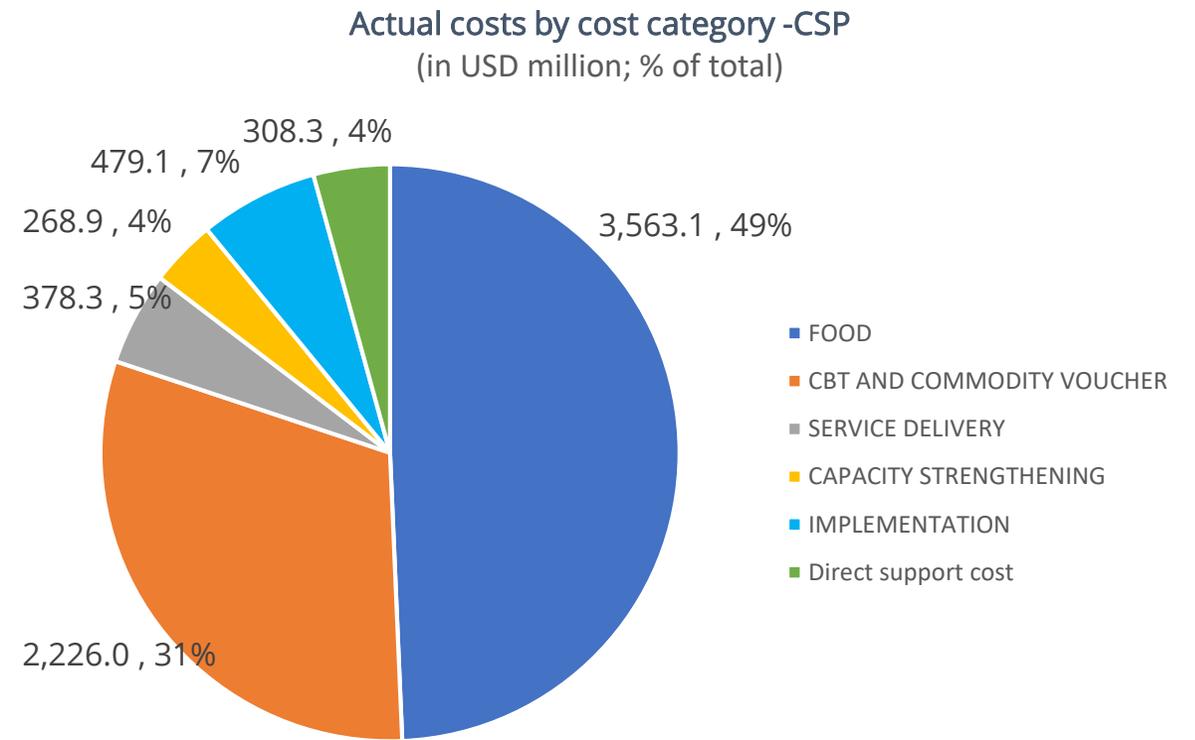
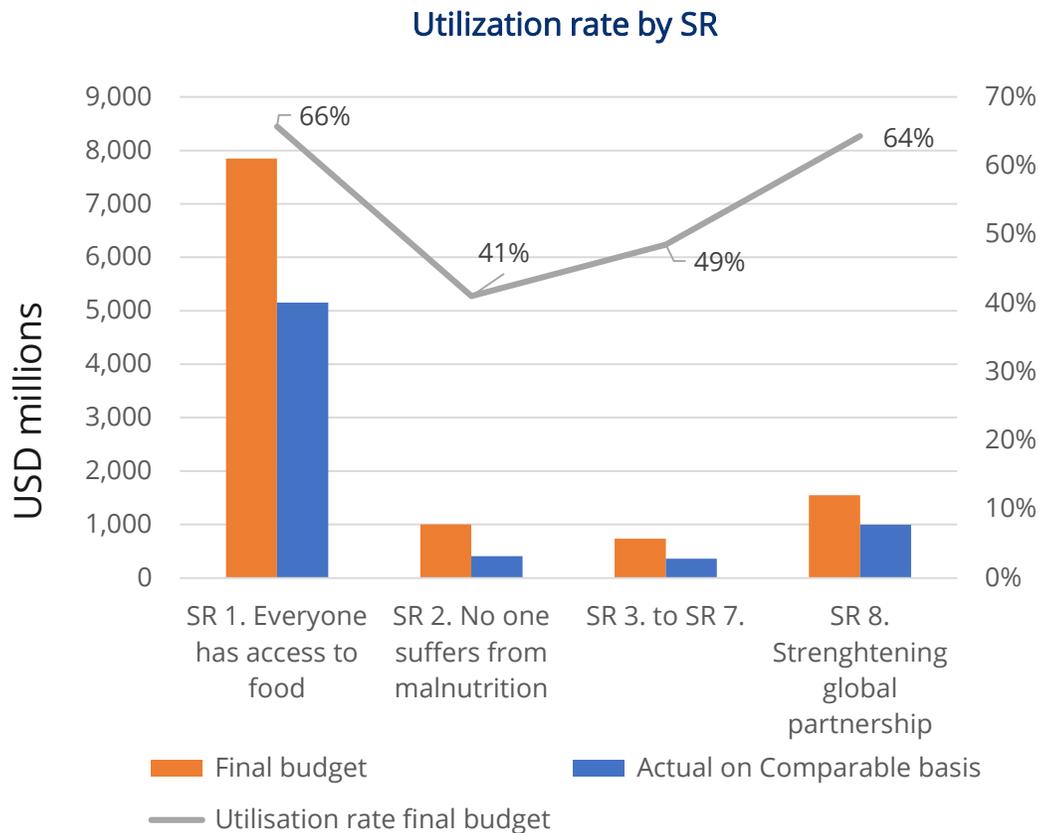
4
Largest CBT operations: Syrian refugees' emergency and Yemen

Largest food operations: Yemen, Syria, South Sudan and Ethiopia

Statement V - Comparison of Budget and Actual Amounts

Strategic Result 1. *Everyone has access to food* represented 68% of total CSP final budget and 71% of total actual costs.

Transfer costs accounted for 89% of CSP actual costs in 2019.



Key accountability and reporting documents

iii. Updates on External Audit Matters



Updates on External Audit Matters

The External Auditor and Secretariat will present the following External Audit-related documents at EB.A/2020:

- 2019 Annual Audited Accounts (*as seen in previous slides*)
- External Audit on WFP's Real Estate Portfolio, and Management Response
- External Audit on Air Transport, and Management Response
- Update on the Implementation of External Audit Recommendations

Key accountability and reporting documents

iv. External Audit on WFP's Real Estate Portfolio



External Audit on WFP's Real Estate Portfolio

The primary aim of the audit was to determine whether:

1. The inventory of real estate used by the Organization is accurate and sufficiently detailed;
2. The Organization's real estate strategy in terms of occupancy and space management is suited to its interests;
3. The day-to-day and financial management of premises is as cost effective as possible;
4. The Headquarters extension project will meet the needs of WFP, the timings are on track and it complies with the applicable standards;
5. WFP has taken all necessary measures to effectively contribute to the United Nations' target that 50 percent of premises should be shared by 2021.

External Audit on WFP's Real Estate Portfolio

The five main observations of the audit were:

1. The data available are not entirely reliable
2. The Organization needs to formalize its real estate strategy
3. There is room to improve the tools for day-to-day management.
4. The Headquarters premises are under pressure and calls for a thorough overhaul of working methods
5. Recommends that WFP headquarters remind country offices that priority is to be given to sharing office space through common premises.

Other Resources and Budgetary Matters

i. Replenishment of the Special Account for Wellness Programmes



Wellness at WFP: a 3x5 Corporate Strategy

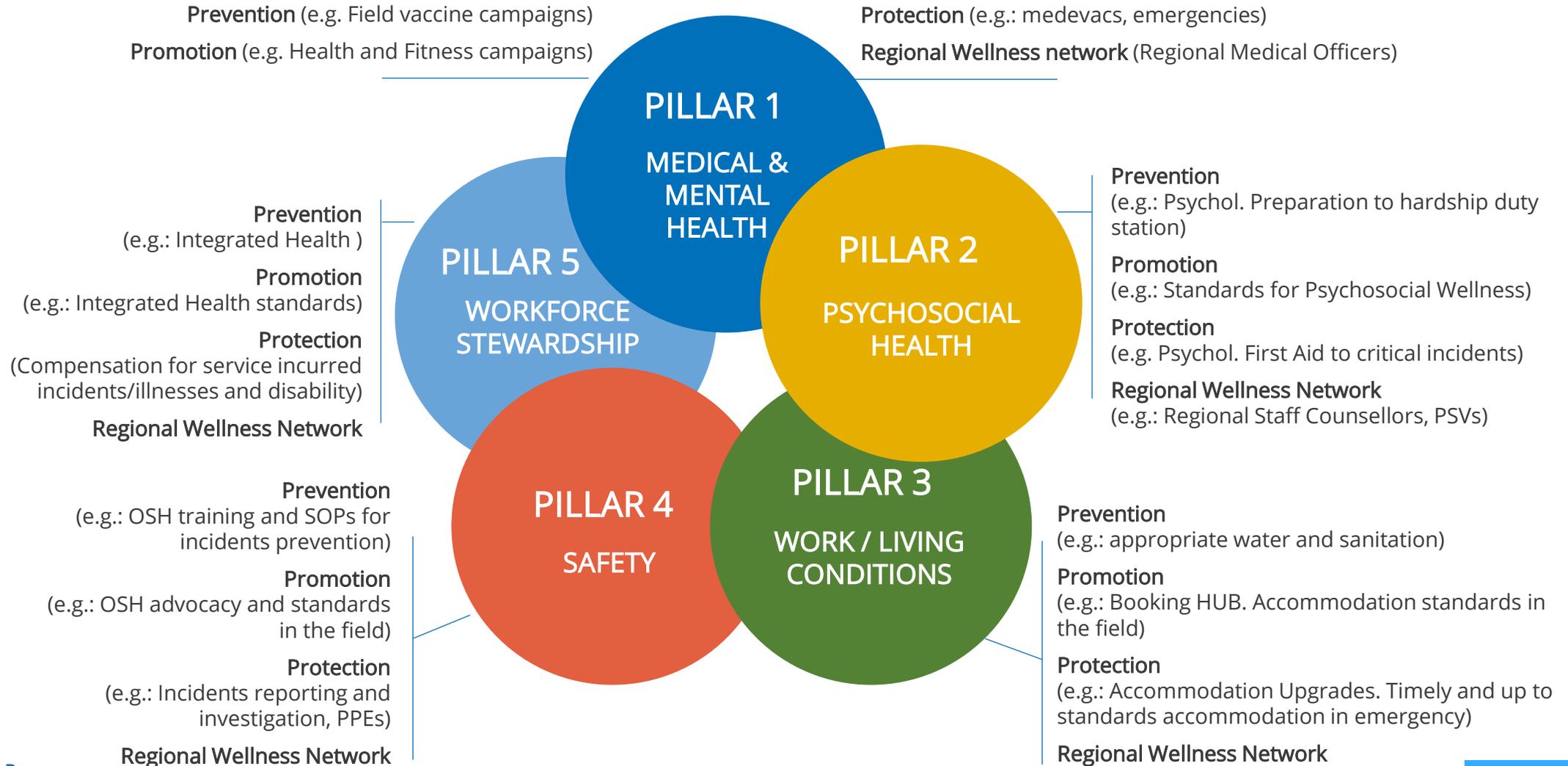
WFP's Wellness Strategy achieves impact through **three goals**:

Goal 1 – OneWellness: shift the focus

Goal 2 – Promoting a corporate culture of health

Goal 3 – Creating an enabling and supportive workplace

Wellness at WFP: a 3x5 Corporate Strategy

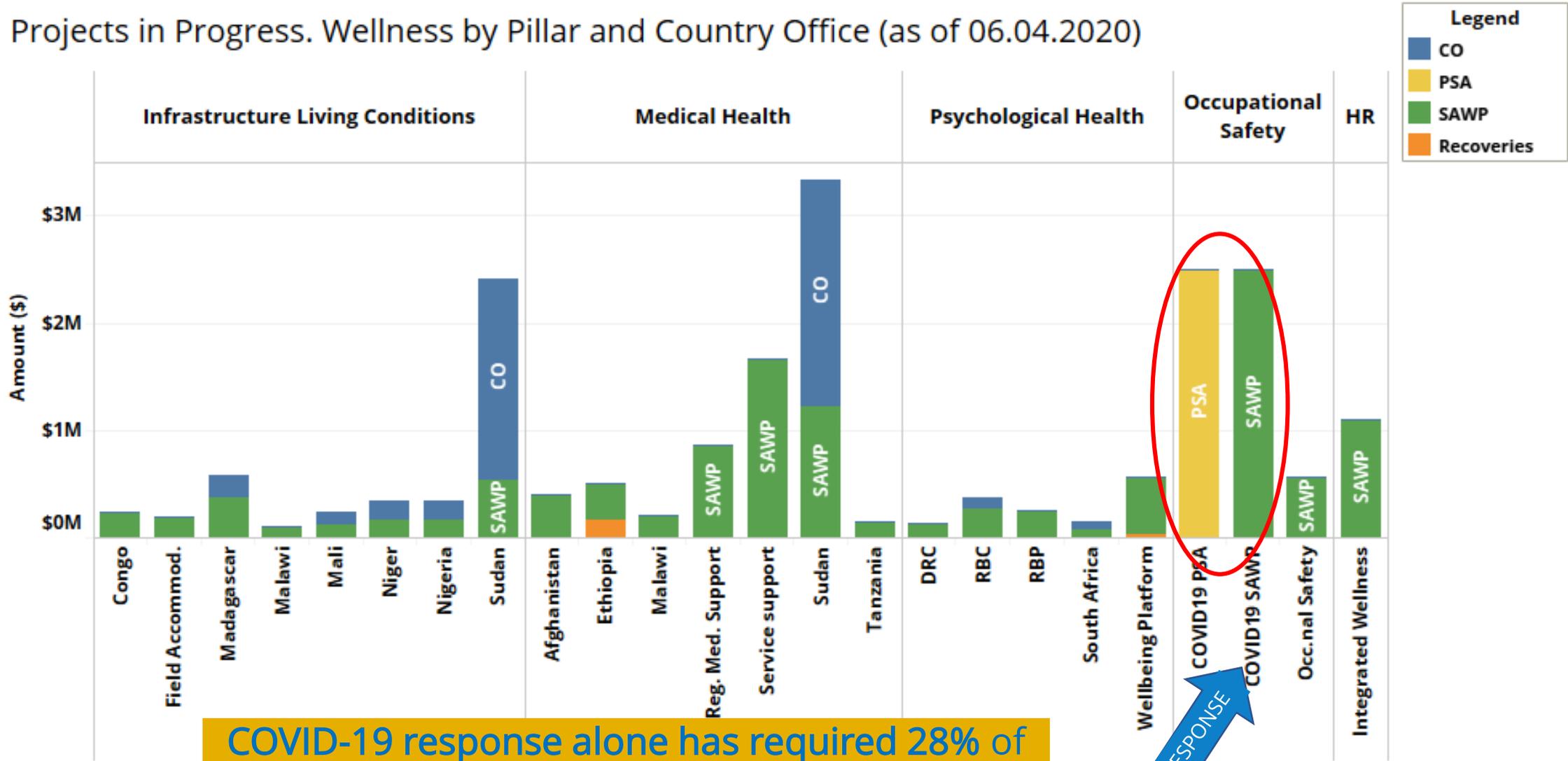


Wellness Funding to date

- **November 2015:** the EB authorized an allocation of **USD 10 million** from the PSA Equalization Account for the establishment of a Special Account aimed at providing seed funding for wellness projects globally and in the field in line with the WFP Wellness Strategy.
- **November 2017:** the EB authorised an allocation of **USD 8 million** from the PSA Equalization Account to replenish the Staff Wellness Programme Account and continue activities.

Wellness by Pillar and Country Office – Projects in Progress

Projects in Progress. Wellness by Pillar and Country Office (as of 06.04.2020)

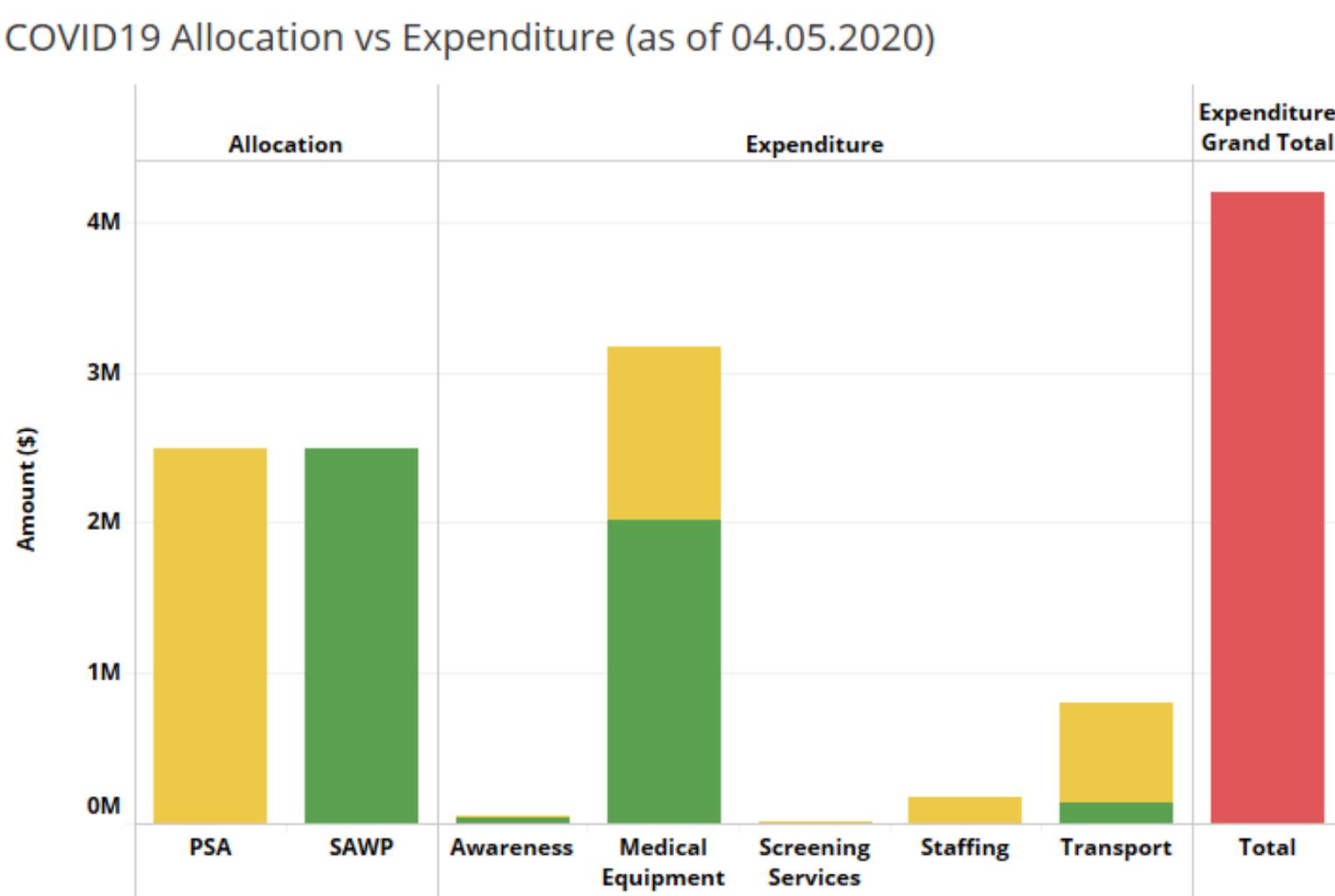


COVID-19 response alone has required 28% of global wellness funding allocations of the last 4 years

COVID-19 RESPONSE

Wellness by Pillar and Country Office – Projects in progress

COVID19 Allocation vs Expenditure (as of 04.05.2020)



Nearly 70% of the COVID-19 response allocation has been absorbed by Personal Protective Equipment and Office Hygiene Items and shipment to Country Offices

For Approval at EB.A/2020: USD 8 million in PSA EA funding for the Replenishment of the Special Account for Wellness Programmes

To provide critical funding for the continued implementation of wellness programmes that address prevalent health and safety risks facing WFP employees and their families, including:

Medical

Outbreak response & support for employees & dependents

Health screenings

Primary care & roving health teams

Ergonomic Program

Psychosocial

Improvement of Peer Support Programme

Team building support

Family support for mobile workforce

Digital support

Working / living

Support to Country Offices for critical upgrades of field compounds

Humanitarian Booking Hub

Safety

Ongoing implementation of Occupational Health & Safety management system

OSH policy implementation at HQ and regional levels

Workforce Stewardship

Integrated digital Wellness:

- *WFP Wellbeing*
- *Cigna Wellbeing*
- *Cigna Health Benefits*

Other Resources and Budgetary Matters

ii. WFP's Advance Financing Tools

Report on the utilization of WFP's advance financing mechanisms during the period 1 January–31 December 2019



WFP's Advance Financing Tools

**1**

Advance financing for release of funds to projects

Internal Project Lending (IPL) and Macro-Advance Financing (MAF), providing advances against forecasted contributions or overall income; Immediate Response Account (IRA), providing advances with no collateral for life-saving assistance

2

Advance financing for food purchase prior to requests from specific countries

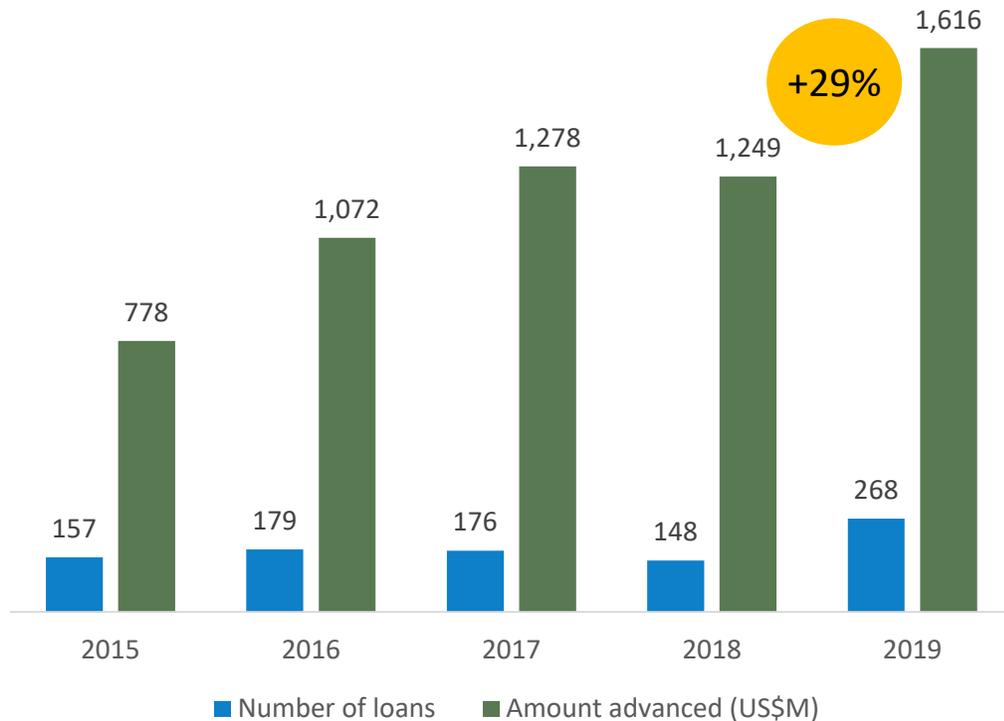
Global Commodity Management Facility (GCMF), purchasing food in advance of requests from country offices to reduce delivery lead-time

3

Advance financing for corporate services

Capital Budgeting Facility, allowing WFP to make investments in the efficiency and quality of corporate services, where there is a need for larger upfront investments

Internal Project Lending (IPL)



Used to provide advance spending authority against forecast contributions where no constraints on the use of the grants as collateral

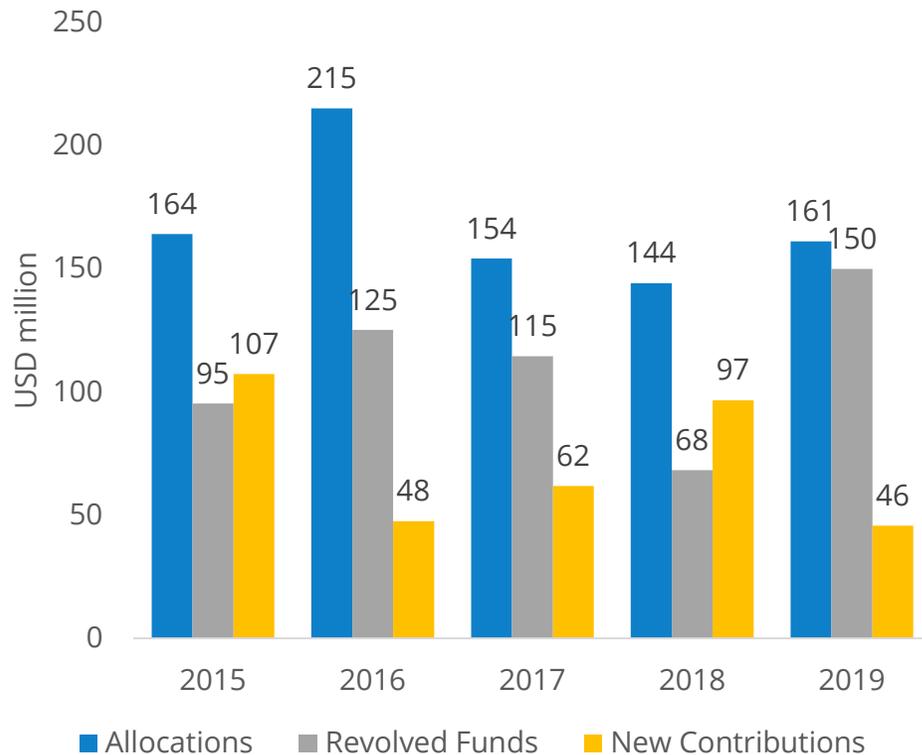
- IPL advances were made to **50 CSPs** in 2019
- **Increase of 29%** compared to 2018 as a result of increased cross-functional collaboration and donor engagement, leading to an increased number of contributions made available for advances.
- IPL advances allowed country offices to access funds **on average 46 days** before the actual contribution confirmation date

Macro Advance Financing (MAF)

Recipient Country	2019 needs-based plan (US\$M)	2019 implementation plan (US\$M)	MAF received in 2019 (US\$M)	MAF repaid (US\$M)
South Sudan	895.5	787.5	188.1	188.1
Yemen	2,157.1	1,985.2	8.6	8.6
Tajikistan	17.2	12.7	1.0	-
TOTAL	3,069.8	2,785.4	197.7	196.7

The MAF in South Sudan (coupled with GCMF) enabled the **annual prepositioning exercise**, with tens of millions US\$ saved in air transport cost; **increased flexibility** of contributions would allow wider use of MAF

Immediate Response Account (IRA)



Used to cover immediate pipeline breaks for life-saving food assistance

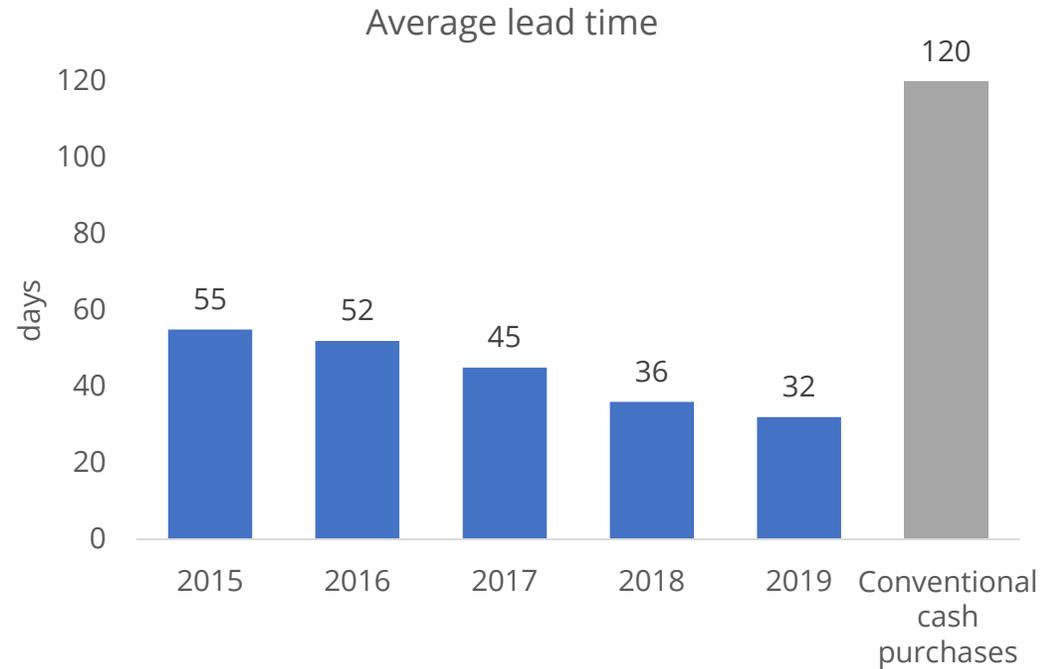
IRA allocations made during 2019 totalled **USD 161 million** and were utilized for **67 crisis response activities**

The largest IRA allocations were made to

- Mozambique (USD 40.5 million)
- Yemen (USD 25.4 million)
- South Sudan (USD 20.0 million)
- Zimbabwe (USD 14.5 million).

Other large allocations were made to Burkina Faso (USD 11.4 million), Myanmar (USD 7.0 million), the Central African Republic (USD 6.1 million) and DR Congo (USD 5.0 million)

Global Commodity Management Facility (GCMF)



WFP purchases food commodities in advance of contribution confirmation to reduce food delivery lead-time (especially in emergencies)

1.9 million metric tons (mt) of food delivered to 45 countries (1.1 million mt to L3 or L2)

Around 40% of the total volume of food handled by WFP

32 days average lead-time (73% reduction vs “conventional” process)

Other benefits include

- cost savings due to economies of scale and procurement at the right time
- support to regional and local procurement
- faster delivery of specialized nutritious food

Advance Financing for Corporate Services

The Capital Budgeting Facility (CBF) provides **upfront financing to capital projects** that can demonstrate quantifiable economic and efficiency benefits

- In 2019, one advance of **USD 2.0 million** was made from the CBF to the Libya ICSP, to enable opening a **UN hub in Benghazi**, in line with the Security Council briefings and request to the Special Representative of the Secretary-General
- The hub is providing **support and common services to humanitarian partners** inside Libya on a cost recovery basis
- The loan has been **repaid** through the terms and procedures agreed with participating UN agencies

Global Vehicle Leasing Programme credit line: **USD 15 million**

14 May	<ul style="list-style-type: none"> Briefing on the Management Plan (2021-2023) Discussion on Indirect Support Cost rate
27 May	<ul style="list-style-type: none"> Briefing on the 2019 Annual Performance Report
29 June–03 July	Annual Session of the Executive Board
21 July	<ul style="list-style-type: none"> 1st IC on the Management Plan (2021-2023)
15 September	<ul style="list-style-type: none"> 2nd IC on the Management Plan (2021-2023)
22 September	<ul style="list-style-type: none"> WFP Induction Session for new Members and Observers
16–20 November	Second Regular Session of the Executive Board

Annual Session (29 June–03 July)

Items for approval

- Annual Performance Report (APR) for 2019
- Audited Annual Accounts, 2019
- Replenishment of the Special Account for Wellness Programmes

Second Regular Session (16–20 November)

Item for approval

- WFP Management Plan (2021-2023)



THANK YOU

