

---

Distribution: General

Date: 17 February 2017

Original: English

Agenda Item 5

WFP/EB.1/2017/5/2

WFP/EB.1/2017/11-B/2

Resource, Financial and Budgetary Matters

Executive Board documents are available on WFP's Website (<http://executiveboard.wfp.org>).

---

## **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:

- Addendum to the WFP Management Plan (2017–2019) – Use of the PSA Equalization Account (WFP/EB.1/2017/5/1)
- Update on the Anti-Fraud and Anti-Corruption Policy (WFP/EB.1/2017/11-B/1)

## COPY OF LETTER RECEIVED FROM THE UNITED NATIONS — NEW YORK

Reference: AC/1977

Advisory Committee on  
Administrative and Budgetary Questions

16 February 2017

Dear Ms. Cousin,

Please find attached a copy of the report of the Advisory Committee on your submissions concerning:

- Addendum to the WFP Management Plan (2017–2019) – Use of the PSA Equalization Account (WFP/EB.1/2017/5/1);
- Update on the Anti-Fraud and Anti-Corruption Policy (WFP/EB.1/2017/11-B)

I should be grateful if you could arrange for the Advisory 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

Ms. Ertharin Cousin  
Executive Director  
World Food Programme  
Via Cesare Giulio Viola, 68-70  
00148 Rome, Italy

# WORLD FOOD PROGRAMME

## Resource, Financial and Budgetary Matters

### Report of the Advisory Committee on Administrative and Budgetary Questions

#### I. Introduction

1. The Advisory Committee on Administrative and Budgetary Questions has considered the Addendum to the WFP Management Plan (2017–2019) – Use of the Equalization Account (WFP/EB.1/2017/5/1) to be submitted to the WFP Executive Board for approval. The Advisory Committee also had before it the Update on the Anti-Fraud and Anti-Corruption Policy (WFP/EB.1/2017/11-B) to be submitted to the Executive Board for consideration.

During its consideration of the reports, the Advisory Committee met with the Assistant Executive Director and other representatives of the WFP Secretariat, who provided additional information and clarification, concluding with written responses received on 1 February 2017.

#### II. Addendum to the WFP Management Plan (2017-2019) - Use of the Equalization Account

2. In the Addendum to the Management Plan (2017–2019), the WFP Secretariat seeks the approval of the Board to utilise the Programme Support and Administrative (PSA) Equalization Account to implement a number of critical corporate initiatives in 2017 including the Integrated Road Map and other non-recurring investments. The report indicates that the Programme Support and Administrative (PSA) Equalization Account is one of WFP's financial reserves and is available as a safety net for periods when the annual PSA appropriation approved by the Board exceeds indirect support cost (ISC) income derived from donors' contributions (WFP/EB.1/2017/5/1, para. 3).
3. In 2015, the Board endorsed the use of the PSA Equalization Account for the following purposes: 1) to cover any differences between indirect support cost income and approved PSA expenditures; 2) as a reserve to underwrite the risk of decreased ISC income or under-funding of the PSA budget; 3) for Critical Corporate Initiatives (CCIs), aimed at improving the delivery of services to beneficiaries, or for thematic fund transfers, subject to Board approval; and for strengthening WFP's reserves, subject to Board approval (WFP/EB.1/2017/5/1, para. 5).
4. The WFP Secretariat is seeking the approval of its Board to allocate USD 13.5 million for critical corporate initiatives (WFP/EB.1/2017/5/1, para. 2) that would bring the closing balance of the PSA Equalization Account as of 31 December 2017 to USD 166.8 million (ibid, Table 1). As such, the approval is sought for:

(a) Implementation of WFP's Integrated Road Map (IRM) (USD 8.2 million) is proposed to respond to the 2030 Agenda and the Sustainable Development Goals aimed at addressing poverty, hunger and inequality. The Addendum indicates integration of the Road Map's individual components<sup>1</sup> will improve the effectiveness of programmes, maximize transparency, communicate value more clearly, enhance collaboration with partners and support performance-based resource allocations (ibid, para. 11).

---

<sup>1</sup> Namely the Strategic Plan (2017–2021), the policy on Country Strategic Plans (CSPs), the Financial Framework Review and the Corporate Results Framework

- (b) Cost excellence initiatives (USD 3.3 million) to reduce costs and improve efficiency, while investing in strategic priorities. The emphasis in 2017 is on improving processes, particularly those with a high transaction volume, that have the potential to yield significant financial savings and enable field offices to focus on more significant, value-added work in functional areas such as finance, management services, human resources, IT and supply chain (ibid, para. 39).
- (c) Expanded coverage of country portfolio evaluations (USD 1.5 million) in an effort to achieve the norms set in the Evaluation Policy (2016–2021) (ibid, para. 46).
- (d) Strengthening of WFP’s emergency preparedness and response capacity (USD 500,000) to increase operational readiness and its ability to trigger early responses (ibid, para. 47).
5. Concerning the implementation of the IRM, WFP has identified a budget requirement of USD 30.4 million, of which USD 22.2 million will be from the reprioritisation of resources within WFP and USD 8.2 million requested from the Equalization Account (see above). In this regard, the Secretariat of WFP indicates that the incremental budget for the IRM in its entirety is estimated at USD 45.36 million (ibid, Table 2; footnote 9) including the reprioritisation of USD 14.94 million worth of staff resources. Upon enquiry, the Committee was provided with a breakdown regarding the total IRM investment requirement which is reflected in the table below.

**Table 1: Breakdown of IRM Funding Requirements**

		<b>Total IRM investment</b>	<b>Reprioritised staff</b>	<b>Incremental budget</b>
		USD m	USD m	USD m
<b>1</b>	IRM Structure	3.51	2.03	1.48
<b>2</b>	Other costs for CSP and FFR	9.04		9.04
<b>3</b>	IT Costs	8.35		8.35
<b>4</b>	Field (Regional Bureaux)	16.37	7.39	8.98
<b>5</b>	Other HQ costs	8.09	5.52	2.57
		-----	-----	-----
		<b>45.36</b>	<b>14.94</b>	<b>30.42</b>

6. As regards the reprioritisation of existing resources (ibid, Table 5), the report states that USD 16.86 million will derive from actions under management authority (ibid, para. 38). A breakdown of the total corporate reprioritisation was provided to the Committee upon request and is reflected in Table 2 below.

**Table 2: Breakdown of Total Corporate Reprioritisation Requirements**

		<b>USD m</b>
<b>1</b>	PSA Staff Savings	2.00
<b>2</b>	Corporate training	1.83
<b>3</b>	Global Staff Survey (to be deferred)	0.16
<b>4</b>	Cost Excellence savings	1.50
<b>5</b>	Utilization of available surpluses from Special Accounts	4.37
<b>6</b>	Balances carried forward from existing allocations for IRM	2.50
<b>7</b>	Termination Indemnity Fund excess reprioritized for IRM	4.50
		-----
		<b>16.86</b>

7. The Advisory Committee recognises that WFP has conducted an assessment of existing deployable capacity prior to requesting funding through the PSA Equalization Account and that the WFP Secretariat is taking the initiative to reallocate staff capacity where it is needed. However the Committee notes that proposed use of the Termination Indemnity Fund (USD 4.5 million) was not clearly indicated in the report nor were other relevant financial details that were subsequently provided to the Committee, upon request, particularly as indicated in Tables 1 and 2 above. Furthermore, the Committee notes that neither the determination of the IRM's estimated incremental budget nor the reprioritised staff capacity were clearly explained in the report, nor was the impact of reallocating staff to the IRM from other activities.
8. **The Advisory Committee stresses the need for a clear, consistent and comprehensive presentation of estimated requirements in all proposals submitted. In this connection, all future information provided in connection with the requirements of the Integrated Road Map should be improved in terms of the requisite level of detail and clarity.**
9. The WFP Secretariat is also seeking approval for an allocation of USD 5.3 million for the purpose of other critical corporate initiatives in 2017 as indicated in paragraph 4 ((b), (c) and (d)) above. Again the Committee notes that the information presented in the report requires greater clarity and coherence. In terms of the increased coverage of country portfolio evaluations, the Committee was informed, upon enquiry that USD 1.5 million of additional resources is required to conduct strategic, country and operational evaluations, of which USD 430,000 would be required for 3 additional staff positions and USD 400,000 for one strategic evaluation. A detailed breakdown of the proposed evaluations to be conducted, as well as the related staffing requirements, was not included in the original report. **The Advisory Committee is of the view that the information provided in relation to the requirements of the Other Critical Corporate Initiatives should be presented with much greater clarity and detail and trusts that in future such information will be made available to the Executive Board. In this regard, the Committee is also of the view that the Board could benefit from receiving more detailed information in terms of the expected outcomes of the planned evaluations.**
10. **Subject to its comments and recommendations above, the Advisory Committee recommends the approval of the utilisation of the Programme Support and Administrative (PSA) Equalization Account to implement the Integrated Road Map and other critical corporate initiatives in 2017 in the amount of USD 13.5 million.**

### III. Update on the Anti-Fraud and Anti-Corruption Policy (WFP/EB.1/2017/11-B)

11. This document provides an update on WFP's Anti-Fraud and Anti-Corruption Policy approved by the Executive Board at its Annual Session in May 2015 (WFP/EB.A/2015/5-E/1), building on an earlier version first approved in 2010. The updated document reflects enhanced efforts in recent years to counter fraud and corruption including through improved tools and capacity and accountability mechanisms. In addition WFP indicates that 13 of the 15 recommendations issued by the Joint Inspection Unit in its Report on "Fraud Prevention, Detection and Response in United Nations System Organizations" (JIU/REP/2016/4) have been implemented with the remaining two recommendations concerning a corporate fraud risk assessment and development of an anti-fraud action plan to be implemented during 2017 (WFP/EB.1/2017/11-B, para. 62).
12. The update includes specific detail on fraud prevention measures including, inter alia: the "three lines of defence" approach recommended by the Institute of Internal Auditors (IIA) to counter fraud and corruption; the development of an internal control system along with the preparation of "Statement of internal control"; implementation of the Enterprise Risk Management framework; and clarifying and enhancing the obligations of vendors, suppliers and contractors. The document also provides details concerning relevant training undertaken by staff as well as fraud reporting and investigative procedures.
13. The update indicates that since 2015 WFP's Office of the Inspector General (OIG) has focused more on fraud and corruption investigations with a corresponding increase in reporting of fraud and corruption leading to 27 dismissals in 2015 compared to 7 in 2014 (ibid, para. 48). The Committee was informed, upon enquiry, that following a shift in focus towards the most critical business and reputation risks to the organization, WFP saw a doubling in the number of fraud and corruption investigations from 2014 to 2015. Further, in cases where fraud was identified, the majority of related monies had been recovered (ibid, Annex I). The Committee was also informed, upon enquiry, that an increase in the number of dismissals for proven cases of staff fraud acts as a strong deterrent and should contribute to a subsequent decrease over the long term in both the number of internal fraud and corruption cases and dismissals. **The Committee commends WFP's work to date on the prevention of fraud and corruption. The Committee also affirms the importance of fraud detection as a deterrent and encourages WFP to share the experience gained in preventing, detecting and investigating cases of fraud and corruption with other UN system organisations.**