

Informal Consultation on Resource Management – 8 May 2014



World Food Programme

List of Documents to be presented at the EB.A/2014 under “Resource, Financial and Budgetary Matters”

For approval:

1. Annual Audited Accounts, 2013
2. Appointment of Two Members to the Audit Committee
3. Appointment of Two Executive Board Members to the Selection Panel for the Appointment of three Audit Committee Members
4. Financial Framework Review

For consideration:

1. Annual Report of the Audit Committee
2. Annual Report of the WFP Inspector General
3. Note by the Executive Director on the Annual Report of the WFP Inspector General
4. Report of the External Auditor on Food Procurement in WFP
5. WFP Management Response to the Recommendations of the Report of the External Auditor on Food Procurement in WFP
6. Report of the External Auditor on United Nations Humanitarian Response Depot

List of Documents to be presented at the EB.A/2014 under “Resource, Financial and Budgetary Matters”

For consideration (con’t):

7. WFP Management Response to the Recommendations of the Report of the External Auditor on the United Nations Humanitarian Response Depot
8. Report on the Implementation of the External Auditor Recommendations

For information:

1. Report of the Executive Director on the Utilization of Contributions and Waivers of Cost (General Rules XII.4 and XIII.4 (h))
2. Report on the Utilization of WFP’s Advance Financing Mechanisms (1 January – 31 December 2013)

Agenda for today

- **Annual Audited Accounts 2013 and the Statement on Internal Control**
- **Annual Performance Report for 2013**
- **Financial Framework Review**

Key elements of the 2013 Financial Statements

Informal Consultation on Resource Management
8 May 2014



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Structure of presentation

1. Preparation of the 2013 Financial Statements
Timeline, Structure of F/S, Accounting Policies
2. Financial Performance for the Year ended 31 December 2013
3. Financial Position as of 31 December 2013
4. Comparison of Budget and Actual Amounts for the Year ended 31 December 2013
5. Statement on Internal Control

1. Preparation of the 2013 Financial Statements



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Preparation of the 2013 Financial Statements

- 17 Feb: Full set of draft 2013 Financial Statements including Notes submitted to External Auditor
- 19 Mar: Presented to Audit Committee
- 26 Mar: Signed by Executive Director
- 8 May: To be presented to Board members in Informal Consultation on Resource Management
- 12 May: To be reviewed by FAO Finance Committee
- 19 May: To be reviewed by ACABQ
- 4 Jun: To be presented to Executive Board

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 on 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.

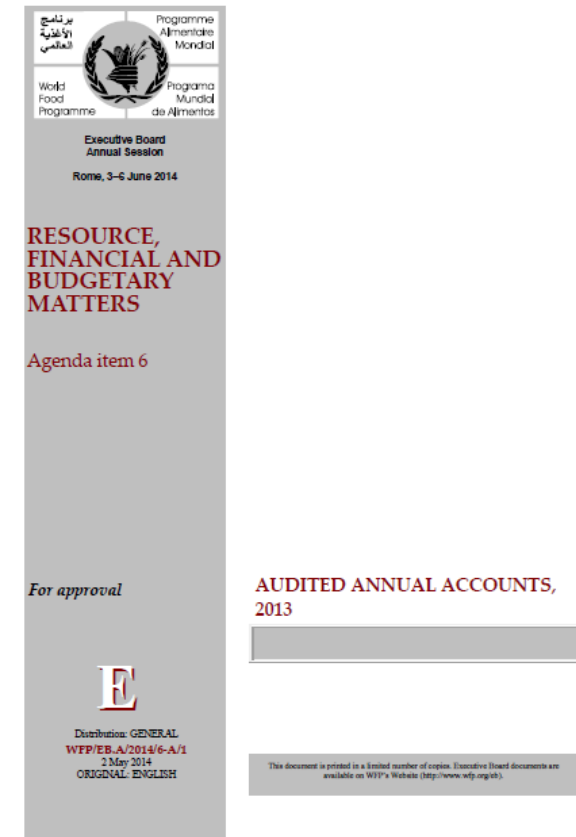
Key statements are:

- ❖ Statement I – states the financial position of WFP as of 31 December 2013
- ❖ Statement II – states the financial performance of WFP for 2013
- ❖ 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



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 its 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 Instruments

- 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 values.
- ✓ 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

2. Financial Performance for the year ended 31 December 2013



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Statement II - Statement of Financial Performance

(Financial Statements 2013, Statement II, page 22)

(USD million)	2013	2012
REVENUE		
Monetary contributions	3,868.4	3,338.0
In-Kind contributions	511.2	706.3
Other revenue	156.2	167.1
TOTAL REVENUE	4,535.8	4,211.4
EXPENSES		
Cash and vouchers distributed	498.1	191.8
Food commodities distributed	2,053.4	2,264.6
Distribution and related services	578.6	602.5
Wages, 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
SURPLUS (DEFICIT) FOR THE YEAR	21.0	(184.3)

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

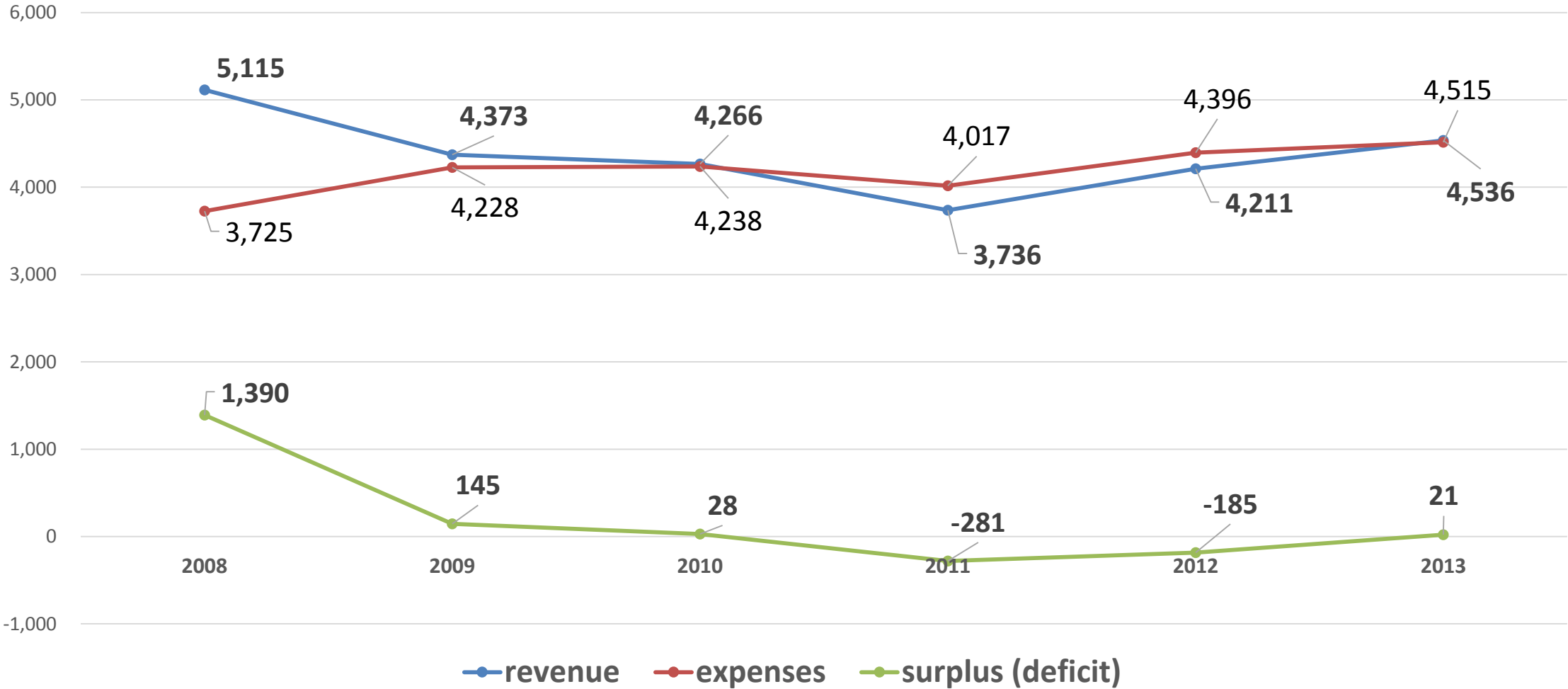
Total expenses increased by 3%

Cash and vouchers distributed increased by 160% - reflects 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

Surplus (Deficit) Evolution 2008-2013: Revenue less Expenses

(USD million)



Relationship Between Financial Performance and Financial Position

Statement I: Statement of Financial Position

Statement II: Statement of Financial Performance

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WORLD FOOD PROGRAMME
STATEMENT I
STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2013
(USD millions)

Note	2013	2012
ASSETS		
Current assets		
Cash and cash equivalents	2.1 652.7	438.5
Short-term investments	2.2 783.5	835.5
Contributions receivable	2.3 1 774.1	1 723.9
Inventories	2.4 664.9	709.9
Other receivables	2.5 137.4	147.9
	4 012.8	3 866.7
Non-current assets		
Contributions receivable	2.3 165.7	202.4
Long-term investments	2.6 427.5	352.7
Property, plant and equipment	2.7 110.7	110.5
Intangible assets	2.8 15.9	24.1
	719.8	689.7
TOTAL ASSETS	4 732.4	4 546.4
LIABILITIES		
Current liabilities		
Payables and accruals	2.9 499.0	415.2
Provisions	2.10 10.7	14.3
Employee benefits	2.11 23.7	19.5
Loans	2.12 32.8	5.8
	668.2	464.8
Non-current liabilities		
Employee benefits	2.11 398.1	365.1
Long-term loan	2.13 95.4	101.2
	493.5	466.3
TOTAL LIABILITIES	1 068.7	821.1
NET ASSETS	3 672.7	3 624.3
FUND BALANCES AND RESERVES		
Fund balances	7.1 3 400.2	3 351.2
Reserves	2.15 272.5	273.1
TOTAL FUND BALANCES AND RESERVES	3 672.7	3 624.3

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

Signed on original
Ertharin Cousin
Executive Director

Rome, 26 March 2014




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

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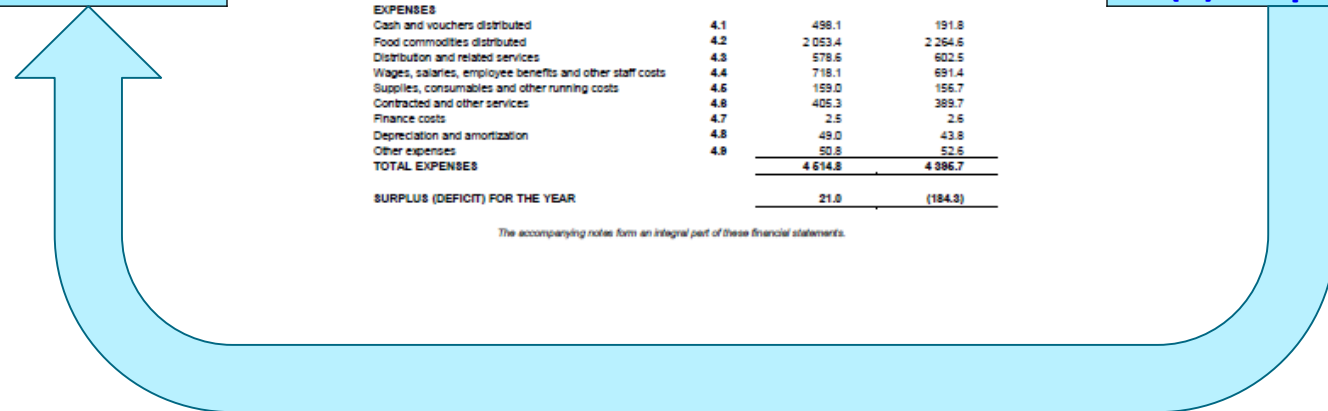
WORLD FOOD PROGRAMME
STATEMENT II
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 31 DECEMBER 2013
(USD millions)

	2013	2012
REVENUE		
Monetary contributions	3.1 3 868.4	3 338.0
In-kind contributions	3.2 511.2	706.3
Currency exchange differences	3.3 19.8	42.6
Return on investments	3.4 20.1	24.0
Other revenue	3.5 116.3	100.5
TOTAL REVENUE	4 636.8	4 211.4
EXPENSES		
Cash and vouchers distributed	4.1 498.1	191.8
Food commodities distributed	4.2 2 053.4	2 264.6
Distribution and related services	4.3 578.6	602.5
Wages, salaries, employee benefits and other staff costs	4.4 718.1	691.4
Supplies, consumables and other running costs	4.5 159.0	156.7
Contracted and other services	4.6 405.3	389.7
Finance costs	4.7 2.5	2.6
Depreciation and amortization	4.8 49.0	43.8
Other expenses	4.9 50.8	52.6
TOTAL EXPENSES	4 614.8	4 386.7
SURPLUS (DEFICIT) FOR THE YEAR	21.0	(184.3)

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



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



3. Financial Position as of 31 December 2013



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Statement I - Statement of Financial Position

(Financial Statements 2013, Statement I, page 21)

USD million	31.12.2013	31.12.2012
Cash and cash equivalents	652.7	438.5
Short-term investments	783.5	835.5
Contributions receivable	1,774.1	1,723.9
Inventories	664.9	709.9
Other receivables	137.4	147.9
TOTAL Current Assets	4,012.6	3,855.7
TOTAL Non-current Assets	719.8	689.7
Total Current Liabilities	(566.2)	(454.8)
Total Non-current Liabilities	(493.5)	(466.3)
TOTAL NET ASSETS	3,672.7	3,624.3
Fund Balances	3,400.2	3,351.2
Reserves	272.5	273.1
TOTAL FUND BALANCES AND RESERVES	3,672.7	3,624.3

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 2013, Notes 2.1, 2.2, 2.6, pages 32-33, 38-39)

	31.12.2013	31.12.2012	Change (USD M)	Change (%)
Cash and cash equivalents	652.7	438.5	214.2	49
Short-term investments	783.5	835.5	(52.0)	(6)
Long-term investments	427.5	352.7	74.8	21
Total Cash and Investments	1,863.7	1,626.7	237.0	15

Increase in cash and short-term investments mainly from operational activities – increase in contribution revenue

Increase in long-term investments due to:

- 1) increased value of invested assets
- 2) cash set aside for amounts charged for employee benefit liabilities

Contributions receivable

(Financial Statements 2013, Notes 2.3, pages 33-35)

Year of confirmation	31.12.2013		31.12.2012	
	USD M	%	USD M	%
2013	1,695.6	83		
2012	262.5	13	1,585.5	78
2011 and earlier	84.5	4	439.5	22
Subtotal	2,042.6	100	2,025.0	100
Revaluation (non-USD contribution receivables)	(20.1)	-	(8.6)	-
Total Contributions Receivable before allowance	2,022.5	100	2,016.4	100
Allowance for reductions in contribution revenue	(63.6)		(76.0)	
Allowance for doubtful accounts	(19.1)		(14.1)	
Net Contributions Receivable (short term and long term)	1,939.8		1,926.3	

Average collection period was 5.5 months in 2013 compared to 6.0 months in 2012

Food and non-food inventory and Food inventory turnover ratio

(Financial Statements 2013, Notes 2.4, pages 35-37)

The value of food and non-food inventory at end of 2013 decreased by USD 45.0 million from 2012

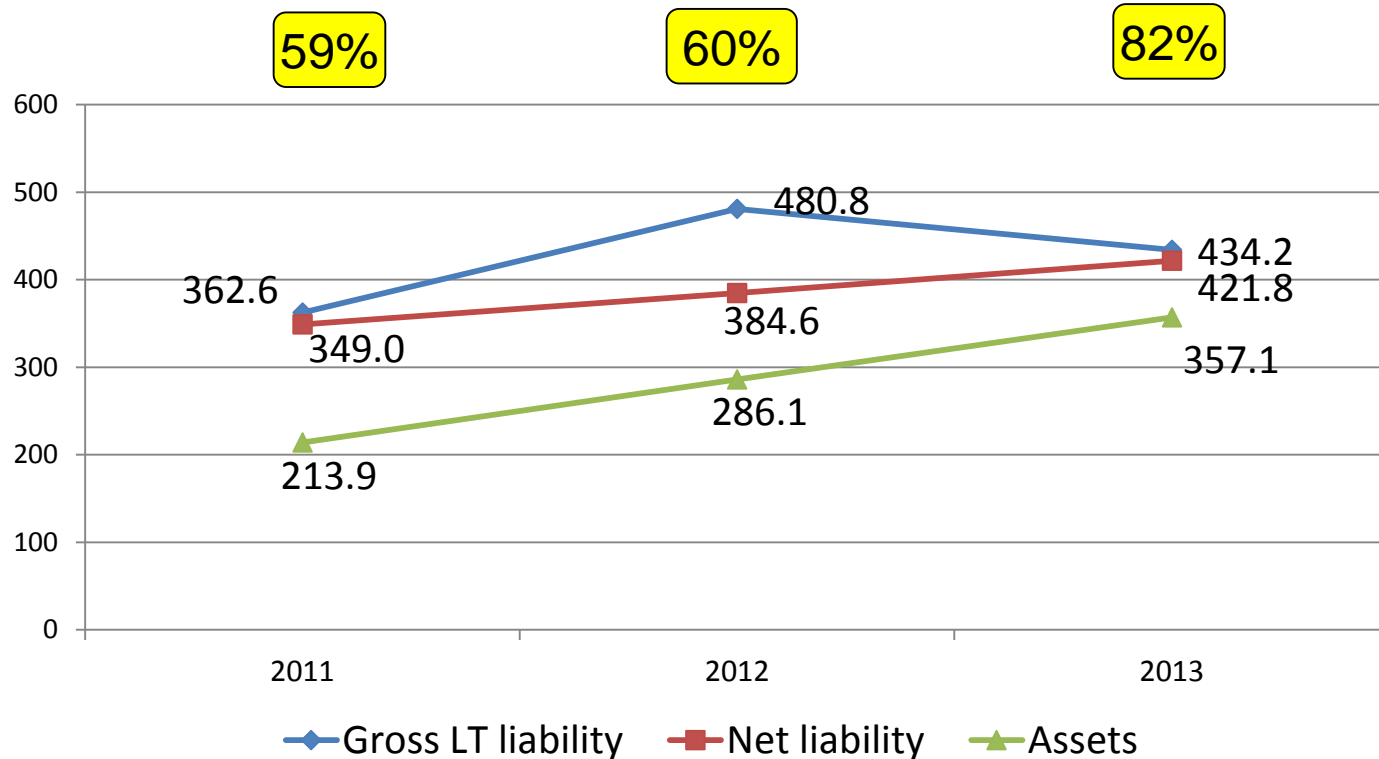
	31.12.2013	31.12.2012	Change (USD M)	Change (%)
Food Inventory	648.8	694.4	(45.6)	(7)
Non-food items	16.1	15.5	0.6	4
Total Inventory	664.9	709.9	(45.0)	(6)

Inventory turnover ratio shows that WFP has on average 4.1 months of inventory on hand.

	31.12.2013	31.12.2012
Food distributed in MT	3.2	3.6
Average MT held	1.1	1.2
Inventory balance held in months	4.1	3.8

Employee Benefit Liabilities

(Financial Statements 2013, Note 2.11, pages 42-50; and Note 2.6, pages 38-39)



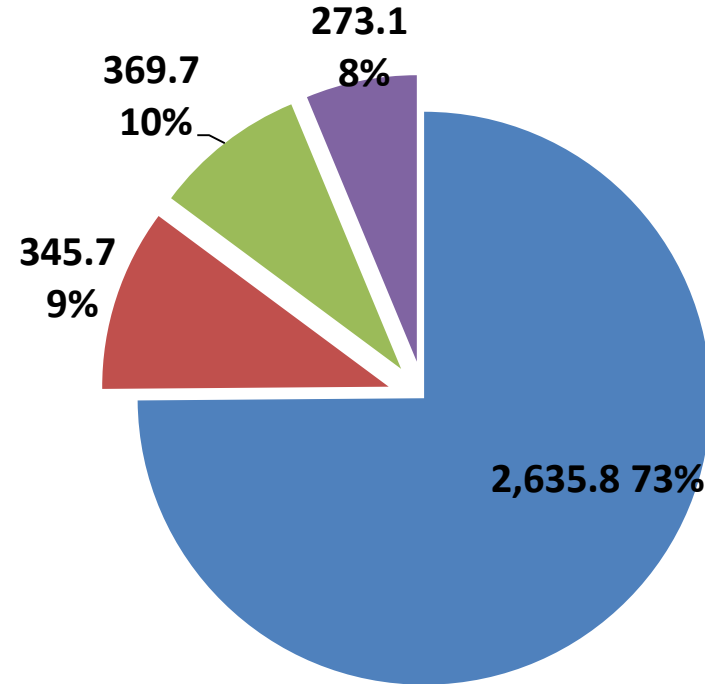
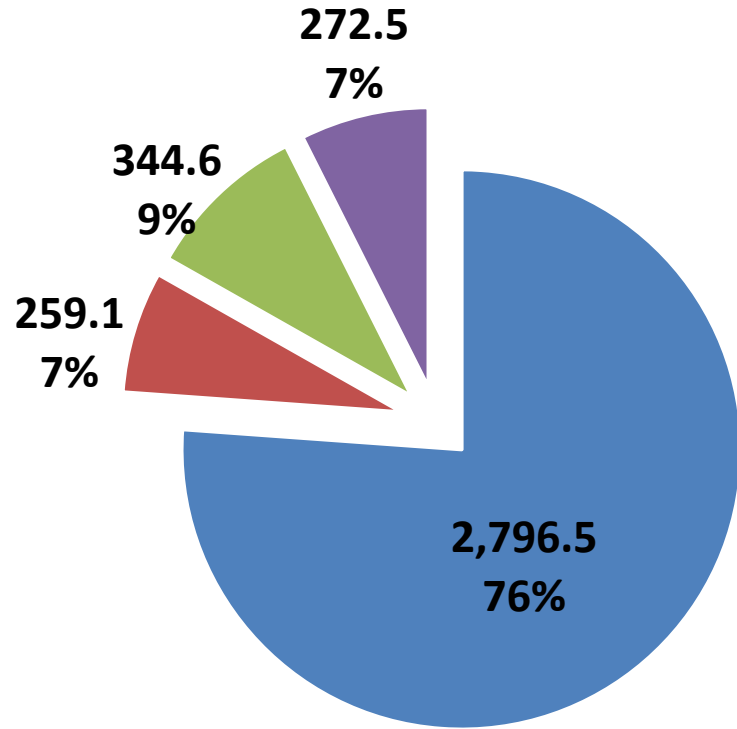
Gross LT liability decreased in 2013 primarily due to the increase in discount rate used in valuation

Net liability increased in 2013 primarily due to the increase in earned benefit entitlement

A funding plan to provide for the unfunded employee benefit includes an incremental annual funding of USD 7.5m in the standard staff cost over a 15-year period starting in 2011 with a view to achieving fully funded status at the end of this period.

WFP's fund and reserve balances

(Financial Statements 2013, Note 2.15, pages 57-59)



- Programme Category Funds
- General Fund and Special Accounts
- Bilaterals and Trust Funds
- Reserves

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

Total fund and reserve balances increased by USD 48.4m from USD 3,624.3m in 2012 to USD 3,672.7m in 2013

4. Comparison of Budget and Actual Amounts for the Year ended 31 December 2013



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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
Direct 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

5. Statement on Internal Control



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Overview of Statement on Internal Control 2013

2013 is the third year for which a ‘Statement on Internal Control’ will be produced

- Global best practice to assure stakeholders and demonstrate accountability
- To be signed by the ED and published with Annual Financial Statements (June 2014)

Directors were required to submit an “Assurance Statement” on internal control for their Office/Division to form the primary basis of ED Statement

- DED/AEDs and RDs reviewed and cleared the responses provided by Departments/Offices reporting to them
- Other evidences considered

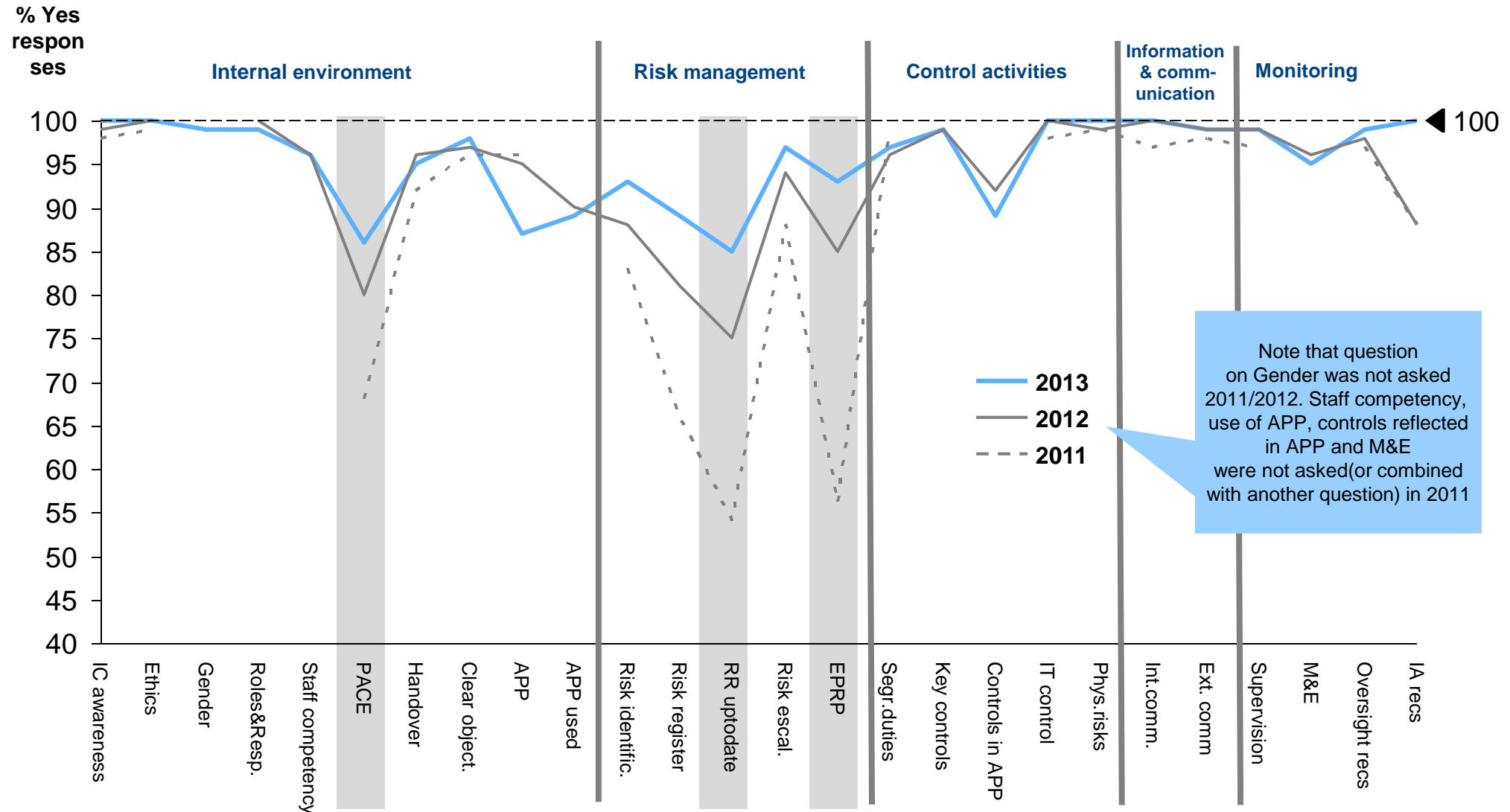
100% of Directors within WFP have submitted their Assurance Statement

Analysis indicates progress in strengthening internal control systems within WFP compared to last year, but there are still areas of improvement

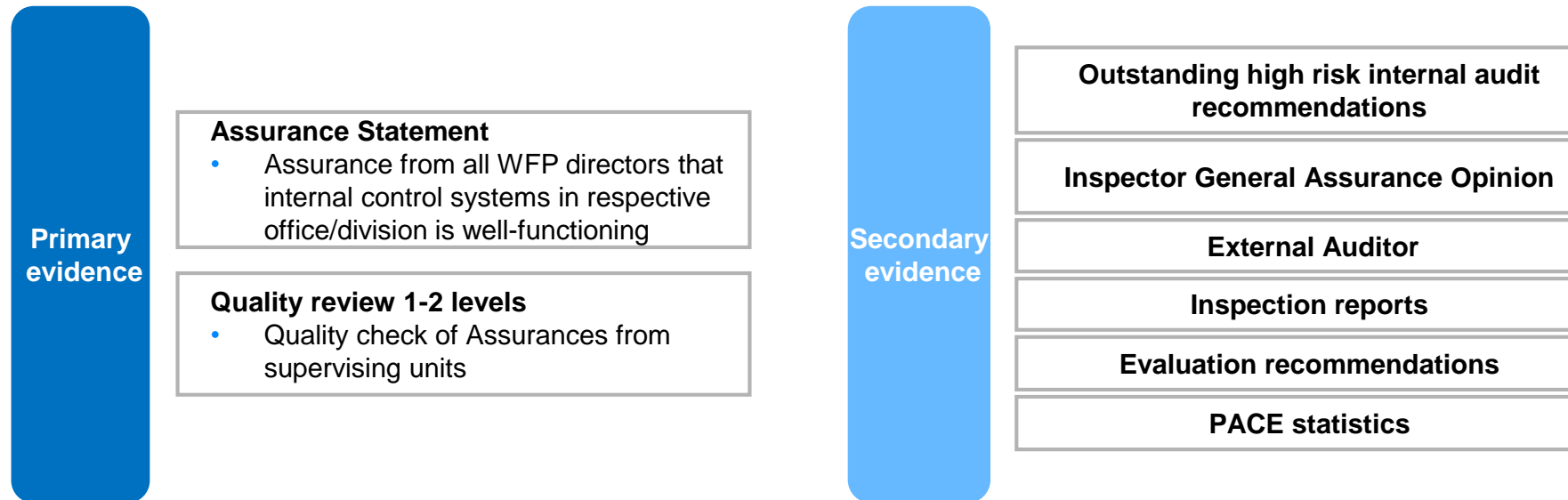
- Issue on segregation of duties considered closed this year as significant improvement and high risk Internal Audit recommendation closed
- Other four areas previously reported on (Risk mgmt, EPRP, PACE and M&E) will need further improvement actions

Final results were communicated to all Offices/Division in April – to create basis for internal discussions

Assurance statements 2013 reveal some improvements from last year in internal control within WFP



Different sources are used to identify the effectiveness of the organization's internal control systems and spot weaknesses



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

Improvement areas 2012	Progress 2013		
<p>1 Full implementation of the enterprise risk management strategy</p>	<p>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)</p>		
<p>2 Further implementation of emergency preparedness strengthening initiatives</p>	<p>Strong progress, 75 Cos (92% of total Country Offices) have implemented the EPRP by 31 December 2013 (75% in 2012)</p>		
<p>3 Improving operational monitoring and evaluation systems</p>	<p>M&E generally in place: 95% of offices state that they have effective M&E in place</p> <ul style="list-style-type: none"> 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 	<p><i>Issues which need further improvement action</i></p>	
<p>4 Ensuring staff performance is appraised in a timely manner</p>	<p>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).</p>		
<p>5 Ensuring effective segregation of duties is embedded in the corporate IT systems</p>	<p>Necessary improvement actions have been taken during 2013</p> <ul style="list-style-type: none"> 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 		<p><i>Issue closed</i></p>

This year, the SIC also highlights the key themes raised in the Inspector General's Assurance Opinion

Key areas for OIG's focus in 2014

- 1 Increased usage of Cash & Vouchers as transfer modality
- 2 Managing of larger infrastructure projects
- 3 Food manufacturing, quality and safety

Thank you!



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