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Financial and budgetary matters

For information

Executive Board documents are available on WFP's website (<https://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 pertaining to WFP. The report covers the following agenda item:

- Audited annual accounts, 2025 (WFP/EB.A/2026/6-A/1)
- Report on the utilization of WFP's strategic financing mechanisms (1 January–31 December 2025) (WFP/EB.A/2026/6-B/1)
- Amendments to the Financial Regulations (WFP/EB.A/2026/6-C/1)
- Report of the Executive Director on contributions, reductions and waivers of costs under General Rule XIII.4 (f) in 2025 (WFP/EB.A/2026/6-D/1)
- Annual report of the Independent Oversight Advisory Committee (WFP/EB.A/2026/7-B/1)
- Annual report of the Inspector General (WFP/EB.A/2026/7-C/1) and Note by the Executive Director (WFP/EB.A/2026/7-C/1/Add.1)
- Management review of significant risk and control issues, 2025 (WFP/EB.A/2026/7-D/1)
- Workplan of the External Auditor (WFP/EB.A/2026/7-I/1)

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Advisory Committee on
Administrative and Budgetary Questions

12 June 2026

Dear Mr Skau,

Please find attached a copy of the report of the Advisory Committee on your submission of the reports in the attached annex.

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 copy of the document could be provided to the Advisory Committee at the earliest possible opportunity.

Yours sincerely,

Juliana Ruas
Chairperson

Mr Carl Skau
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I. Introduction

1. The Advisory Committee on Administrative and Budgetary Questions has considered a total of nine 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 22-26 June 2026. Two of the documents are submitted to the Executive Board for approval, namely the Audited annual accounts for 2025 and the Amendments to the Financial Regulations. Five additional reports are submitted for consideration and two 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 and the External Auditor, who provided additional information and clarification, concluding with written responses received on 5 June 2026.

II. Documents submitted to the Executive Board for Approval

A. Audited Annual Accounts, 2025

2. The report on the audited annual accounts for 2025 contains: (a) the opinion of the External Auditor on the financial statements and the long-form report of the External Auditor in section I; and (b) the Executive Director's statement, statement on internal control, financial statements I-V and notes to the financial statements 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 2025. The Advisory Committee notes that the External Auditor has issued several recommendations, structured around the following areas: restructuring of global headquarters, human resources management, finance, accounting and internal controls, cash-based transfers, cooperating partner management, downsizing of operations, and the self-insurance scheme. **The Advisory Committee commends the External Auditor for the quality of its report. The Committee trusts that the External Auditor's recommendations will be implemented in full and in a timely fashion.**
4. The audit report, in paras 19 - 28, highlights an improvement in the implementation rate of open audit recommendations from the previous year. The External Auditor found that of 114 open recommendations, WFP had fully implemented 59 (52 percent), while 51 (45 percent) were still in progress. Three recommendations (2 percent) were no longer applicable due to changing circumstances, and only one (1 percent) had not been implemented. According to the External Auditor, this marks a notable improvement from the 2024 report, where the implementation rate was below one-third, now rising to more than half. Upon enquiry, the Advisory Committee was informed by the External Auditor that WFP has taken the implementation of open recommendations seriously and achieved a good implementation rate.
5. **The Advisory Committee acknowledges the improvement by WFP in the implementation of recommendations by the External Auditor. The Committee considers that the findings presented annually by the External Auditor in its audit reports constitute an essential pillar of the WFP's oversight framework, and represent a valuable tool to improve the management, efficiency and effectiveness of the Organisation. The Committee reiterates its view that the endorsement of audit recommendations by the Executive Board would provide firm guidance to WFP in that regard. The Committee also sees merit in the establishment of a consistent and systematic framework for WFP Management to provide detailed information on its response to the audit recommendations, including plans and timelines for their implementation, and considers that the Executive Board should explore options in**

that regard, in consultation with the External Auditors and WFP. The Committee further discusses the issue of the backlog of internal audit cases in para 50 below.

Financial performance and financial position

6. In 2025 total contribution revenue amounted to USD 6,925 million, a decrease of USD 3,448 million, or 33.2 percent, from the level of USD 10,373 million in 2024. Expenses amounted to USD 8,659 million, a decrease of USD 382 million, or 4.2 percent, from USD 9,041 million in 2024. The deficit of revenue over expenses was USD 1,734 million in 2025, compared to a surplus of USD 1,333 million in 2024. Upon enquiry, the Advisory Committee was provided with the following table showing trends in total revenues, expenses and surplus (deficit); fund balances, reserves and net assets for the period 2014-2025.

**Table 1: Trends in revenue, expenses and surplus/(deficit)
from 2014 to 2025 (in USD millions)**

	2014 Audited	2015 Restated	2016 Restated	2017 Audited	2018 Audited	2019 Audited	2020 Audited	2021 Restated	2022 Audited	2023 Audited	2024 Audited	2025 Audited
Revenue	5 450	4 765	5 909	6 431	7 368	8 272	8 904	9 602	14 418	9 124	10 373	6 925
Expenses	5 215	4 816	5 368	6 219	6 640	7 613	8 054	8 882	11 448	10 864	9 041	8 659
Surplus/ (Deficit)	236	(51)	541	212	729	658	850	720	2 970	(1 741)	1 333	(1 734)
Fund balances	3 591	3 492	3 955	4 054	4 898	5 438	6 431	8 081	10 753	9 256	10 503	8 999
Reserves	331	278	330	380	407	432	411	509	896	659	794	672
Net Assets	3 923	3 771	4 285	4 434	5 306	5 870	6 842	8 590	11 649	9 915	11 296	9 671

7. The report indicates that the key financial indicators for 2025 are not directly comparable to prior years due to the adoption of IPSAS 43, which introduces recognized lease obligations and right-of-use assets. The External Auditor’s analysis of the key financial ratios when adjusted for the change, demonstrated that WFP met all its liabilities (para 18).
8. Upon enquiry, the Advisory Committee was informed by WFP management that the current global contribution forecast indicates a decline from USD 6.1 billion in 2025 to approximately USD 5.9 billion in 2026, or a 3.0 per cent reduction. Based on current projections, expenditures excluding Indirect Support Costs (ISC) are expected to decline by approximately 15–20 percent, from USD 7.8 billion in 2025 to around USD 6.2–6.7 billion in 2026. Over the medium term, management considers expenditure sustainable only to the extent that it is aligned with recurring contribution levels, prudent use of carry-over resources, available advance financing capacity, and minimum liquidity and reserve requirements. Much of the 2025 expenditure and 2026 expenditure reduction is driven by difficult operational prioritization decisions, including reduced beneficiary caseloads, ration sizes, transfer values and duration of assistance. The Advisory Committee notes that, while expenditures did not decrease from 2024 to 2025 at the same percent rate as income, reflecting the carry-over of surplus funds, expenditures are projected to decrease in 2026, in comparison to 2025, at a higher proportion than income. However, the Committee notes that, overall, comparing actual income and expenditures in 2024 with the updated information for 2026, income is still projected to reduce at higher rate than expenditures.
9. **The Advisory Committee notes the healthy financial position of WFP over the years, despite the challenges faced by the current funding outlook. The Committee trusts that WFP will strengthen its efforts to ensure the financial sustainability of the Organization in a scenario of continuing constraints in revenue. The Committee also notes that, despite the projected reductions of 15 – 20 percent in expenditures for 2026, excluding indirect support costs, no updates to the Management Plan are presented**

and trusts that information comparing the pace of reduction of income, overall expenditures, baseline budget and PSA expenditures will be provided to the Executive Board at the time of consideration of the present report and in the next Management Plan (see also paras 12, 16 and 17 below).

Restructuring of Global Headquarters

10. The audit report, in paras 29-92, highlights several findings and recommendations related to the restructuring of WFP's Global Headquarters. The External Auditors highlighted multiple areas in need of improvement related to the restructuring including the ratio of Global HQ employees to the total number of employees, management accountability framework and role of regional directors, the need to harmonize different service catalogues for managing support to country offices. Upon enquiry, the Advisory Committee was informed by WFP management that since the One Global HQ two-layer model launched on 1 May 2025 and was fully implemented by early 2026, WFP has focused on aligning policies, delegations of authority, and internal procedures to support the new structure, while helping staff understand updated roles and ways of working. The reform aims to reduce overlaps, clarify accountabilities, streamline processes, and strengthen oversight, with progress already made in simplifying structures and key procedures. However, as implementation is still recent, 2026 is a transition and learning period marked by ongoing stakeholder engagement, clarification of responsibilities, and adjustment to new roles, particularly amid simultaneous budget cuts and workforce reductions that have added complexity.
11. The Committee was further informed by the External Auditor, upon enquiry on elements to assess if the changes have resulted in reduced duplication and enhanced support to country offices, that key indicators include the ratio of Global Headquarters staff to total employees, which has only marginally decreased (by 0.6 percentage points) despite efforts to streamline operations, suggesting limited progress toward a leaner structure. The Auditor recommends further reductions in this ratio, along with the development of an organization-wide process map to identify inefficiencies and improve accountability, and the use of standardized service catalogues with ticketing systems to better align services with country office needs.
12. **The Advisory Committee notes the findings from the External Auditor about the restructuring of WFP's Global Headquarters and trusts that WFP will implement the related recommendations aiming at identifying additional inefficiencies and improving accountability, especially considering the challenging funding outlook and the need to ensure financial sustainability of the Organization. The Committee reiterates its prior recommendation that detailed information and justification on the new proposed structures and accountability framework, the role of functional directors on ensuring oversight and monitoring of compliance of all country offices, will be provided to the Executive Board and in the next Management Plan. The Committee further notes that WFP has experienced recurrent restructuring exercises since 2023 and is of view that such processes should be followed by a period of stability to allow for evaluation of their effectiveness and impact.**
13. On the efforts to reduce personnel costs at Global Headquarters, and with regards to use of affiliate personnel in roles that are not temporary in nature, the Advisory Committee was further informed by WFP management upon enquiry that short-term and affiliate personnel at Global Headquarters are intended for time-bound needs such as emergency support, project implementation, backfilling, and temporary workload peaks, with about 10 percent supporting emergency operations. It was indicated that while it is difficult to determine how many perform recurring functions, around 27 percent have occupied the same position for over four years, indicating a potential risk of their use for ongoing core roles. To address this, WFP's Staffing Framework sets a four-year maximum incumbency limit in the same position and includes regular reviews of extensions to ensure roles remain temporary in nature.

Although the framework is still being implemented and some exceptions remain, full compliance is expected by the end of 2026, after which positions exceeding limits will be reviewed for conversion to appropriate contract types, discontinuation, or other compliant arrangements, with ongoing monitoring to prevent the development of a parallel staffing structure. The Committee was also informed that WFP's 2025 Strategic Workforce Planning and Organizational Alignment exercises were conducted using a standardized, centrally guided methodology aligned with corporate strategy, operational priorities, and funding realities, involving detailed activity analysis, alignment with strategic plans, and prioritization of roles based on need and affordability. The exercises led to concrete adjustments in staffing, grading, redeployment, and costs, including workforce reductions and structural streamlining in line with funding constraints, while safeguarding operational priorities in multiple country offices and enabling redeployment of internal talent, ultimately generating necessary savings to align workforce structures with available resources. **The Advisory Committee trusts that more detailed information on the WFP's Strategic Workforce Planning and Organizational Alignment exercises and its impact on the Organization's personnel capacity at Headquarters in 2026 and proposed for 2027, including more clarity on the reductions and efficiencies identified, will be provided in the next Management Plan.**

Human resources management

14. The audit report, in paras 93-148, indicates a variety of challenges faced by WFP in its management of human resources. The issues identified by the External Auditor included the need to reduce the ratio of employee expenses to WFP's total expenses and review its employee needs in light of the reduced funding. The External Auditor made six related recommendations and WFP management concurred with all of them.
15. Upon enquiry the Advisory Committee was informed by WFP management that employee expenses rose in 2025 despite a 12 percent reduction in headcount, driven primarily by transitional and non-recurring factors such as United Nations salary scale adjustments (including retroactive increases), higher termination and separation costs, and accrued benefits linked to workforce downsizing. While staff costs increased by 4 percent, affiliated workforce costs declined by 8 percent, and overall employee costs appeared higher largely because programme delivery expenses fell more sharply due to reduced funding and operational activity, inflating the employee cost ratio. First quarter 2026 data show a 9 percent decline in employee costs alongside further headcount reductions, confirming that savings are beginning to materialize as separation costs taper off.
16. **The Advisory Committee underscores the importance of implementing recommendations of the External Auditor for WFP to review its staffing requirements and reduce the ratio of employee expenses to WFP's total expenses. The Committee trusts that more detailed and comprehensive information on measures taken by WFP in this regard will be provided in the next Management Plan, including reductions in the number of staff, as well as on any measures to reduce the standard position cost rates (see para. 17 below) .**

Employee benefit liabilities

17. The audit report, in para 80 of section II, indicates that as of 31 December 2025, WFP reported total employee benefit liabilities of USD 1,007.8 million, with long-term liabilities accounting for USD 952.2 million. To cover these obligations, WFP has set aside USD 1,531.3 million in assets, including cash and long-term investments such as bonds and equities. This results in a funding level of 161 percent, an increase from 133 percent in 2024, driven by asset value growth exceeding the rise in liabilities. Upon enquiry, the Advisory Committee was informed by WFP management that the rise in WFP's funded ratio for employee benefit liabilities to 161 percent in 2025 is driven by minimal growth in liabilities

(up 0.2 percent to USD 952.2M) alongside strong asset performance (up 31.5 percent to USD 1,531.3M), reflecting effective investment returns and funding strategy. Having already surpassed its Executive Board's target of full funding by 2025, WFP maintains sustainability through actuarial valuations and periodic asset-liability management studies, with the next scheduled for 2026. Based on its strong funded position, WFP reduced the 2025 service-cost charge to 50%, generating cost savings distributed across funding sources, though this may revert if future valuations indicate risk to long-term sustainability due to factors such as weaker asset performance or adverse actuarial changes. **The Advisory Committee notes the significant level of overfunding for employee benefits liabilities over the past years, and the measures taken by WFP to adapt its management of the liabilities and seek the best use of its limited resources in the current financial environment. The Committee reiterates its earlier recommendation that a clear methodology should be established for determination of ASHI liabilities funding and its impact on the cost position standard rates to avoid ad-hoc decisions and ensure transparency in cost assumptions (see AC/2338, para 41).**

Cooperating Partner management

18. Upon enquiry the Advisory Committee was informed that WFP recognizes cooperating partner management as a critical operational risk and is implementing a time-bound, system-wide approach to strengthen oversight through standardization, digitalization, capacity building, and clearer accountability, with 31 of 41 audit and evaluation recommendations already closed. The Committee was further informed by the External Auditor that they systematically examine different aspects of cooperating partner management across audit cycles to build a comprehensive view, covering monitoring and documentation in 2023, partner selection and risk management in 2024, and advance payments in 2025. While headquarters has made solid progress—closing 11 of 19 related recommendations—challenges persist at the country office level, where field audits continue to identify weaknesses across key stages of the partner management lifecycle, resulting in 23 recommendations in 2024 focused on areas such as capacity assessments, agreements, and invoicing. **The Advisory Committee reiterates its view that effective management of cooperating partners is essential for the risk management of WFP operations. The Committee trusts that WFP will implement the outstanding recommendations of the External Auditor and information thereon will be provided in the next financial report of WFP.**

B. Amendments to the Financial Regulations

19. The report (EB.A/2026/6-C/1) indicates that WFP management is proposing updates to its Financial Regulations to clarify budget definitions, align the rules with long-standing practice and operational reality, and respond to external audit recommendations, while preserving the Executive Board's overall budgetary oversight. The main changes would redefine the WFP Budget as the sum of approved country portfolio budget portions, make clear that Board approval applies to the annual WFP Budget rather than the entire management plan, formalize the PSA Equalization Account and its uses, allow limited 5 percent transfers between PSA appropriation lines, and make several consistency edits including wording changes and renumbering.
20. Upon enquiry, the Advisory Committee was informed by the External Auditor that in Chapter C.2 "Budget" of the 2023 Audit Report, the External Auditor issued 10 recommendations to strengthen WFP's budgeting processes, covering areas such as improving funding forecasts, clarifying criteria for revising the Management Plan, enhancing Executive Board oversight of the budget, refining Critical Corporate Initiative (CCI) approval and definitions, aligning budget roles, and updating guidance and reporting. Of these, six have been implemented and one—relating to improvements to the Annual Performance

Plan—was not implemented. The remaining three recommendations, which involve potential amendments to the General Rules or Financial Regulations, are still in progress and are expected to be addressed through proposals to the Executive Board in June 2026, with their implementation status to be reviewed in the next audit cycle.

21. **The Advisory Committee welcomes the presentation of the proposed amendments as a separate document, as recommended by the Committee (AC/2357) and requested by the Executive Board. While acknowledging the additional information and clarifications provided by Management with regard to proposed amendments, the Committee is of the view that proposed revisions still require further clarification and considerations by the Board.**
22. **In its recent report “Budgeting in organizations of the United Nations system”, the Joint Inspection Unit states that the “principal function of a budget is to provide the member States and legislative organs of an organization with “a plan in financial terms for the carrying out of a programme of activities in a specific period. A programme budget focuses on the work to be undertaken and the objectives sought through that work: it emphasizes the ends to be achieved and translates them into the costs required for their implementation – decisions relate both to resource levels and to results to be achieved.” (quoted in JIU/REP/2024/3, para. 2).¹ The Advisory Committee is of the view that, by deleting references to the approval of the Management Plan, proposed amendments introduce undue ambiguity on the role of the Executive Board in approving WFP’s programme and results, in particular with regard to PSA. Such an approach risks reducing the budgetary process to a deliberation on the level of authority to commit resources, rather than recognizing the linkage between appropriations and programme content which is at the center of the results-based budgeting methodology.** The Committee addresses specific amendments and selected matters of the reports in the paragraphs below:

Financial Regulation 1.1: Definition of the WFP Budget

23. According to paragraphs 9 and 15 of the report, the current definition lacks clarity in several respects. There is ambiguity regarding whether the estimated resources and expenditures, and the programme support and administrative (PSA) budget are components of the WFP Budget or of the broader management plan. Under this revised definition, the WFP Budget would reflect the full cost of operational requirements, including both direct and indirect costs. The WFP Budget would be dynamic, allowing for updates throughout the year in response to changing operational needs, as reflected in the approval of individual new and revised country portfolio budgets. The final WFP Budget will comprise the sum of the annual portions of individually approved country portfolio budgets as of the last day of the fiscal year.
24. Upon enquiry, the Advisory Committee was informed that the Executive Board generally approves initial country strategic plans (CSPs) or interim CSPs, which establish the initial country portfolio budgets, with limited exceptions such as fully host government-funded plans approved under delegated authority. Subsequent budget revisions are approved either by the Board or by the Executive Director under defined thresholds and conditions set out in the General Regulations and Rules. The proposed amendments do not expand these delegated authorities but clarify that the annually approved WFP Budget automatically incorporates all subsequent country portfolio budget approvals and revisions made during the year, whether by the Board or under delegation, without requiring additional Board approval. While the Board approves the initial annual budget, the final budget reflects

¹ Joint Inspection Unit (JIU), Report on budgeting in the organizations of the United Nations system, JIU/REP/2024/3 (Part I), para. 2.

cumulative in-year changes and is reported in the financial statements in line with IPSAS 24, comparing actual outcomes with the originally approved budget. The Committee was further informed that the Board retains visibility and oversight over the evolving total budget through a combination of structured planning and formal reporting mechanisms.

25. The Committee was also informed, upon enquiry, that under the existing framework, the overall operational requirement is presented to the Board in the Management Plan for noting. Under the proposed amendments, that same consolidated figure would instead be formally approved by the Board as the annual WFP Budget at the time of the Management Plan. This does not create new spending authority for the Executive Director. The underlying components of the WFP Budget continue to be governed through the existing approval framework: PSA and other appropriations through the Management Plan, and operational activities through CSPs and country portfolio budgets approved by the Board, or under delegated authority where already provided for under the General Regulations and General Rules.
26. Upon enquiry, the Committee was informed that information on the Programme Support and Business Operations provided in the Management Plan, organized by activity type and funding source into baseline, direct activities and other services is a presentation intended to improve transparency over the full range of activities and funding sources that support WFP's business operations. According to WFP, it does not, however, create a single approval framework for all elements shown in the table.
27. **The Advisory Committee acknowledges that the proposed amendment brings further clarity and precision on the dynamic nature of the WFP Budget and its relation to the annual portions of individually approved country portfolio budgets, reflecting in the legal framework that the consolidated figure is formally approved by the Board as the annual WFP Budget at the time of the Management Plan. However, the Committee notes that the proposed text, in excluding the reference to the Management Plan, introduces a gap in terms of the status of budget categories present in the Management Plan other than CSPs and the PSA, such as the corporate initiatives and other services, and their relation to the WFP Budget. While understanding there is no single approval framework for all budgetary categories presented in the Management Plan, the Committee is of the view that the Regulation containing the Budget definition should be inclusive of all categories that comprise the WFP Budget (see also para. 33 below).**

Financial Regulation 9.4: Elements included in the Management Plan

28. The report indicates that the proposed changes would result in the comparative budget tables referenced in item (b) being simplified. Given that the definition of the management plan already refers to its three-year planning period, the references to the second and third years in item (c) will be removed, while additional information will continue to be included as requested by the Board or at the discretion of the Executive Director (para. 17).
29. Upon enquiry the Advisory Committee was informed that the proposed amendment to Financial Regulation 9.4 does not eliminate comparative budget information but streamlines its wording, as the Management Plan (MP) already covers a three-year horizon. According to the responses provided, in practice, WFP already includes extensive comparisons—such as past approvals, current context, and proposed budgets—across multiple years in the MP and its annexes, maintaining its role as a forward-looking planning document. However, as the MP is prepared well before year-end and approved in November, it cannot include complete, audited performance data for the current year; instead, full performance and expenditure reporting is delivered later through the Annual Performance Report and audited financial statements, ensuring accurate budget-to-actual comparisons (e.g., via IPSAS 24 Statement V). The amendment clarifies this division of roles, aligning with audit recommendations by

improving clarity, governance, and comparability, while avoiding the inclusion of partial, unaudited in-year data in a forward-looking document and preserving transparency through established reporting mechanisms. The proposed approach also maintains a clear distinction between planning and reporting instruments.

30. **The Advisory Committee notes that the proposed amendment to regulation 9.4 would result in the request for comparative information on the approved WFP Budget for the current financial period as modified in the light of actual receipts and expenditures no longer covered in the Regulation. The Committee trusts that further clarity on the benefits of suppressing this information from the budget proposal should be provided to the Executive Board, particularly in view of the dynamic character of the WFP Budget.**
31. **The Advisory Committee further notes that WFP emphasizes the nature of the Management Plan as a forward-looking planning document, indicating that data on performance should be presented in the annual performance report and financial statements. While concurring with the conception of the Management Plan as a planning document, the Committee is of the view that there is merit in providing tables with actual performance from the preceding year and partial unaudited performance data for current fiscal year alongside proposed resources in the context of the Management Plan, as is done in the regular budget of the United Nations.**

Financial Regulation 9.5: The Board's consideration and approval of the management plan and the WFP Budget

32. It is indicated in paragraphs 20 and 21 of the report that amendments to Financial Regulation 9.5 seek to clarify the role of the Board in approving the WFP Budget rather than the entire management plan. According to WFP, this shift is in accordance with General Regulation XIV.6, which requires the Executive Director to submit "a WFP budget" to the Board for approval, and responds to the External Auditor's recommendations on formalizing the approval of an overall WFP budget. Furthermore, this shift codifies the practice in place for more than 20 years (since the inception of the management plan) in which specific decision points of the management plan are approved by the Board in lieu of approval of the entire document. Changes to this regulation also seek to pre-emptively address the potential contradiction between the approval of "a WFP budget" (General Regulation XIV.6) and the approval of individual CSPs and their country portfolio budgets, which are regulated under General Regulation VI.2(c).
33. **The Advisory Committee notes the benefits of clarifying that the annual WFP Budget does not constitute approval of individual country programmes or their related country portfolio budgets. However, by deleting the reference to the management plan entirely, the Committee considers that the practice in place for the last 20 years where the Board approves specific decision points of the management plan will no longer be reflected in the revised Regulation. The Committee considers that amendments to regulations 9.5 introduce a lack of clarity on which programmatic elements of the Management Plan, if any, are approved by the Board, as well as on the role to be performed by the Board in approving the programme of work of WFP for PSA and other appropriations. The Committee considers that WFP should provide alternative drafting options to the Board, maintaining the reference to the approval of the Management Plan and clarifying exceptions, as per Financial Regulation 8.1 and any other relevant Regulations. (see also para 27 above and 34-39 below).**

Financial Regulation 9.6: Implications of approving appropriations

34. Paragraph 26 of the report indicates that, to align with the revised Regulation 9.5, which specifies that the annual WFP Budget, rather than the entire management plan, is the component subject to approval by the Board, the proposed amendment to Financial Regulation 9.6 places emphasis on the approval of specific appropriations.
35. Upon enquiry, the Advisory Committee was informed that the proposed amendment to Financial Regulation 9.6 is intended to clarify the Executive Board's role by removing ambiguous language that suggests the Management Plan itself authorizes WFP's operational programme of work, which is in fact approved separately through CSPs, ICSPs, T-ICSPs, and CPBs under Financial Regulation 8.1 and the General Regulations. By deleting the reference to "acceptance of the programme of work," the revision avoids overlap with existing rules and aligns with established practice, where the Board does not approve the Management Plan as a single instrument but instead approves specific appropriations and decision points, particularly the PSA budget.
36. The Committee was further informed that all WFP expenditures are fully covered by Executive Board-approved authorities or delegations to the Executive Director, with no gaps in spending authority. Operational spending is authorized through Country Strategic Plans and Country Portfolio Budgets under Financial Regulation 8.1, while indirect support and corporate costs are funded through Executive Board-approved appropriations in the Management Plan, including the PSA budget, under Financial Regulation 9.6. Together, these frameworks ensure comprehensive authorization for all expenditures. According to WFP, by approving appropriations through the Management Plan, the Executive Board continues to approve how those resources will be used in practice. This is reflected in the Management Plan itself, more specifically through section 4 of the plan, which describes in detail what is planned under the PSA budget (and other appropriations such as CCIs). The approval of appropriations therefore inherently involves approval of the underlying support and business operations to be delivered with those resources.
37. According to WFP management, approval framework of each component of Programme Support and Business Operations is governed separately: the PSA budget and Critical Corporate Initiatives are approved by the Executive Board as appropriations; CSP/CPB direct activities are approved through programme frameworks; and trust funds, special accounts, and service provision are established or approved by the Executive Director under specific financial regulations and must operate on a full cost recovery basis. These latter elements are not part of the PSA budget, even if operationally linked to programmes. WFP clarified, upon enquiry, that Financial Regulation 9.6 does not concern the CSPs or CPBs. Under the current Financial Regulations, FR 9.6 refers more generally to the "appropriation", with reference to the Management Plan, where the appropriation is the Programme Support and Administrative (PSA) budget. The proposed revision clarifies this by making explicit reference to the PSA budget and other appropriations which the Board has historically approved through the Management Plan, in order to avoid any ambiguity. In this context, "other appropriations" refers to Board- approved, time- bound authorizations for example, for Critical Corporate Initiatives (CCIs) approved by the Executive Board through the Management Plan making the definition consistent with practice.
38. **The Advisory Committee notes the particularities of WFP Budget, where CSPs/CPBs are reviewed and approved under parallel exercises and acknowledges the benefits of the clarified references in the current proposals to the related approval procedures. However, as highlighted above (see para. 33 above), the Committee underscores that the Budget, and the budgetary process, cannot be reduced to the approval of appropriations and other expending authorities. In that regard, the Committee recommends that, instead of excluding references to approval of programme of work**

in regulation 9.6, WFP propose alternative language to the Executive Board clarifying that the approval of programme of work presented in the Management Plan does not include approval of CSPs, which are governed by regulation 8.1.

39. **The Advisory Committee is also of the view that the terminology “other appropriations” used in proposed regulations 9.6 does not provide the expected level of clarity required for financial regulations and should be avoided, unless accompanied by precise definition in the context of the Financial Regulations and Rules.**

Financial Regulation 9.7: Transfers within PSA appropriation line

40. Upon enquiry, the Advisory Committee was informed that the proposed 5 percent transfer threshold is a new, clearly defined and conservative limit on the Executive Director’s existing authority to reallocate resources across appropriation lines, which previously had no explicit ceiling and was therefore rarely used in practice. The 5 percent cap is intended to provide modest, practical flexibility to address minor, often late-year implementation gaps without requiring time-consuming Board approval, while remaining small enough to avoid altering strategic priorities or the overall PSA budget.
41. The Committee was informed, upon enquiry, that the PSA budget comprise four appropriation lines approved by the Executive Board through the Management Plan: strategic direction and management; efficient, effective and evidence-based business services; influential advocacy and communications for partnerships and resource mobilization; and robust governance and independent oversight. The Committee was further informed that Financial Regulation 9.7 allows the Executive Director to transfer funds within main PSA budget appropriation lines and, within Board-set limits, between them, but outside the PSA budget no single transfer authority exists. Overall, each funding category operates under its own approval and control framework, and the proposed amendments aim only to clarify transfer rules for PSA and other Board-approved appropriations, not to create a unified transfer system across all funding streams.
42. The Committee was further informed by WFP management that the proposed amendment to Financial Regulation 9.7 introduces an explicit safeguard by setting a clear default ceiling on transfer across appropriation lines. As proposed, the Executive Director may make transfers between appropriation lines, “provided that the net amount transferred into and out of an appropriation line in a financial period does not exceed 5% of that appropriation line approved by the Board, or such other limit the board may specifically set”. WFP also indicated, upon enquiry, that while the Executive Director already has authority to make such transfer without explicit limits, in practice, this still requires seeking Board approval even if it is for small adjustments.
43. According to WFP, the intention is not to reallocate resources in a manner that alters the strategic direction approved by the Board, but rather to optimize any savings identified later in the year by applying them to other appropriation lines where needs arise. A threshold of +/- 5 percent would not constitute a material change to that strategic direction. At the same time, the Board’s authority still remains fully preserved to set another limit it may consider appropriate. WFP remains committed to ensuring transparency including in such cases where an appropriation line is adjusted within the proposed limits, and will continue reporting in detail through the established documents, including the Annual Performance Report and the Financial Statements.
44. With regards to existing precedents of transfers between appropriation lines, the Committee was informed that given that there were no Board-set limits to the ED’s delegated authority to make transfers across appropriation lines in accordance with Financial Regulation 9.7, in the past, there have not been any such transfers. Instead, what has happened are transfers within each appropriation line.

45. **The Advisory Committee notes that the proposal to amend Regulation 9.7 to set a fixed limit for the Executive Director to reallocate resources across appropriation lines without Board approval is not accompanied by precedents illustrating the ongoing operational need. The Committee also notes the proposal is justified in terms of optimization of savings identified later in the year by applying them to other appropriation lines and considers that more detailed information should be provided to the Board on procedures and criteria to ensure the reallocation would not result in curtailing of activities under the originating appropriation line, as well as on ways to keep the Board timely informed on decisions of the WFP Management in that regard. Should the Executive Board decide that the current authorization for the Executive Director to make transfer, requiring approval of the Board, needs to be further strengthened by approving the proposed amendment, the Committee recommends that the Board consider setting specific additional limitations, in particular ringfencing the resources approved for independent oversight.**

New Financial Regulation 10.7: Use of the PSAEA

46. Upon enquiry, the Advisory Committee was informed that the PSA Equalization Account (PSAEA), established in 2003, is designed to manage differences between Programme Support and Administrative (PSA) expenditures and indirect support cost (ISC) income, and has been refined over time, notably through a 2015 review that clarified its purpose, strengthened governance, and set parameters of a two-month minimum and five-month target of PSA expenditure. The proposed codification reinforces this framework by clearly separating routine use from exceptional cases, thereby enhancing transparency, accountability, and donor confidence. Under proposed Financial Regulation 10.7, management may use the PSAEA without prior Executive Board approval only for its core stabilization purpose—covering routine variances that arise during normal budget execution and do not alter the approved PSA budget. Any use beyond this core function, such as funding specific initiatives or corporate priorities, requires prior Board approval with a clearly defined amount and purpose, ensuring the account maintains a healthy balance.
47. The Committee was further informed that WFP safeguards the sustainability of the PSA budget by using the PSA Equalization Account (PSAEA) to manage short-term fluctuations rather than cover ongoing deficits. It sets clear risk thresholds—a two-month minimum and five-month target for PSA reserves—and continuously monitors balances, expenditures, and projected indirect support cost income. **The Advisory Committee acknowledges the benefits of approving a regulation codifying the existence and uses of the PSAEA. The Committee further trusts that information on the regular use of PSAEA, especially in a scenario of reduced funding, will be provided to the Board during the course of the year and in the context of the Management Plan.**

Potential impact on financial rules

48. Upon enquiry, the Advisory Committee was informed by WFP management that the Financial Rules provide the operational detail needed to implement the Financial Regulations, ensuring consistent application of the broader governance framework. Following approval of proposed amendments to the Regulations, management plans to introduce limited, implementation-focused updates to the Rules under the Executive Director's authority, without creating new substantive powers. Additionally, detailed criteria for Critical Corporate Initiatives (CCIs) will be maintained in the Financial Rules rather than the Regulations to allow flexibility, given their evolving nature; however, CCIs remain well-defined, Board-approved, and transparently reported through established governance mechanisms such as the Management Plan and Annual Performance Report. **The Advisory Committee trusts that WFP will provide a comprehensive update to the Executive Board on the proposed changes to the Financial Rules.**

III. Documents submitted to the Executive Board for consideration

49. As indicated in the annex to the present report, five reports are presented for consideration by and two for information of the Executive Board. The Committee addresses specific reports and selected matters of the reports in the paragraphs below:

Annual report of the Inspector General

50. The report describes the risk-based oversight work performed and reported in 2025 by the Inspector General and Oversight Office (OIG). The report states that in 2025, the oversight office operated under tighter funding, with an initial USD 20.8 million budget allocation, which was reduced to USD 19 million in March 2025 due to budget cuts. As a result, OIG froze 11 of 92 fixed-term posts, reduced investigative capabilities and lengthened audit cycle times. Caseload also rose: OIGI handled 2,915 cases and received 2,010 new allegations, so the report flags a growing gap between workload and capacity. Upon enquiry, the Advisory Committee was informed that reduced oversight resources (by 12 percent in audit and 8.6 percent overall) have already curtailed delivery of the 2025 assurance plan, with five audits dropped and one deferred, and are expected to further constrain 2026–2027 plans as vacancies remain unfilled and additional cuts loom. As a result, audit cycles are lengthening well beyond targets (estimated at 3.1 years for high-risk, 7.9 for medium, and 13.7 for low-risk areas in 2026), currently only 48 percent of country offices have been audited on time and some exceeding 10 years without review. At the same time, investigation demands are rising sharply, with allegations up 12 percent from 2024 to 2025 and 39 percent year-on-year in early 2026, risking renewed backlogs despite efficiency gains. In response, OIG is restructuring, aligning more closely with other assurance providers, shifting toward thematic and risk-based auditing, reducing country office audits in favor of systemic reviews, and expanding the use of data analytics and artificial intelligence, which have improved efficiency and allowed near-stable audit output (33 versus 34 assignments) despite reduced resources. **The Advisory Committee, while acknowledging the challenges imposed by significant reductions in revenue, continues to underscore the role of the Office of the Inspector General as a vital part of WFP’s internal control system and oversight and the need to ensure adequate funding. The Committee notes with concern the increased backlog of investigations, and further trusts that updates on the efforts to address the backlog and the related resourcing levels will be provided in the next report.**

ANNEX I

TITLE	SYMBOL
Reports presented to the Advisory Committee for approval:	
Audited annual accounts, 2025	WFP/EB.A/2026/6-A/1
Amendments to the Financial Regulations	WFP/EB.A/2026/6-C/1
Reports presented to the Advisory Committee for consideration:	
Report on the utilization of WFP's strategic financing mechanisms (1 January–31 December 2025)	WFP/EB.A/2026/6-B/1
Annual report of the Independent Oversight Advisory Committee	WFP/EB.A/2026/7-B/1
Annual report of the Inspector General	WFP/EB.A/2026/7-C/1
Note by the Executive Director on the annual report of the Inspector General	WFP/EB.A/2026/7-C/1/Add.1
Management review of significant risk and control issues, 2025	WFP/EB.A/2026/7-D/1
Reports presented to the Advisory Committee for information:	
Report of the Executive Director on contributions, reductions and waivers of costs under General Rule XIII.4 (f) in 2025	WFP/EB.A/2026/6-D/1
Workplan of the External Auditor	WFP/EB.A/2026/7-I/1