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联合国粮食及农业组织 Food and Agriculture Organization of the United Nations Organisation des Nations Unies pour l'alimentation et l'agriculture Продовольственная и сельскохозяйственная организация Объединенных Наций Organización de las Naciones Unidas para la Alimentación y la Agricultura منظمة الأغذية والزراعة للأمم المتحدة

# FINANCE COMMITTEE

| Hundred and Ninety-sixth Session |
|---|
| **Rome, 5-7 June 2023** |
| **Audited annual accounts, 2022** |

Queries on the substantive content of this document may be addressed to:

**Mr Robert van der Zee**
**Director, Corporate Finance Division**
**World Food Programme**
**Email: robert.vanderzee@wfp.org**

## EXECUTIVE SUMMARY

- The Secretariat is pleased to submit the audited 2022 Financial Statements together with the Audit Opinion and the Report of the External Auditor. The Financial Statements have been prepared under International Public Sector Accounting Standards (IPSAS). The External Auditor has completed the audit in accordance with the International Standards of Auditing and has provided an unqualified audit opinion.
- This document is submitted to the Board in accordance with General Regulation XIV.6 (b) and Financial Regulations 13.1 and 14.8, which provide for the submission to the Board of the audited Financial Statements of WFP and an associated report of the External Auditor. The statements and the report are presented in one document.
- This document includes a Statement on Internal Control which provides specific assurance on the effectiveness of internal control in WFP.
- The Secretariat's responses to the External Auditor's recommendations are contained in "Report on the implementation of the External Auditor's recommendations" (WFP/EB.A/2023/6-H/1).

## GUIDANCE SOUGHT FROM THE FINANCE COMMITTEE

- The Finance Committee is requested to review the "Audited annual accounts, 2022" and to endorse it for approval by the Executive Board.

### Draft Advice

- **In accordance with Article XIV of the General Regulations of WFP, the FAO Finance Committee advises the WFP Executive Board to approve the draft decision as outlined in the document "Audited annual accounts, 2022".**

World Food Programme
Programme Alimentaire Mondial
Programa Mundial de Alimentos
برنامج الأغذية العالمي

**Executive Board**
Annual session
Rome, 26–30 June 2023

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Agenda item 6
WFP/EB.A/2023/6-A/1
Resource, financial and budgetary matters
For approval

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

# Audited annual accounts, 2022

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This document is submitted to the Board in accordance with general regulation XIV.6 (b) and financial regulations 13.1 and 14.8, which provide for the submission to the Board of the audited financial statements of WFP and an associated report of the External Auditor. The statements and the report are presented in one document.

This document includes a statement on internal control which provides specific assurance on the effectiveness of internal control in WFP.

The Secretariat's responses to the External Auditor's recommendations are contained in "Report on the implementation of the External Auditor's recommendations" (WFP/EB.A/2023/6-H/1).

**Focal points**

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## Draft decision*

The Board:

i) approves the 2022 annual financial statements of WFP, taking note of the report of the External Auditor, submitted to the Board pursuant to Article XIV.6 (b) of the General Regulations;

ii) notes the funding from the General Fund of USD 1,570,232 during 2022 for the ex-gratia payments and the write off of cash losses and receivables;

iii) notes losses of commodities and other losses during 2022 forming part of operating expenses for the same period.

* This is a draft decision. For the final decision adopted by the Board, please refer to the decisions and recommendations document issued at the end of the session.

# Section I

**Audit Opinion**

I have audited the financial statements of the World Food Programme (WFP), which comprise the statement of financial position (statement I) as at 31 December 2022 and the statement of financial performance (statement II), the statement of changes in net assets (statement III), the statement of cash flow (statement IV) and the statement of comparison of budget and actual amounts (statement V) for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of WFP as at 31 December 2022 and its financial performance and its cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS).

**Basis for opinion**

I conducted my audit in accordance with the International Standards on Auditing. My responsibilities under those standards are described in the section below entitled “Auditor’s responsibilities for the audit of the financial statements”. I am independent of the World Food Programme, in accordance with the ethical requirements relevant to my audit of the financial statements, and I have fulfilled my other ethical responsibilities in accordance with those requirements. I believe that the audit evidence that I have obtained is sufficient and appropriate to provide a basis for my opinion.

**Information other than the financial statements and the auditor’s report thereon**

The Executive Director of the World Food Programme is responsible for the other information. The other information comprises the Executive Director’s statement for the year ended 31 December 2022 and the Executive Director’s statement of internal control, both contained in Section II below, but does not include the financial statements and my auditor’s report thereon.

My opinion on the financial statements does not cover the other information, and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, on the basis of the work that I have performed, I conclude that there is a material misstatement in the other information, I am required to report that fact. I have nothing to report in this regard.

**Responsibilities of management and those charged with governance for the financial statements**

The Executive Director of the World Food Programme is responsible for the preparation and fair presentation of the financial statements in accordance with IPSAS and for such internal control as management determines to be necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Executive Director of the World Food Programme is responsible for assessing the Programme's ability to continue as a going concern, disclosing, as applicable, matters related to the going concern and using the going-concern basis of accounting unless management intends either to liquidate the Programme or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Programme's financial reporting process.

**Auditor's responsibilities for the audit of the financial statements**

My objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with the International Standards on Auditing, I exercise professional judgment and maintain professional scepticism throughout the audit.

I also:

(a) Identify and assess the risks of material misstatement in the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentation or the overriding of internal control;

(b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the World Food Programme;

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

(d) Draw conclusions concerning the appropriateness of management's use of the going-concern basis of accounting and, on the basis of the audit evidence obtained, whether a material uncertainty exists in relation to events or conditions that may cast significant doubt on the ability of the World Food Programme to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the World Food Programme to cease to continue as a going concern;

(e) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

**Report on other legal and regulatory requirements**

In my opinion, the transactions of WFP that have come to my notice or that I have tested as part of my audit have, in all significant respects, been in accordance with the General Regulations and General Rules and the Financial Regulations of WFP.

In accordance with Financial Regulation 14.8, I have also included information that I deem necessary with regard to the efficiency of financial procedures, the accounting system, the internal financial controls, and, in general, the administration and management of WFP. This information is issued in two separate performance reports and in the long-form audit report on my audit of the World Food Programme.

*(Signed)* Kay Scheller
President of the German Supreme Audit Institution

14 April 2023

EXTERNAL AUDIT OF THE WORLD FOOD PROGRAMME

AUDIT REPORT

FINANCIAL STATEMENTS OF THE
WORLD FOOD PROGRAMME FOR THE YEAR ENDED
31 DECEMBER 2022

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# Long-form audit report of the External Auditor

## Executive summary

**Audit opinion**

The External Auditor has audited the financial statement and reviewed the operations of the World Foo d Programme (WFP) for the year ended 31 December 2022. In the External Auditor’s opinion, the accompanying financial statements present fairly, in all material respects, the financial position of WFP as at 31 December 2022 and its financial performance and cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS).

**Overall conclusion**

WFP is a voluntarily funded organization and relies on the support of its donors. In 2022, voluntary contributions increased by 49.5 percent or USD 4.7 billion to a record high of USD 14.1 billion. 69.1 percent of contribution revenue were derived from three main donors. One of these donors increased its contributions for 2022 by USD 3.6 billion compared with 2021 and accounted for 52.0 percent of the contribution revenue. The expenses amounted to USD 11.4 billion, an increase of 28.9 percent. Expenses mainly comprised food commodities distributed, cash-based transfers distributed, distribution and related services, contracted and other services and staff costs. The surplus amounted to USD 2.9 billion.

The External Auditor conducted audit visits to the headquarters in Rome, seven country offices, two regional bureaux, and performed a survey for another ten country offices.

**Changes in the presentation**

Based on the recommendations of the External Auditor, WFP amended its presentation of the statement of financial performance and of various notes disclosures in the financial statements. Main changes related to the separate disclosure of affiliate workforce costs, and the separate disclosure of partners’ costs for distribution of food and cash and for contracted and other services.

During the course of the audit the External Auditor recommended additional changes to comply with IPSAS requirements and enhance the informative value of the financial statements which WFP did not yet implement. For example, the External Auditor recommended additional breakdowns of line items such as inventories and staff costs, and explanatory notes on significant variances from year-to-year. The External Auditor will follow up on the inclusion of such additional information, to further enhance the IPSAS compliance, and the meaningfulness and transparency of notes disclosures.

**Key findings**

The main findings of the External Auditor were:

*Contributions receivable*

(a) In 2022, WFP managed more than one thousand agreements with donors. Responsible staff were requested to upload them in the WFP enterprise resource planning system WINGS. The External Auditor noted that the up- and download and management of agreements in WINGS was time-consuming and cumbersome. WINGS did not provide a good overview of agreements. In some cases, not all annexes of agreements were available in WINGS. The External Auditor holds that the completeness of agreements is not easily verifiable, due to a lack of sequential numbering of agreements and a listing of annexes.

*Inventories*

(b) WFP reported in its 2022 financial statements that food commodities of 237,876 metric tons in the amount of USD 220.0 million were stored at cooperating partners as at year-end and were yet to be distributed to beneficiaries. IPSAS require the recording of an asset rather than expensing items over which an entity has control. The External Auditor holds that WFP has control over and is accountable for food commodities stored at partners and should change its accounting policy to record such items as inventories.

*Property, plant and equipment*

(c) At year-end, WFP recorded 23,386 items of property, plant, and equipment with a net book value of USD 248.2 million. The External Auditor noted that a significant part of property, plant, and equipment, in particular information technology equipment, was not operative anymore. WFP did not dispose outdated items. Also, 51 percent of the property, plant, and equipment were fully depreciated. The External Auditor encourages WFP to enhance the disposal process and analyse the reason of the high percentage of fully depreciated items.

*Staff costs and employee benefits*

(d) WFP outsourced parts of its payroll process to an external service provider. WFP and the external service provider each maintained separate human resources master data. The External Auditor found that the master data did not always match and that WFP country offices had limited visibility over the payroll process performed by the external service provider. The External Auditor holds that the outsourcing of the payroll services entails various risks and creates additional workload and costs and holds it beneficial to perform a cost-benefit-analysis of such outsourcing.

*Accounting processes*

(e) The External Auditor analysed and identified transactions that would have required additional accrual recognition of USD 17.4 million. WFP had not captured these transactions mainly because its own analysis took place by the end of January. The External Auditor holds that WFP should mitigate the risk of goods and services received but not yet recorded as at year-end through a standing accrual based on the trend of unrecorded transactions over the past five years.

(f) The External Auditor found that for six out of twelve requested samples of bank signatories, the signatories of the banks were not consistent with the ones in the WFP database. As the misuse of bank signatories can lead to financial losses of WFP, the External Auditor holds that WFP should ensure that the signatories are correctly recorded at the banks, consistent with the WFP assigned and recorded signatories.

**Key recommendations**

The External Auditor has issued several recommendations based on the audit. They are contained in the main body of the report. The main recommendations are that WFP:

*Contributions receivable*

*(a)* ***Ensure a comprehensive data management of all contribution agreements including annexes and make them electronically available to all relevant staff;***

*Inventories*

*(b)* ***Change its accounting policy of the expense recognition of food commodities handed over to cooperating partners and record these food commodities as inventories until they are distributed to beneficiaries;***

*Property, plant, and equipment*

*(c)* ***Enhance the disposal process of unused, broken, or outdated tangible assets and analyse the root cause for the high percentage of fully depreciated property, plant, and equipment***;

*Staff costs and employee benefits*

*(d)* ***Conduct a comprehensive cost-benefit analysis of the outsourcing of parts of the payroll process to an external service provider considering the risks involved and the benefits achieved;***

*Accounting processes*

*(e)* ***Analyse the amounts of goods and services received but not yet recorded as at reporting date and use this analysis to establish a standing accrual for unrecorded liabilities***;

*(f)* ***Enhance its control over bank signatories when changes of signatory rights occur and conduct reviews of bank signatories on spot check basis on predetermined intervals to ensure the consistency between designated and registered bank signatories***.

| **2022 key facts according to WFP** | |
|---|---|
| **USD 20.8 billion** | Approved operational needs (final budget) |
| **USD 14.1 billion** | Contribution revenue (including USD 2.5 billion signed in December) |
| **USD 11.4 billion** | Expenses incurred in 2022 |
| **160 million** | Beneficiaries served |
| **23,266** | WFP global workforce (including 11,219 affiliates) |
| **122** | Countries and territories of operation, with 83 offices |

# A. Mandate, scope, and methodology

1. By its decision 2021/EB.2/4, on 16 November 2021 the Executive Board of WFP appointed the President of the German Supreme Audit Institution (Bundesrechnungshof) as the WFP External Auditor to perform the audit of the WFP accounts for a six-year term from 1 July 2022 to 30 June 2028 in accordance with WFP Financial Regulation 14.1.

2. The External Auditor's mandate is set out in Article XIV of the WFP Financial Regulations and their Annex. Pursuant to the Financial Regulations, the External Auditor expresses an opinion on the financial statements and may make observations with respect to the efficiency of the financial procedures, the accounting system, the internal financial controls and, in general, the administration and management of WFP.

3. This document provides the External Auditor's long-form report on the audit of the financial statements of WFP for the year ended 31 December 2022. The Executive Director submits the report of the External Auditor to the Executive Board together with the financial statements to enable the Executive Board to approve the financial statements. The audit was conducted in conformity with the WFP General Regulations and Rules, and Financial Regulations, and, where applicable, the Financial Regulations and Rules of the United Nations, the FAO Staff Regulations, as well as the International Standards on Auditing.

4. The audit was conducted primarily to enable the External Auditor to form an opinion as to whether the financial statements fairly present the financial position of WFP as at 31 December 2022 and its financial performance and cash flows for the year then ended, in accordance with IPSAS. This included an assessment of whether the expenses recorded in the financial statements had been incurred for the purposes approved by the governing bodies and whether revenue and expenses had been properly classified and recorded in accordance

with the General Regulations and Rules and Financial Regulations of WFP. The audit included a general review of financial systems and internal control and a test examination of the accounting records and external confirmation procedures from banks, donors and suppliers and other supporting evidence to the extent considered necessary to form an opinion on the financial statements.

5. The External Auditor conducted several audit visits to headquarters and to the following regional bureaux and country offices: The Regional Bureau for Middle East, Northern Africa and Eastern Europe, the Regional Bureau for Southern Africa and the country offices Egypt, Jordan, Lebanon, Malawi, Mozambique, Tanzania, and Zimbabwe[1].

6. The External Auditor issued management letters to the bureaux and offices visited. Where deemed necessary the External Auditor included audit findings of these management letters in this report.

7. In 2022, in addition to the audit of the accounts and the financial statements, the External Auditor conducted two performance audits which focused on economy, efficiency and effectiveness of fuel management and support services and issued two separate reports (WFP/EB.A/2023/6-F/1 and WFP/EB.A/2023/6-G/1). All three reports of the External Auditor represent the result of the audit.

8. The External Auditor coordinated with the Inspector General to avoid unnecessary duplication and gain an understanding of the internal audit function and of internal control of WFP.

9. The present report covers matters that, in the opinion of the External Auditor, should be brought to the attention of the Executive Board. The External Auditor communicated his observations and conclusions to the Executive Director and the WFP senior management, and their views are reflected in the report.

# B. Financial overview

10. For 2022, WFP indicated that the Executive Board approved operational needs of USD 20.8 billion. Contribution revenue reached an all-time high of USD 14.1 billion, an increase of USD 4.7 billion or 49.5 percent compared with USD 9.4 billion in the financial year 2021. 67.8 percent of WFP operational needs were funded. According to WFP, 34.3 percent or USD 4.8 billion of contribution revenue were confirmed in the fourth quarter of 2022 and in December alone, WFP received 18.0 percent or USD 2.5 billion of the 2022 contribution revenue. Contributions received late in the year typically place constraints on management's ability to deploy resources in the same financial year. 69.1 percent of the voluntary contributions were derived from three top donors (2021: 60.3 percent). One of these donors accounted for 52.0 percent of all contribution revenue and increased its contributions by USD 3.6 billion. Governments and intergovernmental organizations continued to be the major donors of WFP.

[1] The External Auditor audited the Country Office Zimbabwe remotely.

11. Expenses increased by 28.9 percent to USD 11.4 billion, from USD 8.9 billion in 2021. Main expense increases pertained to commodities distributed (USD 1.1 billion), cash and vouchers distributed (USD 1.0 billion), staff costs (USD 0.1 billion) and other expenses (USD 0.1 billion). 64.6 percent or USD 2.5 billion of the food commodities distributed pertained to the five country operations: Afghanistan (USD 0.8 billion), Yemen (USD 0.6 billion), Ethiopia and Syria (each USD 0.4 billion) and Ukraine (USD 0.2 billion). The increases of cash distributed were mainly attributable to distributions in Ukraine (USD 0.4 billion), Afghanistan (USD 0.3 billion) and Somalia (USD 0.3 billion). The significant increase of other expenses by 255.4 percent was mainly attributable to an increase of the write-down of inventories to the net realizable value at reporting date of USD 0.1 billion.

12. The surplus amounted to USD 2.9 billion compared with USD 0.7 billion in 2021. The significant increase was attributable to the extraordinary growth in contribution revenue of almost 50 percent while expenses will only be recognized over a time in the future. WFP defines the terminal disbursement date as the last date on which funds of a contribution can be disbursed, that means until when expenses can be recorded. During the period from signature to terminal disbursement date, WFP needs to use the funds for the implementation. The below table I.1 shows the terminal disbursement dates of 2022 contribution revenue.

Table I.1
**Contribution revenue by terminal disbursement date**
(Billions of United States dollars and percent)

| | *USD* | *percent* |
|---|---|---|
| 2022 | 0.9 | 6.5 |
| 2023 | 9.6 | 68.5 |
| After 2023 | 3.1 | 21.4 |
| Unrestricted | 0.5 | 3.6 |
| **Total** | **14.1** | **100** |

*Source: WFP, financial records.*

13. Almost 70 percent of 2022 contribution revenue had a terminal disbursement date in 2023. 3.6 percent of contribution revenue were unrestricted in terms of timing.

14. Current assets increased by USD 3.3 billion or 34.9 percent and amounted to USD 12.7 billion (2021: USD 9.4 billion). The main increases pertained to contributions receivable which increased by USD 2.3 billion to USD 6.7 billion in line with the extraordinary increase in contribution revenue. Cash and cash equivalents increased by USD 0.8 billion to USD 2.7 billion.

15. Non-current assets decreased by USD 0.2 billion from USD 1.6 billion to USD 1.4 billion. The decrease was attributable to the decrease in long-term investments which decreased by USD 0.2 billion or 15 percent. This was mainly caused by the decline in the market value of bonds and equities and resulting unrealized losses. The long-term investments were held with an aim to cover long-term employee benefits.

16. Current liabilities slightly increased by USD 0.2 billion from USD 1.3 billion to USD 1.5 billion mainly due to increased accounts payables and accruals in line with the increased food commodities procurement. At the same time non-current liabilities decreased from USD 1.1 billion to USD 0.9 billion. The decrease was mainly due to decreased liabilities

for after service medical plans due to an increase of the discount rates of these long-term liabilities.

17. Net assets comprised the accumulated surplus and reserves of USD 11.6 billion. The accumulated surplus increased by USD 2.7 billion which is comprised of the surplus of USD 2.9 billion plus USD 0.3 billion of actuarial gains on employee benefit liabilities, less USD 0.2 billion unrealized investment losses and USD 0.3 billion transfers from the reserves which were directly recognized in equity. Reserves increased by USD 0.3 billion due to the increase of USD 0.2 billion in the Programme Support and Administrative Equalization Account and USD 0.1 billion in the Immediate Response Account.

18. Overall, the key financial indicators improved or remained at a comparable high level. Reason for improved indicators were mainly the increased contribution revenue with corresponding increased contributions receivable. The External Auditor's analysis of the key financial ratios demonstrates that WFP met all its liabilities (see table I.2).

Table I.2
**Ratio Analysis**

| *Description of ratio* | *31 December 2022* | *31 December 2021 Restated* | *31 December 2020* | *31 December 2019* | *31 December 2018* |
|---|---|---|---|---|---|
| Current ratio [a] (current assets: current liabilities) | 8.2 | 7.2 | 4.3 | 4.1 | 4.4 |
| Total assets: total liabilities [b] | 5.8 | 4.6 | 2.9 | 2.6 | 2.8 |
| Cash ratio [c] (cash + current investments: current liabilities) | 2.7 | 2.7 | 1.6 | 1.6 | 1.8 |
| Quick ratio [d] (cash + current investments + short-term accounts receivable: current liabilities) | 7.2 | 6.3 | 3.8 | 3.7 | 3.8 |

*Source: WFP financial statements.*

[a] A high ratio indicates an entity's ability to pay off its short-term liabilities.
[b] A high ratio is a good indicator of solvency.
[c] The cash ratio indicates an entity's liquidity. It serves to measure the amount of cash, cash equivalents and invested funds available in current assets to cover current liabilities.
[d] The quick ratio is more conservative than the current ratio because it excludes inventory and other current assets, which are more difficult to convert into cash. A higher ratio means a more liquid current position.

# C. Findings and recommendations

## 1. Revision of the financial statements, Statement V

19. Pursuant to the WFP Financial Regulation 13.3, the Executive Director shall certify the financial statements, and submit them not later than 31 March following the end of each financial period, to the External Auditor for examination and opinion. End of March 2023,

WFP submitted the first set of annual financial statements 2022 certified by the Executive Director on 31 March 2023 to the External Auditor. On 3 April 2023, WFP informed the External Auditor about an error in Statement V and that it would submit revised financial statements. On 13 April 2023, WFP submitted revised financial statements to the External Auditor, certified by the Executive Director on 4 April 2023.

20. Statement V provides a comparison of budget and actual amounts on comparable basis. WFP stated that it had to revise the financial statements due to an understatement of USD 0.6 billion in the final budget figure in Statement V. WFP stated that the error was due to budget revisions of two country offices that failed to be included. WFP stated that the final quality control by the Corporate Planning and Performance Division had identified the discrepancy and that it would make sure that all necessary controls were strengthened to avoid similar errors in future.

21. The External Auditor is concerned that WFP does not use an official document, approved by the Executive Board and referenced in Statement V, that indicates the final aggregated budget of all approved country strategic plans and revisions thereof.

22. Statement V assists users in assessing the performance of the entity. The External Auditor noted that in Statement V, WFP compared the final budget with the actual on comparable basis as at 31 December 2022 and with the initial implementation plan as at 1 January 2022.

23. The External Auditor holds that the comparison of the final budget with the initial implementation plan is neither meaningful nor helpful. For example, in 2022, the Ukraine conflict with increased funding requirements and changes in the implementation plan evolved over the year. The final budget of USD 20.8 billion included these funding requirements but the implementation plan of USD 12.4 billion did not. The current presentation gives the impression as if the actual on comparable basis is very close to the implementation plan. However, these two sets of information are not comparable because they reflect two different scenarios. Particularly, the actual on comparable basis included the additional expenses for the Ukraine activities, the implementation plan did not. The External Auditor holds, that WFP should use data with comparable information, i.e., as at the same point in time in the Statement V. In view of the External Auditor, WFP should consider providing both, the implementation plan at the beginning and at the end of the financial year.

24. **The External Auditor recommends that WFP show in Statement V of the financial statements a comparison of the final budget with the final implementation plan and not only with the implementation plan at the beginning of the year**.

25. WFP agreed with the recommendation and stated that the implementation plan was primarily a tool for country offices' operational and financial planning and that the additional burden on country offices needed to be considered when making use of this tool for reporting. WFP stated however, that it would explore mechanisms to ensure that the final implementation plan was included in Statement V.

# 2. Changes in accounting policies and presentation

## a. Changes in accounting policies

26. In 2022, WFP changed its accounting policy for revenue recognition. In the financial years 2016 to 2021, WFP had recognized an asset and a liability for multi-year contribution agreements for which the implementation period had not started during the financial year. Along with the implementation progress, WFP derecognized the liability and recorded revenue. With an increased number of multi-year contribution agreements and growing complexity of agreement stipulations, WFP reviewed and amended its accounting policy. For 2022, WFP distinguished between three different agreement scenarios: *(i)* agreements without refund obligations, *(ii)* agreements with stipulations that impede the recognition of an assets, and *(iii)* agreements which contain conditions in the meaning of IPSAS 23[2] and where the present obligation has not yet been satisfied.

27. WFP applied its accounting policy change retrospectively and restated the 2021 comparative figures. It restated the 2021 fund balances and reserves from USD 8.0 billion to USD 8.6 billion due to the derecognition of liabilities and recognition of revenue from previous years. Other positions restated were current and non-current contributions receivable, current and non-current deferred revenue. WFP provided details of the changed accounting policy and the restatement in Note 1 of the financial statements.

## b. Changes in the presentation of the financial statements

28. Based on recommendations of the External Auditor, WFP amended its presentation of the statement of financial performance and of various notes disclosures in the financial statements. The External Auditor pointed out that IPSAS require information that are useful for decision-making, and to demonstrate the accountability of the entity for the resources entrusted to it. IPSAS encourage entities to present additional information in the financial statements to assist users in assessing the performance of the entity, and its stewardship of assets, as well as making and evaluating decisions about the allocation of resources. Entities should provide aggregate information useful in evaluating the entity's performance in terms of service costs, efficiency, and accomplishments. Information disclosed in the audited financial statements have a different quality and credibility than complementary information given outside the audited financial statements, for example in the Executive Director's statement.

29. Based on IPSAS requirements the External Auditor recommended inter alia the following changes in the presentation of the financial statements that WFP implemented during the course of the audit:

- Separate disclosure of affiliated workforce costs of USD 386.8 million (2021: USD 393.1 million) in the statement of financial performance (Statement II). The External Auditor found that WFP disclosed the expenses for non-staff such as international consultants, United Nations volunteers, fellowship holders and interns, and service contract holders under the expense line "wages, salaries, employee benefits and other staff costs".

[2] IPSAS 23: Revenue from non-exchange transactions.

This disclosure was not in line with the WFP Staffing Framework which differentiates between staff and non-staff. Staff members fall under the FAO staff rules and regulations and WFP special staff rules, whereas the rights and obligations of non-staff are stipulated in their individual contracts and they perform tasks of a temporary nature. Therefore, the External Auditor recommended to disclose staff and non-staff expenses separately;

- Separate disclosure of partners' costs for distribution and related services (USD 476.4 million, note 4.3), and contracted and other services (USD 238.2 million, note 4.4). WFP delivered and distributed a major part of food commodities for beneficiaries to and through partners. The External Auditor found that WFP did not differentiate between direct distribution and distribution through partners regarding food commodities and cash-based transfers distributed. The delivery through partners and service providers represented a different cost and risk structure which should be visible in the financial statements. Therefore, the External Auditor recommended to disclose partner expenses separately in the notes to the financial statements;

- Separate disclosure of cash transfer transaction charges (USD 65.2 million, note 4.3) as this information is relevant to readers to assess the cost efficiency of cash programmes;

- Split of realized and unrealized foreign currency exchange differences (note 3.3) as required in IPSAS;

- Provision of a more detailed breakdown of food commodities distributed, distribution and related services, contracted and other services, and separate disclosure of the depreciation and amortization costs to make them reconcilable with the schedule of tangible and intangible assets (notes 4.2, 4.3, 4.4, 4.7);

- Extended and restructured presentation of accounting policies to make it more meaningful and reader friendly (note 1).

## c. Additional changes in the presentation of the financial statements required

30. The External Auditor issued additional recommendations for changes in the note's disclosures, which WFP did not implement. The External Auditor holds that the financial statements are the primary source of finance related information to the Executive Board and other readers. The financial statements might be complemented by additional information such as the Executive Directors statement, but the audit opinion does not cover the other information. Thus, information given in the financial statements has a different level of assurance and credibility. The External Auditor holds that WFP should further enhance the informative value of the financial statements as required by IPSAS by including comparative and interpretive information that allow readers to draw conclusions on WFP's performance in implementing its mandate.

31. The External Auditors recommendations mainly related to the areas of foreign exchange rate differences in the Cashflow Statement and in the Statement of financial performance, review of the useful life of assets, policies on intangible assets – including software as a service, hedge accounting disclosures, and additional breakdowns of line items such as inventories (see below para. 73) and staff cost, and explanatory notes on significant variances.

32. For example, the disclosure of the effect of exchange rate changes on cash and cash equivalents in the cash flow statement is required by IPSAS 2 and would enable readers to better assess the impact of such changes from year to year. Also, the External Auditor found that WFP should review the useful life of its assets (see below para. 87 and para. 109). IPSAS require the disclosure that the review of the useful life of assets has taken place and if changes were required. This disclosure requirement can support WFP in conducting the review and ensuring the timely adjustment of useful lives.

33. The External Auditor will follow up on the inclusion of additional information in the financial statements, to further enhance the IPSAS compliance, meaningfulness, and transparency of notes disclosures by incorporating information which is necessary for readers to interpret significant items and variances in the financial statements of WFP.

# 3. Contributions receivable

## a. Data management of contribution agreements

34. WFP is a voluntary funded organization and depends on contributions from its donors. Contribution agreements together with pledges and acceptance letters form the legal basis for contribution revenue. In 2022, WFP managed more than one thousand agreements and responsible staff was tasked with uploading them in the WFP enterprise resource planning system WINGS.

35. The External Auditor requested copies of all multi-year contribution agreements relevant for the 2022 financial statements. WFP informed the External Auditor that it would be challenging to provide the requested agreements in a platform other than WINGS due to the large number of agreements. In addition, WFP stated that an internal working group (Changing Donor Landscape exercise) had identified technical limitations of the upload of agreements in WINGS which were already being worked on, including a low level of user friendliness when downloading or searching agreements. WFP further informed the External Auditor that there was no other archive of the signed hardcopies of contribution agreements used for recordkeeping.

36. The External Auditor noted that the up- and download and management of agreements in WINGS was time-consuming and cumbersome. WINGS did not provide a good overview of the agreements. In some cases, not all annexes were available in WINGS. The External Auditor holds that the completeness of agreements is not easily verifiable, due to the lack of e.g., a sequential numbering of agreements and a listing of annexes.

37. The External Auditor's review and WFP own observations show that using WINGS as the record management system for contribution agreements does not ensure easy and complete file access. WINGS does not facilitate downloads and a clear structure of filed agreements. The External Auditor holds that WFP should set up a separate data repository which facilitates an overview of and access to all documents and annexes relevant for a specific contribution agreement. The repository should allow finding the files based on individual agreement numbers and provide a complete overview.

38. **The External Auditor recommends that WFP ensure a comprehensive data management of all contribution agreements including annexes and make them electronically available to all relevant staff**.

39. WFP concurred with the recommendation and stated that this was also one of the main outputs from the Changing Donor Landscape exercise and that consultations were underway between the TEC and PA Divisions on technical solutions that could improve agreement-related knowledge management.

## b. Negotiations of contribution agreements

40. Over the past years, the number and volume of multi-year contribution agreements increased. Moreover, the stipulations in these agreements became more disparate and complex. For example, some agreements contained detailed earmarking with geographical and activity related specifications. Other agreements included yearly parliamentary approval or confirmation clauses. Many donors requested individual agreements with customized wording. Fewer contribution agreements were based on the standard agreement template WFP maintained.

41. The management of and accounting for the various contractual obligations is challenging for WFP. The stipulations of each agreement need to be captured and communicated internally to ensure compliance. Furthermore, the stipulations in the agreements need to be analysed regarding their impact on accounting.

42. The External Auditor holds that WFP should strive for more coherent contribution agreements with the donors. The External Auditor acknowledges that contribution agreements are a matter of case-by-case negotiations. Nevertheless, WFP could streamline and cluster the language of stipulations with similar substance and, e.g., create a compilation of more standardized stipulations for negotiations with donors.

43. **The External Auditor recommends that WFP ensure a coherent and more standardized wording for future contribution agreement negotiations to facilitate the management of and accounting for contribution agreements**.

44. WFP concurred with the recommendation and stated that one of the purposes of the Changing Donor Landscape exercise was to develop processes that enable coherent negotiations with donors as well as evaluate the clauses in WFP agreement templates to bring them more in line with what was requested of donors while also remaining consistent with WFP General Rules and Regulations, Board Decisions, etc.

## c. Clearance process of locally negotiated contributions

45. According to the standard operating procedure for locally negotiated contributions, WFP headquarters' clearance was required for all locally negotiated contributions which did not conform to the standard agreement templates available on the WFP internal website.

46. During one of the audit visits, the External Auditor found that one country office had signed a locally negotiated agreement with a donor without the required headquarters' clearance in November 2020. The country office erroneously communicated to headquarters

that the clauses of the contribution agreement were the same as a previous agreement with the same donor signed in 2019. In such a case, a repeated headquarters' clearance would not have been required. However, headquarters later noted that the new agreement deviated from the previous agreement and that it was even misaligned with WFP's rules and regulations. Consequently, the Legal Contractual and Constitutional Law Branch proposed to amend the contribution agreement. Headquarters cleared the amendment, and the country office signed the amended agreement in September 2021.

47. Moreover, during its donor confirmation exercise the External Auditor found one contribution agreement in amount of USD 16.0 million which had to be classified as non-recoverable and scheduled for write-off. The underlying case referred to a contribution agreement dated 28 July 2017 and was neither settled nor confirmed by the donor during the confirmation exercise.

48. The External Auditor holds that the internal control of the country office for the process of locally negotiated contributions needs to be improved. The External Auditor holds that cases of lack of headquarters' clearance of locally negotiated contributions can happen across WFP if no sign-off or verification process is in place. There should be a sign-off for compliance with the standard operating procedures, including clearance by headquarters. The sign-off should be done either electronically or on paper and at least by two authorized staff members of the country office. In any case, the sign-off needs to be verifiable ex-post.

49. **The External Auditor recommends that WFP improve its internal control over locally negotiated contribution agreements by requesting a sign-off procedure at the country offices.**

50. WFP agreed with the recommendation and stated that it would follow a sign-off procedure for all locally negotiated contributions. WFP stated that delegation of authority instruments, which clearly reiterated that all exceptions to local agreements needed to be approved by the relevant Division Director as well as the chief financial officer where applicable. WFP continued to state that as per current delegation of Authority (DoA) instruments, and as clearly reiterated in the new DoA instruments which were being finalized, only contribution agreements containing standard terms may be signed at Regional Bureau or Country Office level. There was no change envisaged to this process. WFP stated that it would however strengthen the communication on exceptions to be approved by relevant headquarters units though additional messaging.

## d. Automatic clearing of open items resulting from contribution agreements

51. The Contributions Accounting and Donor Financial Reporting Branch within WFP managed and monitored contributions receivable. This Branch cleared incoming payments against contributions receivable manually. There was no system for automatic matching and no standardized information to be submitted by donors together with the payment.

52. The External Auditor noted that manual clearing of incoming payments against contributions receivable is time-consuming. With automatic clearing, payment information details would automatically be matched with pending receivables. This would require a common identifier between incoming payments and the open receivables. WFP could ask donors to include the identifier when transferring money. Even with a relatively low rate of

donors using the identifier, this process would facilitate the work of the Contributions Accounting and Donor Financial Reporting Branch.

**53. The External Auditor recommends that WFP consider the development of an identifier for contribution payments to automatically match incoming payments with open contributions receivable.**

54. WFP accepted the recommendation. WFP stated that it had started gathering the requirements to automate the clearing to the extent possible. WFP noted that it might not be possible to automate all scenarios due to the complexity and variety of contributions confirmed and received, but that an improvement in the existing processes could still be achieved.

## 4. Inventories

### a. Expense recognition of food commodities distributed

55. In 2022, the expenses for food commodities distributed represented more than 30 percent of WFP's total expenses, around USD 3.9 billion. According to WFP's accounting policy, food commodities were expensed when distributed directly by WFP or handed over to cooperating partners for distribution.

56. WFP reported in its financial statements that food commodities of 237,876 metric tons in the amount of USD 220.0 million were stored at cooperating partners as at year-end and were yet to be distributed to beneficiaries. Pursuant to the WFP accounting policy, these food commodities were expensed, i.e., recorded as food commodities distributed, because they were handed over to the partners. Nevertheless, WFP had the necessary information to disclose the amount and quantity of these food commodities. Both, amount, and quantity of food commodities held by partners as at year-end increased significantly over the past years as below table I.3 shows:

Table I.3

**Food commodities stored at cooperation partners**

(Millions of United States dollars and metric tons (mt))

| Food commodities held by partners | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|---|
| Value (millions of United States dollars) | 220.0 | 107.7 | 76.4 | 61.2 | 57.9 |
| Quantity (mt) | 237.876 | 127.265 | 98.026 | 82.341 | 86.040 |

*Source: WFP Financial statements, Note 4.*

57. IPSAS stipulate that an entity must record an asset when it controls the resource. The External Auditor analysed if WFP controlled the food commodities handed over to partners. IPSAS criteria for control are inter alia, *(i)* access to the resource; *(ii)* the means to ensure that the resource is used to achieve its objectives; and *(iii)* the existence of an enforceable right to service potential or the ability to generate economic benefits from a resource. On the other

hand, expenses are defined under IPSAS as decreases in economic benefits or service potential during the reporting period. The general United Nations IPSAS policy framework states that an expense should be recognized if an event makes the reporting entity “worse off”.

58. The External Auditor found that WFP programme staff was highly involved in the food distribution by cooperating partners. WFP regularly prepared distribution plans and beneficiary lists. While distribution of food commodities was carried out by the partner, WFP staff was regularly present at the distribution site, conducted on-site distribution monitoring or engaged third-party monitoring. Field-level agreements with the partners contained a standardized clause allowing WFP unobstructed access to facilities where the commodities were stored.

59. WFP followed up on the amount and value of the food commodities held by cooperating partners during the process. At the end of each distribution period, WFP requested the cooperating partner to submit a final distribution report to WFP indicating the amount of food commodities distributed. According to the field-level agreements, the cooperating partner had to return food not distributed upon expiration or termination of the agreement and had to refund WFP for loss of or damage to commodities caused by the cooperating partner.

60. In the External Auditor’s view, the IPSAS criteria for control are fulfilled: WFP has access to the commodities, has the means to ensure that the commodities are used to achieve WFP’s objectives, and has the enforceable right to decide on the use of the commodities. The criterion for expense recognition, decrease in economic benefit, is not fulfilled when food is handed over to the partner. The cooperating partner is only an intermediary, not a recipient.

61. IPSAS also stipulate that the objectives of general-purpose financial reporting in the public sector are to provide information useful for decision-making and to demonstrate the accountability of the entity for the resources entrusted to it.

62. The External Auditor holds, that the expense recognition signals to readers, that a successful distribution of items to beneficiaries took place. This does not reflect the actual situation as the food commodities in a significant amount are still stored at the partners and not yet received by any beneficiary. Moreover, losses such as damages, looting, or expiry of the food do not have accounting consequences anymore, because the items are already expensed. The losses affect the beneficiaries WFP is responsible for. The External Auditor holds that expensing the food commodities only after distribution to the beneficiaries would improve the accountability of WFP.

63. The delivery of food commodities to beneficiaries is one of the central elements of the WFP mandate and objectives. The financial statements should be accurate and precise in this area of activities. In view of the increasing trend of commodities held by cooperating partners, the control exercised over the items, the lack of accountability, and the unaccounted risk of loss and fraud, the External Auditor holds that WFP should change its accounting policy and continue to record food items in its books until delivery to beneficiaries.

64. **The External Auditor recommends that WFP change its accounting policy on the expense recognition of food commodities handed over to cooperating partners and record these commodities as inventories and expense them only when distributed to beneficiaries.**

65. WFP agreed with the recommendation. WFP stated that any change to current accounting policy would have to be enabled by putting in place adequate and internal control proven business processes that would allow tracking and accounting for commodities. The adoption of such new system as well as changes in the accounting models would require adequate resources and collaboration among multiple functional teams to realign roles and responsibilities.

## b. Presentation of inventories in the financial statements

66. WFP's inventories mainly comprised food commodities for distribution to beneficiaries. The food commodities included round 250 different materials from cereals over canned groceries to vegetable oil. WFP sorted the materials into separate groups and reflected them on 45 general ledger accounts. WFP disclosed the following details of inventories in note 2.4 of the financial statements:

Table I.4
**Inventories in 2022 and 2021**
(Millions of United States dollars)

| | ***2022*** | ***2021*** |
|---|---|---|
| Food on hand | 1,073.6 | 863.6 |
| Food in transit | 460.7 | 326.9 |
| **Total food** | **1,534.3** | **1,190.5** |

*Source: WFP, financial statements, note 2.4.*

67. The notes to the financial statements did not provide a further breakdown of food commodities. The Executive Director's statement included a narrative numeration of the commodities (see para. 36 of the Executive Director's statement).

68. WFP recorded physical stock count discrepancies, accruals, and other adjustments on one general ledger account in WINGS in an aggregated manner and not broken down into material groups. In 2022, the aggregated adjustments amounted to USD 75.0 million.

69. The table I.5 shows the material groups with the highest quantities and values which WFP held on stock in USD as at 31 December 2022 and 2021. It also separately shows the adjustment account, which included adjustments of various material groups.

Table I.5
**Food commodities – top 10 material groups as at 31 December 2022 and 2021**
(Millions of United States dollars and percent)

| *Material group* | *2022* | *percent* | *2021* | *percent* | *Increase/ (decrease)* |
|---|---|---|---|---|---|
| Wheat | 310.2 | 20.2 | 208.5 | 17.5 | 101.7 |
| Vegetable oil | 248.4 | 16.2 | 187.4 | 15.7 | 61.0 |
| Supplementary food mix | 169.0 | 11.0 | 164.0 | 13.8 | 5.0 |
| Sorghum, millet | 149.3 | 9.7 | 112.4 | 9.4 | 36.9 |
| Super cereal, mixed corn | 129.0 | 8.4 | 107.4 | 9.0 | 21.6 |
| Wheat flour | 117.4 | 7.7 | 95.6 | 8.0 | 21.8 |
| Split peas | 106.4 | 6.9 | 33.3 | 7.0 | 23.1 |
| Rice | 102.0 | 6.6 | 106.6 | 9.0 | (4.6) |
| Super cereal, mixed wheat | 64.6 | 4.2 | 28.8 | 2.4 | 35.8 |
| Chickpeas | 47.9 | 3.1 | 4.6 | 0.4 | 43.4 |
| **Subtotal (top 10 materials)** | **1,444.2** | 94.1 | **1,098.6** | 92.3 | **345.5** |
| Other materials | 165.1 | 10.8 | 141.6 | 11.9 | 23.5 |
| Food commodity adjustments | (75.0) | (4.9) | (49.7) | (4.2) | (25.3) |
| **Total** | **1,543.3** | 100.0 | **1,190.5** | 100.0 | **343.8** |

*Source: WFP, enterprise resource planning system (WINGS).*

70. Ten materials represented 94 percent of the total inventory value. Among these materials, wheat, vegetable oil, and supplementary food mix were by far the biggest material groups and formed almost 50 percent of WFP inventories as at year-end 2022 and 2021.

71. WFP did not disclose any details of food commodities in the financial statements and did not split the adjustment of USD 75.0 million to the material groups. For example, one of the adjustments related to the material "chickpeas". The account for the material chickpeas showed a value of USD 47.9 million. However, due to an input error, WFP had to record a valuation adjustment of USD 39.5 million for this material. This adjustment was part of the USD 75.0 million adjustment. In summary, the value of chickpeas on hand and in transit as of 31 December 2022 amounted to USD 8.4 million. This information was not visible from the general ledger accounts.

72. The distribution of food commodities is one of the core activities of WFP that consumes a significant portion of the budget. Inventories represent round 12 percent of the current assets. IPSAS encourage entities to present additional information to assist users in assessing the performance of an entity and its stewardship of assets. The External Auditor holds that a more detailed information on the kind, value, and quantity of food commodities on hand and in transit would facilitate the financial statement user's understanding of WFP's activities to support beneficiaries. The External Auditor holds that such a disclosure is part of a fair presentation as required by IPSAS and should be included in the financial statements. The audited financial statements represent a different quality and credibility of information than other information given outside the financial statements.

**73. The External Auditor recommends that WFP disclose in the notes to the financial statements the quantity and value of the major material groups of food commodities.**

74. WFP agreed with the recommendation and stated that it would evaluate the usefulness of adding additional and more detailed information in the financial statements considering the overall length, the interest of the readers of the financial statements in such information

and common practices adopted by other United Nations agencies regarding such detailed disclosures.

## c. Valuation of inventories

75. According to IPSAS 12, inventories are valued at the lower of cost or replacement cost in cases where items are distributed at no charge. The replacement cost usually equals the market price. IPSAS stipulate that inventories are usually written down to the replacement cost on an item-by-item basis (revaluation). Exceptionally, it may be appropriate to group similar or related items. This may be the case with items of inventory that have similar purposes or end uses and cannot practicably be evaluated separately from other food commodities in that product line. In addition, IPSAS require an impairment review of assets to reflect a decline in the useability of the asset to the entity that controls it.

76. In 2022, WFP recorded a revaluation of USD 63.3 million compared with USD 4.5 million in 2021 based on analysis of the latest market price and an impairment of USD 10.5 million (2021: USD 2.6 million) based on past experience. In 2021, the amount for write-down to net realizable value of USD 4.5 million was netted off from food on hand, therefore 2021 was restated.

Table I.6

**Food commodities – revaluation and impairment at 31 December 2022 and 2021**

(Millions of United States dollars)

| | **2022** | ***2021 Restated*** | *increase/ (decrease)* | *percent* |
|---|---|---|---|---|
| Food on hand | 1,073.6 | 863.6 | 210.0 | 19.6 |
| Food in transit | 460.7 | 326.9 | 133.8 | 29.0 |
| **Subtotal food** | **1,534.3** | **1,190.5** | **343.8** | **22.4** |
| Less: write-down to net realizable value | (63.3) | (4.5) | (58.8) | 92.9 |
| Less: impairment allowance | (10.5) | (2.6) | (7.9) | 75.2 |
| **Total food** | **1,460.5** | **1,183.4** | **277.1** | **19.0** |

*Source: WFP, financial statements, note 2.4.*

77. As mentioned above, wheat was by far the largest food commodity held by WFP at the reporting date in terms of value and quantity. Also, wheat made up USD 46.8 million or 74 percent of the total revaluation. The Russia-Ukraine conflict has led to a significant increase in the price of wheat worldwide in 2022. After record levels in May 2022 with a peak of USD 475 per metric ton, wheat prices have declined in the first quarter of 2023. In February 2023, the price of wheat was USD 310 per metric ton. The table I.7 shows the development of the wheat price from April 2022 to February 2023.

Table I.7

**Wheat price per metric ton April 2022 to February 2023**

(United States dollars)


*Source: Current wheat price in dollars | Wheat | Wheat Course | finanzen.net*

78. The External Auditor reviewed the valuation process and noted various manual steps and simplification assumptions. WFP included the top 20 materials in terms of quantity in the valuation exercise and not the top 20 materials in terms of value. There was no rule or specific guidance which criterion to apply. WFP used the market prices of the latest purchase orders available in WINGS. WFP had to manually eliminate transport costs which were included in the value of food commodities in WINGS to arrive at the adjusted market price. Costs for processing food commodities such as milling were not separately identifiable and could therefore not be eliminated. For simplification purposes, WFP extrapolated the adjusted market price to all materials of a group disregarding different prices of materials within one group.

79. The External Auditor notes that the revaluation approach is highly manual, not all parameters are explicitly defined, and item-by-item information is lacking. In view of the significant increase of the revaluation amount, the External Auditor holds that the process should be improved and better supported by the information technology.

**80. The External Auditor recommends that WFP improve the process of inventory revaluation to lower of cost or market price and consider applying an item-by-item valuation as feasible based on clearly defined parameters.**

81. WFP agreed with the recommendation. WFP acknowledged that the existing revaluation exercise includes various simplifications and assumptions. WFP agreed to reassess the process with the aim to minimize such simplifications and assumptions.

# 5. Property, plant, and equipment

## a. Disposal process and fully depreciated equipment

82. According to IPSAS 17, an item of property, plant, and equipment shall be carried at its cost less accumulated depreciation. Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life. The residual value and the useful life of an asset shall be reviewed at least at each annual reporting date. In addition, IPSAS stipulate that an item of property, plant, and equipment shall be derecognized on disposal, or when no future economic benefits or service potential is expected from its use or disposal.

83. As of 31 December 2022, WFP recorded property, plant, and equipment with a net book value of USD 248.2 million. According to the asset register, the historical costs of these assets amounted USD 673.9 million and related to 23,145 items. The External Auditor noted that 12,157 of these items – equalling 52.5 percent – were fully depreciated as of 31 December 2022.

84. The External Auditor noted during the audit visits that up to 40 percent of items at the regional bureaux and country offices visited had an asset status other than operative. All these items were fully depreciated or expensed. At headquarters, the External Auditor found that round 12 percent of property, plant and equipment had an asset status other than operative. The External Auditor inspected the storage locations at the offices visited and found that most of the non-operative items were information technology equipment, in particular servers and routers. According to WFP the items were outdated and could not be used anymore. Nevertheless, WFP did not dispose the items.

85. The External Auditor holds that the storage of unused and broken equipment consumes space. The equipment must be verified during physical counts. This is a redundant workload for items which are not operative anymore. Therefore, WFP needs to enhance the disposal process of unused, broken, or outdated property, plant, and equipment.

86. The External Auditor holds that the high portion of fully depreciated assets recorded as property, plant and equipment serves as an indicator that either the expected useful life or the disposal process is lacking accuracy. The External Auditor encourages WFP to perform an analysis to identify the root cause why more than 50 percent of WFP's property, plant and equipment are fully depreciated. Based on the results of this analysis, WFP should either enhance the disposal process or adjust the expected useful life of property, plant, and equipment.

87. **The External Auditor recommends that WFP enhance the disposal process of unused, broken, or outdated tangible assets and perform an analysis to identify the root cause for the high percentage of fully depreciated property, plant, and equipment**.

88. WFP concurred with the recommendation and stated that it had taken measures to enhance the disposal of tangible assets that were no longer required in WFP operations and that it would undertake an analysis to identify the root cause for the high percentage of fully depreciated property, plant and equipment.

## b. Asset management process

89. WFP country offices are responsible for the management and control of property, plant, and equipment under their custody and for maintaining the records in WINGS. The Asset Management Unit at headquarters is tasked to ensure that property, plant, and equipment is fairly represented and disclosed in the financial statements. The Global Equipment Management System (GEMS) is a WINGS application that serves as the corporate asset management tool.

90. The External Auditor reviewed the data of property, plant, and equipment and intangible assets in WINGS as of 31 December 2022 and found general ledger adjustments of USD 5.7 million. Upon request, WFP provided a memorandum prepared by the Asset Management Unit to support the adjustments. The adjustments were the result of the physical verification of country offices and related to existing assets that were not recorded in WINGS in the current period and partly also not in the previous periods. Country offices still needed to manually reconcile the items between GEMS and the WINGS asset management module.

91. The adjustments of USD 5.7 million show room for improvement in the asset management process and the information flow from country offices to headquarters. The Asset Management Unit depends on the country offices information to ensure that property, plant, and equipment records in WINGS are complete and represent all assets controlled by WFP in all locations. The External Auditor holds that WFP should review the asset management processes and strive for better and timely information input from country offices in WINGS.

92. The External Auditor requested WFP to provide GEMS asset reports. The reports were supposed to comprise all equipment under the custody of WFP. They contained inter alia information on the acquisition cost and date, asset status, and location. They indicated in most of the cases a net book value of zero, irrespective of the actual net book value. Furthermore, depreciation related information was not included in the report. During the audit visits, the External Auditor was informed that WFP used these reports to identify assets which had reached the end of their useful life and to perform impairment reviews.

93. The External Auditor holds that the informative value of the GEMS reports needs to be enhanced to support the aging and impairment reviews. The aging of the equipment, the residual useful life and the net book value serve as basis to decide on disposals or replacements. In addition, the net book value is crucial to determine if an impairment needs to be recorded. The External Auditor holds that this information should be included in standard GEMS reports to ensure proper monitoring activities and to support the decision-making of staff members with the aim to identify need for disposals, replacements, or impairments.

94. **The External Auditor recommends that WFP review the asset management processes and applications in use to simplify data input, reduce manual workload and enhance its asset management reports by adding the aging, residual useful life, accumulated and current depreciation and net book value as a standard functionality to support the monitoring and asset management processes**.

95. WFP agreed with the recommendation and stated that it would review the feasibility of making enhancements to the GEMS reports to add functionalities that would enable the reports to provide the required information to better monitor and manage WFP assets.

## c. Missing items

96. During its audit visits, the External Auditor requested details of the latest annual physical count and reconciliation exercise from the country offices visited. The guidelines for the performance of annual physical count and reconciliation exercises stated the aim to ensure the safeguarding of assets, completeness, and accuracy of asset records.

97. One of the country offices visited provided a note for record issued after the previous physical count exercise, in January 2022, which indicated that 894 items with an overall acquisition value of USD 79,150 were not found during the physical count. Out of the 894 missing items, 598 items with acquisition costs of USD 0.1 million were categorized as computer equipment. After a second round of verification, the country office stated in January 2023 that it detected 490 of the 598 items and that it considered 108 items as stolen. Until March 2023, the country office was still reconciling the stolen items. The External Auditor noted that the stolen items referred to several attractive items such as tablets, laptops, or phones. The External Auditor noted that the CO did not notify headquarters about the missing items and that no investigation took place.

98. The reconciliation of the missing items was conducted upon the External Auditors' request one year after the original count. The External Auditor holds that measures to reconcile missing items should be performed immediately after detection to identify reasons and to follow-up on them. In addition, the External Auditor holds that WFP should investigate cases where country offices report missing items identified during the annual physical count and reconciliation exercise.

99. The External Auditor holds that in general, WFP country offices should establish measures to safeguard its items from theft. The timely follow-up on missing items can be one counter measure. In addition, the External Auditor encourages the concerned country office to further inquire how to prevent theft. The outcome of this inquiry should serve as a basis to establish appropriate processes for safeguarding items and mitigating the risk of theft.

100. The External Auditor holds that WFP country offices should perform annual physical count and reconciliation exercises in a manner which ensures complete and accurate reconciliation of all items. The reconciliation should enable WFP country offices to detect if items are missing.

101. **The External Auditor recommends that WFP enhance controls to safeguard equipment of country offices and emphasise to country offices the need to perform annual physical count and reconciliation exercises in a complete and accurate manner**.

102. WFP agreed with the recommendation, acknowledged the importance of instituting appropriate controls to safeguard WFP assets from theft or misuse. WFP continued to state that it would review the existing controls in place, enhance these controls as necessary, and ensure that controls in place were adhered to by WFP offices.

### d. Capitalization of solar power systems

103. Since 2010, WFP installed solar panels in different country offices for its own use. Pursuant to WFP, solar-powered energy systems are economically viable as they have low running costs and a life span of nearly 30 years. Solar power systems are becoming increasingly important for WFP to achieve self-defined climate targets and to reduce carbon emission.

104. The External Auditor analysed a list of different solar equipment and found 1,487 items with total acquisition costs of USD 3.2 million which WFP did not capitalize. On the other hand, a very small number of 12 items with total acquisition cost of USD 0.9 million were capitalized and depreciated over a useful life of three years.

105. WFP stated that it did not capitalize solar panels and related equipment in case the price of the single solar panel, inverter or battery did not exceed the capitalization threshold of USD 5,000.

106. The External Auditor noted that country offices treated the solar panels and related equipment differently. Whereas few country offices capitalized solar systems others expensed single solar equipment items upon acquisition.

107. The External Auditor holds that for solar panels and related equipment it is appropriate to aggregate individual insignificant items and to apply the recognition criteria to the aggregate value of these items. A single solar panel is only usable when combined with inverters, batteries and other equipment needed to operate the items as a solar power system. These systems must be capitalized if the total aggregated acquisition costs exceed the threshold of USD 5,000.

108. The External Auditor holds that a useful life of 3 years does not reflect the actual and potential usage possibilities of a solar power system. Manufacturers of solar power systems often guarantee a useful life of 20 years. National depreciation rules stipulate a useful life of 10 years. WFP itself mentioned a life span of nearly 30 years. The External Auditor holds that WFP should review the useful life of solar power systems and align it with their actual use.

109. **The External Auditor recommends that WFP review its solar power systems and ensure that systems with an aggregate value of more than USD 5,000 are capitalized as items of property, plant and equipment and that WFP review the useful life of such systems and align it with the actual use**.

110. WFP agreed with the recommendation and stated that it would coordinate to revising the estimated useful life of solar power systems and consider capitalization based on aggregate function and value.

## 6. Staff costs and employee benefits

111. In 2022, staff costs amounted to USD 1.0 billion compared with USD 0.9 billion (restated) in 2021. The main expenses pertained to international and general service staff (USD 568.9 million or 55.6 percent) and national staff with fix-term contracts

(USD 339.0 million or 33.1 percent). The table I.8 shows the expenses for staff categories in the financial years 2022 and 2021.

Table I.8

**Staff costs per categories 2022 and 2021**

(Millions of United States dollars and percent)

| | *2022* | | *2021* | |
|---|---|---|---|---|
| *Staff category* | *Value* | *percent* | *Value* | *percent* |
| International professionals and Headquarters' General Service staff | 568.9 | 55.6 | 534.2 | 61.4 |
| National staff holding fix-term contract | 339.0 | 33.1 | 256.3 | 29.5 |
| National staff | 1.0 | 0.1 | 1.3 | 0.1 |
| Staff costs related to all categories | 114.1 | 11.2 | 77.9 | 9.0 |
| **Total staff costs** | **1,023.0** | **100.0** | **869.7** | **100.0** |

*Source: WFP enterprise resource planning system (WINGS).*

## a. Outsourcing of parts of the payroll process

112. For National Professional Officers (NPO) and General Service (GS) staff, WFP outsourced the payroll process to a United Nations external service provider. A Memoranda of Understanding from 2004 specified the tasks and costs of the external service provider. As of 31 November 2022, the external service provider processed the payroll for 8,844 staff members (38 percent of the WFP workforce).

113. In 2022, the payroll process for NPO and GS staff involved the following steps: The WFP human resources units in the country offices recorded and maintained human resources master data for NPO and GS staff in WINGS. The external service provider maintained a separate own system with an own set of the WFP NPO and GS staff master data. The country offices electronically transmitted changes in the master data to the external service provider on a case-by-case basis every month. Separate forms informed the external service provider about additional payments or deductions, for example overtime. Based on its manually updated database, the external service provider processed the payroll and issued the payslips. For financial reporting purposes, the external service provider provided WFP a file that contained the payroll costs for each NPO and GS staff to which WFP added the necessary funding and account information and uploaded the data into WINGS. The country offices reviewed the upload and finally released the payments and recorded the payroll expenses in the financial accounts.

114. The External Auditor found that WFP country offices had limited visibility over the payroll process performed by the external service provider. While the external service provider offered access to its master data to all country offices, 50 country offices out of 83 used it. WFP stated that technically, it was feasible to process NPO and GS staff in WINGS.

115. The External Auditor holds that the outsourcing of the payroll services for about 40 percent of the WFP workforce entails various risks and creates additional workload and costs.

- Maintaining human resource master data in two separate databases creates a system-break. The information is transmitted case-by-case through separate files which entail additional work on both sides and the risk of transmission and input errors. For example, the External Auditor found in one sample of staff expenses that dependency status information transmitted was not considered by the external service provider.

- Moreover, the maintenance of two databases creates additional work and there are certain limitations to WFP's all-time access to data and calculation methods used by the external service provider. Not all WFP country offices had access to the external service provider's system. Also, WFP needs to build up additional skills to access and analyse data from the service provider's system. WFP's capabilities to detect errors are limited, control and monitoring functions are more difficult to execute over an outsourced process. Outsourcing the payroll process creates service costs.

116. WFP informed the External Auditor that the external service provider and WFP were planning to implement a cloud-based Human Capital Management system. WFP stated that an integration between the two systems would fully automatize the human resources master data transmittal between WFP and the external service provider.

117. The External Auditor is aware that the involvement of the external service provider in the payroll process has grown historically and acknowledges the efforts to reduce the risk of transmittal errors through automatization. However, given the risks and costs outlined above and the technical feasibility of integrating NPO and GS staff into the central payroll process in WINGS, the External Auditor holds it beneficial to perform a cost-benefit-analysis of such integration. This analysis should be comprehensive and consider the risks mentioned above. Based on this analysis, management can decide if an integration strategy should be developed and implemented.

**118. The External Auditor recommends that WFP conduct a comprehensive cost-benefit analysis of the outsourcing of parts of the payroll process to an external service provider considering the risks involved and the benefits achieved.**

119. WFP concurred with the recommendation and stated that it would conduct a comprehensive cost-benefit analysis.

## b. Incorrect census data used for employee benefit liabilities

120. Upon separation from WFP, eligible staff members can opt to extend the medical coverage after service (After Service Health Insurance, ASHI). A staff is eligible to apply for ASHI after a specific number of years of cumulative in-service contributory participation in the medical plan, or, prior to that, in a health insurance plan recognized by the United Nations (between 5 and 20 years, depending on the medical plan and the staff member's age).

121. WFP provided data of staff members and consultants such as census and enrolment data in medical plans to an actuary for calculation of WFP's employee benefit liability for ASHI. The External Auditor reviewed the data provided to the actuary. For almost all staff members and consultants the entry on duty date as the beginning of the enrolment in medical plans was the entry on duty date at WFP. The External Auditor analysed 10 cases of staff members and found that each of them had worked for other United Nations entities before joining WFP.

122. The External Auditor holds that the entry on duty dates transmitted to the actuary are likely to be systematically incorrect. WFP has not included pre-WFP eligible ASHI enrolment times for staff members and consultants in its data submission to the actuary. This indicates that the actuary has based his calculation on wrong data and underestimated the years of staff members' enrolment in recognized medical plans. Consequently, the employee benefit liabilities are most likely understated.

123. The External Auditor holds that WFP should ensure that the data transmitted to the actuary is correct. WFP should assess how it can record a staff member's prior enrolment in medical plans recognized by the United Nations in the future.

124. **The External Auditor recommends that WFP assess how it can record a staff member's prior enrolment in medical plans recognized by the United Nations correctly and ensure that the employee benefit liability is based on appropriate data**.

125. WFP agreed with the recommendation. WFP stated that it was currently finalizing the development of a report from the United Nations Joint Staff Pension Fund system to be integrated into WFP reports prior to sending the census data to the actuary.

## c. Insufficient documentation and internal control for certain entitlements

126. WFP granted various entitlements to its staff members. For international staff members for example, WFP paid danger pay, education grant, settling-in grant, non-family allowance, hardship allowance, and child and spouse allowances. In the financial year 2022, WFP expensed USD 135.8 million for these entitlements. A breakdown is provided in table I.9 below.

Table I.9
**Expenses for selected entitlements in 2022 and 2021**
(Millions of United States dollars)

| ***Type of entitlement*** | ***2022*** | ***2021*** |
|---|---|---|
| Danger pay | 49.8 | 31.4 |
| Education grant | 22.6 | 20.0 |
| Child allowance | 18.6 | 13.4 |
| Settling-in grant | 15.4 | 9.1 |
| Hardship allowance | 14.0 | 11.9 |
| Non-family service allowance | 8.0 | 7.0 |
| Spouse allowance | 7.4 | 6.8 |
| **Total entitlements** | **135.8** | **99.6** |

*Source: WFP enterprise resource planning system (WINGS).*

127. Additionally, international staff members were entitled to other financial benefits such as relocation grant, termination indemnities and repatriation benefits.

128. The External Auditor requested supporting documents for a sample of 32 entitlements disbursed in the financial year 2022. With regard to non-family service allowance, danger pay, and child and spouse allowance the External Auditor noted the following:

- Non-family service allowance: The External Auditor found two cases in which staff members received non-family service allowance while being on temporary duty assignments at a family duty station. In the first case the staff member received the allowance for 23 consecutive months and in the second case for more than 3 months. WFP was of the opinion that the allowance was not to be discontinued during temporary duty assignments. The External Auditor highlighted that the human resources manual[3] prohibited the payment of the non-family service allowance after 90 days of absence from the non-family duty station. In response, WFP stated that this regulation was effective from 1 January 2022 and it would investigate the applicability of the provision in these cases.

- Danger Pay: For locally recruited staff members, the human resources manual provides a calculation sheet for danger pay. The External Auditor found that country offices did not use the sheet and calculated the allowance manually. Also, for one sampled local staff member, the calculation was not certified. In another case an external service provider had calculated the danger pay. WFP provided the electronic form indicating the entry on duty date, but no documentation about days present at the duty station which formed the basis for the danger pay calculation. For another staff member, the External Auditor found that expenses of USD 5,959 under the expense line danger pay referred to generator fuel and security expenses. The External Auditor was informed that neither headquarters, nor the regional bureaux were involved in processing danger pay and that they had no detailed monitoring function besides their general oversight role and common focus area on benefits and entitlements.

- Child and spouse allowance: Staff members have the responsibility to inform WFP about changes that may affect the payment of the dependency allowances, such as receipt of government grants. Dependency allowance shall be paid retroactively up to a maximum of two years. For spouse allowance, the staff members have to declare the employment status of the spouse and their yearly earnings. The External Auditor found that for one sampled staff member, WFP paid a child allowance retroactively for four years. The External Auditor also noted that one staff member received spouse allowance since October 2019, while public information indicated that the spouse was employed for the entire period. The staff member had declared that the spouse was unemployed. WFP stated that it fully relied on the staff members declaration.

129. The External Auditor holds that each entitlement serves a specific purpose. Non-family service allowance for example aims at compensating for the time serving in a non-family duty station. Thus, the entitlement should be paid when a staff is exposed to the risks the

[3] WFP human resources manual, IV.2.7 (h).

entitlement aims to compensate. In view of the External Auditor, paying non-family service allowance for 23 months to a staff working in a family duty station contradicts the objectives of this entitlement and is not in line with the human resources manual. The External Auditor holds that entitlements should only be granted and disbursed when all eligibility criteria are fulfilled. The fulfilment of the eligibility criteria should be verified by proper evidence and be consistently documented.

130. For location-dependent entitlements such as danger pay, a regular documentation of days present is of paramount importance to calculate the monthly amount of the entitlement. The External Auditor holds that the calculation of the monthly danger pay amount should follow a consistent procedure and be based on a unified template in all country offices. Having different templates that require manual calculation creates the risk of computational error.

131. The External Auditor also holds that WFP should not only rely on self-certifications, but rather consider ways to corroborate the information provided, such as readily available official documents. Also, WFP could collect country specific data to confirm or question a staff member's declaration regarding government grants. WFP should reassess how it can verify the data provided by staff members in the yearly declaration.

132. WFP stated that to require documents yearly from all relevant employees for all aspects of their declaration may not be feasible given the volume and its practical implementation. WFP doubted that information collected on government grants could be applied and was relevant for each specific case. The External Auditor holds that the collection of government grant data can be beneficial for providing a benchmark when assessing a staff's yearly declaration.

133. The External Auditor further holds that WFP should reassess its internal control for entitlements granted. WFP could prevent overpayments through centrally analysing and monitoring entitlement data, for example through automated reports. For entitlements with decentralized administration and large yearly volumes such as danger pay, internal control that ensure correct calculation and disbursements are particularly advisable.

134. **The External Auditor recommends that WFP improve the danger pay process in terms of automatization, certification, calculation, and monitoring in the country offices to ensure that danger pay is calculated correctly and only paid for eligible days**.

135. WFP agreed with the recommendation. WFP highlighted that it is currently implementing the Workday platform which, among other purposes, aims to introduce a standardized, fully auditable process and workflow for danger pay across country offices and eligible employee categories. The implementation is in progress.

136. **The External Auditor recommends that WFP enhance documentation requirements and establish detective controls to review in predetermined intervals the correctness of entitlements disbursed.**

137. WFP concurred with the recommendation.

# 7. Cash-based transfers

## a. Background

138. In 2022, WFP distributed USD 3.3 billion cash-based transfers to beneficiaries compared with USD 2.3 billion in 2021. The increase of USD 1.0 billion was driven by the strong increase in distributions in Ukraine (USD 382.9 million), Afghanistan (USD 322.4 million) and Somalia (USD 271.0 million). Cash-based transfers in Somalia were already high in 2021 (USD 202.9 million), and according to WFP the number of beneficiaries doubled in 2022. In Afghanistan, operations grew again in 2022 after they had been obstructed in 2021 by the withdrawal of international troops. No cash-based transfers had been distributed in Ukraine prior to 2022. The Country Office Yemen had the biggest decrease in cash-based transfers (USD 161.0 million in 2022 compared to USD 364.2 million in 2021). According to WFP, the decrease was due to funding shortages and operational constraints.

139. The cash-based transfers included assistance in form of physical bank notes, electronic money, through debit cards or value vouchers. Cash-based transfers could only be used in countries where markets and the financial sector were functioning. The table I.10 shows the amount of cash distributions in 2022 by region.

Table I.10
**Cash-based transfers by region in 2022 and 2021**
(Millions of United States dollars)

| *Region* | *2022* | *2021* |
|---|---|---|
| Middle East and Northern Africa | 1,152.6 | 938.8 |
| Eastern Africa | 761.1 | 440.1 |
| Asia and the Pacific | 608.4 | 249.2 |
| Western Africa | 421.5 | 274.2 |
| Southern Africa | 170.6 | 229.6 |
| Latin America and the Caribbean | 183.8 | 191.8 |
| **Total CBT all regions** | **3,298.0** | **2,323.7** |

*Source: WFP enterprise resource planning system (WINGS).*

## b. Cash-based transfer reconciliation process

140. WFP's cash assurance framework lays out a set of standards and measures of controls for cash-based transfers to be used by country offices. One of WFP's main controls in the cash-based transfer process is the "transfer reconciliation". The goal of the transfer reconciliation is to verify that the intended beneficiaries receive the right benefits every cycle. This is to be achieved through a comparison between payment instructions, i.e., beneficiary payment lists, and actual transfers, i.e., beneficiary transfer reports.

141. Transfer reconciliation can be broken down into first level and second-level reconciliation. The purpose of first-level reconciliation is to ensure that redeemed paper vouchers or digital transactions are unique, legitimate, and authorized and to reconcile individual and total benefits transferred to beneficiaries and redeemed and unredeemed by beneficiaries, for each cycle and cumulatively. WFP performs first-level reconciliation when WFP is transferring benefits using WFP's proprietary platforms or paper vouchers. If WFP is

transferring benefits through external service providers or partners, then first-level reconciliation is performed by those actors. The purpose of second-level reconciliation is to review the accuracy of first-level reconciliation performed by external actors and to confirm benefit distribution, loadings and returned amounts.

142. The External Auditor reviewed the reconciliation of cash-based transfers for a sample of 19 country offices with a focus on the processes applied. The samples covered a transfer amount of USD 40.2 million.

143. The External Auditor noted that documentation of transfer reconciliation was not standardized. Twelve of the nineteen sampled country offices did not provide complete documentation of second-level reconciliation. In four of these cases first-level reconciliation was carried out by external service providers or partners, in eight cases by WFP. In twelve cases, the documentation of first-level reconciliation was limited to the total benefits transferred. The documentation did not include reconciliation of individual transfers and checks to detect anomalies. In many cases, the documentation did not include cross-references to the payment lists and beneficiary transfer reports.

144. WFP has identified reconciliation as one key control in the programming of cash-based transfers. The External Auditor concurs with this assessment and holds that a standardized documentation should be mandatory to ensure reconciliations include all relevant parts. The External Auditor also holds that formal reviews and approvals of reconciliations are needed.

145. The External Auditor understands that depending on the modality, context and software used by country offices, the complexity to compile data varies. Nevertheless, the data transferred to the financial service provider or retailer and back to WFP is mostly the same. The External Auditor therefore holds that transfer reconciliation should be more standardized and streamlined within WFP. This would also facilitate oversight by headquarters and management approval in country offices.

146. **The External Auditor recommends that WFP compile and share with country offices good practices and examples of cash-based transfer reconciliations for coherent data management and documentation of transfer reconciliations**.

147. WFP agreed with the recommendation.

## c. Roll-out of technical reconciliation tools

148. The Cash-Based Transfers Division at headquarters offered an online “systems menu” where country offices could find support and select digital tools suitable for their context specific requirements. The systems menu also included digital tools for transfer reconciliations. According to WFP, the Division had developed different reconciliation reports and dashboards for ten country offices, enabled four more country offices to develop their own, and developed automated assurance controls in 25 country offices. The automated assurance controls included checks for anomalies and duplications. The Division also developed a standard reconciliation dashboard for cash-based transfers with one commonly used financial service provider.

149. One of the country offices reviewed by the External Auditor had developed a transfer reconciliation dashboard with the support of the Division. The dashboard showed a transfer overview by modality and district, a redemption overview of the voucher modality, enabled the detection of discrepancies between payment list and beneficiary transfer report, and enabled the detection of duplicate households by modality and district.

150. In the view of the External Auditor, this example shows best practice for a transfer reconciliation. The further roll-out of such best practice solutions, for example as part of the systems menu, would – in addition to standard requirements as outlined above – help ensure that transfer reconciliations are complete and transparent. It would also reduce the workload of country offices.

151. **The External Auditor recommends that WFP further roll out and enhance corporate standard technical solutions for cash-based transfer reconciliation at country office level**.

152. WFP agreed with the recommendation and stated that the expansion of data analytics solutions was considered a long-term solution to improve the transfer reconciliation processes at global level.

## d. Oversight on reconciliations

153. WFP rolled out quarterly cash-based transfer assurance reports in 2022. For this purpose, country offices and regional bureaux conducted a self-assessment on ten key controls within their programme. Performing a transfer reconciliation for each payment cycle was one of these key controls.

154. WFP summarized the assessment of country offices and regional bureaux on the status of implementation of these priority controls in dashboards. The External Auditor noted that the accuracy of country offices self-assessment was not verified by the headquarters unit.

155. The External Auditor considers the cash-based transfer assurance reports a good approach to gain an overview of the implementation of key controls. At the same time, the External Auditor holds that the self-assessment of the country offices should be based on similar and overarching criteria and quality standards. To ensure that quality standards are adhered to the External Auditor also holds that – in view of the findings above – regional bureaux or headquarters should oversee assurance reporting.

156. **The External Auditor recommends that WFP strengthen the oversight activities related to cash-based transfer delivery processes to ensure coherent corporate transfer reconciliations**.

157. WFP agreed with the recommendation and stated that, under the current corporate set-up, regional bureaux were best positioned to perform follow ups on oversight activities.

## e. Commodity vouchers

158. Cash-based transfers include different distribution modalities. Cash transfers refer to the provision of unrestricted assistance in the form of money (physical or electronical). Beneficiaries can use it to buy what they most need in the local market. Vouchers are

transferred in the form of paper vouchers, tokens or e-vouchers and can be value vouchers or commodity vouchers. Value vouchers can be exchanged for a choice of specified food items with the equivalent cash value of the voucher. Commodity vouchers can be exchanged for a fixed quantity of specified goods. WFP recorded cash-based transfers in the following accounts which can be seen from table I.11.

Table I.11
**Cash-based transfers by general ledger accounts in 2022 and 2021**
(Millions of United States dollars)

| *General Ledger Account* | *2022* | *2021* |
|---|---|---|
| Cash Transfer | 2,148.3 | 1,322.9 |
| Value Voucher Transfer | 928.2 | 762.8 |
| Commodity Voucher Transfer | 217.7 | 235.1 |
| Cash Transfer to Host Government | 0.9 | 1.6 |
| Value Voucher Transfer for services | 0.7 | 2.2 |
| CBT Loss expense account | 0.1 | 0.4 |
| Expense Accrual | 2.1 | (1.3) |
| **Total CBT expenses** | **3,298.0** | **2,323.7** |

*Source: WFP enterprise resource planning system (WINGS).*

159. WFP’s financial statements included expenses of commodity voucher transfers as a separate line within cash-based transfers. In 2022, commodity voucher transfer expenses amounted to USD 218 million.

160. According to WFP’s cash-based transfer accounting guidance, commodity vouchers are vouchers that are exchanged for fixed quantities of specified foods, thus limiting beneficiary choice. According to WFP’s policy on the provision of meals through indirect cash transfer, commodity voucher transfers are transfers where WFP does not procure the food and the beneficiary cannot choose the food. This includes indirect cash transfers, i.e., scenarios where WFP transfers cash to a transfer agent, who then procures and prepares meals to distribute to beneficiaries, for instance for school meals.

161. In April 2022, WFP stated in an internal guideline that commodity vouchers were not considered cash-based transfers because of the limited beneficiary choice. In the guideline, WFP also stated that the transfer modality resulted in different risks regarding food safety and quality making the transfer modality more similar to in-kind.

162. The External Auditor noted that expenses from commodity voucher type transactions were not always recorded consistently. The External Auditor’s sample included one country office where commodity voucher type transactions were categorized as cash transfers. In this case, the country office transferred funds to the government who passed on the funds to schools. The schools used the funds to procure food commodities from local farmers.

163. The External Auditor holds that the definition of commodity vouchers and how these are reported in the financial statements is misleading. The different structure and risks of commodity vouchers, including indirect cash transfers – as outlined by WFP – should be reflected in the accounting of the transfers. The External Auditor also holds that guidance on commodity voucher type transactions could be improved.

164. **The External Auditor recommends that WFP revisit the definition of commodity vouchers and establish an appropriate accounting category to record this type of distribution activity**.

165. WFP agreed with the recommendation and stated that it had set up a working group on commodity vouchers in March 2023.

# 8. Accounting processes

## a. Accrual recognition process

166. Pursuant to the IPSAS accrual accounting principle, transactions and other events are to be recorded in the accounting records and recognized in the financial statements of the periods to which they relate and not when cash is received or paid. Therefore, WFP needed to record an accrual for goods and services received until 31 December 2022 for which service entry sheets or goods received notes were not yet available or provided.

167. To achieve accurate accrual recognition, WFP has established several measures to identify transactions that need to be recorded as an accrual at year-end. Mainly, WFP requested country offices to manually compile a list of all relevant transactions and submit this list to the respective regional bureau until 19 January 2023. The regional bureaux were responsible to review the lists and submit a consolidated form to headquarters until 24 January 2023.

168. In addition, the General Accounts Branch was responsible to record all accruals reported by regional bureaux and to review expenditures posted in 2023 with the aim to identify further transactions relating to 2022. The General Accounts Branch performed the accrual exercise by reviewing document dates relating to 2022 but recorded in 2023 and other indications to identify relevant cases such as the posting text in WINGS. The period under review for this exercise was until 29 January 2023 and WFP identified and posted transactions of USD 86.3 million. WFP confirmed that other than the ones identified, no additional accruals were posted to capture transactions recorded after 29 January 2023 but relating to 2022.

169. The External Auditor reviewed the activities performed by WFP to identify transactions relevant for accrual recognition. Regarding the consolidated forms provided by regional bureaux, the External Auditor noted that 65 out of 83 country offices provided a list of accruals, i.e., 18 country offices or 21.7 percent of WFP operations did not report a need for an accrual recognition. The External Auditor also noted that the number of transactions reported varied greatly among country offices with comparable budgets.

170. The External Auditor noted that the accrual exercise performed by the General Accounts Branch identified several accrual relevant transactions in addition to the ones reported by the country offices. For instance, one country office reported accrual relevant transactions of USD 2.1 million. The General Accounts Branch, however, identified USD 12.5 million of accrual relevant transactions for this country office.

171. The External Auditor performed an analysis of postings after 29 January 2023, the date of the WFP accrual exercise and identified an amount of round USD 20 million which seemed

to relate to accrual relevant transactions. WFP's General Accounts Branch confirmed most of the postings identified by the External Auditor and as a result, the analysis revealed that WFP had to record an additional accrual of USD 17.4 million in the financial statements 2022.

172. Furthermore, during the External Auditor's vendor confirmation exercise the External Auditor found three additional cases in the amount of USD 1.7 million of goods and services received by 31 December 2022 but not recorded and not accrued in the financial statements 2022. The General Accounts Branch was unable to identify these transactions during their accrual exercise as they had document dates in 2023 but the posting text in WINGS made no reference to 2022. WFP had recorded these transactions erroneously in 2023. The error referred to country offices' as well as headquarters' transactions.

173. The External Auditor holds that country offices with a relevant budget which did not submit any accruals relevant to be recognized at year-end could be an indication that the awareness of such a process at country office-level is lacking. The External Auditor also holds that the variances identified between the accrual exercise performed by the General Accounts Branch and the submitted accruals by country offices indicates that the process is partially missing accuracy at country office-level. This observation is complemented by the significant variances of cases reported among country offices with comparable budgets. Furthermore, the significant amount and additional cases of missing accrual recognition identified by the External Auditor also revealed that headquarter units did not provide all transaction for the accrual recognition as a liability. In the External Auditor's view, WFP should enhance the awareness of country offices and headquarters units on the accrual submissions at year-end. For instance, such awareness could be enhanced by providing on-the-job trainings.

174. The External Auditor understands that time constraints for the preparation of the financial statements limit the period under review for the accrual exercise. Therefore, the External Auditor holds that WFP should mitigate the risk of unrecorded liabilities by establishing an additional standing accrual. Based on past experiences, WFP should determine a best estimate for additional accrual recognition in order to establish a more accurate accrual at year-end. The External Auditor holds that an analysis of the preceding five years as of each financial year-end under consideration of current trends would serve as an appropriate basis for the determination of this best estimate.

175. **The External Auditor recommends that WFP analyse the amounts of goods or services received but not yet recorded as at reporting date and use this analysis to establish a standing accrual for unrecorded liabilities. The analysis should be based on the trend of a five years' period before each reporting date**.

176. WFP accepted the recommendation. WFP stated that it would conduct an analysis for the more recent financial period and depending on the outcome would consider the necessity for accrual process enhancements and establishment of additional standing accrual for goods and services.

177. **The External Auditor recommends that WFP enhance the awareness of country offices and headquarters' units to improve the accuracy and completeness of accrual submission forms by country offices at year-end**.

178. WFP accepted the recommendation. WFP stated that activities in raising and refreshing awareness of the relevant community on accrual accounting and cut-off reporting were carried out. WFP stated that it would provide additional guidance on accrual accounting and cut-off reporting during 2023.

## b. Correction of expense recording for donor reporting purposes

179. In its performance report on fuel management, the External Auditor reported one case of expense recognition for donor reporting purposes, which was not related to the current financial period. WFP corrected the posting of 2021 expenses of USD 3.2 million from facilities fuel to vehicle fuel in the financial year 2022 for donor reporting purposes. The posting had a zero impact on the surplus, nevertheless it represents a violation of generally accepted accounting principles, to record transactions in a financial year they do not relate to. In view of the financial context of this finding, and as all three reports of the External Auditor together form the result of the audit, reference is made to this finding and recommendation (WFP/EB.A/2023/6-G/1).

## c. Aging analysis for open items of accounts payables

180. In October 2022, the External Auditor performed an aging analysis of accounts payables open items. The External Auditor focussed on the two most relevant general ledger accounts for accounts payables of USD 143.4 million. Out of this amount, USD 16.5 million or 11.5 percent were open as of 30 June 2022 and not yet cleared as at September 2022. 176 uncleared transactions related to the financial years 2006 to 2020. WFP informed the External Auditor that as of 31 December 2022 the number had decreased to 111.

181. In view of the External Auditor, the significant number of uncleared payables open items for the financial years 2006 to 2020 indicates weaknesses in the payment monitoring and clearing process. Open payables must be reflected correctly in the financial statements. If information of open payables is outdated and incorrect the IPSAS required comparability from year-to-year and with other entities is lacking.

182. The External Auditor holds that WFP should review the clearing accounts in close collaboration with the respective country offices.

183. **The External Auditor recommends that WFP define due dates for analysing open item clearing accounts and instruct country offices to clear open items in a timely manner**.

184. WFP accepted the recommendation and stated that processes to monitor, analyse and action on the outstanding open items (including payables) were generally in place but acknowledged that continued action was required to limit the number of open items.

## d. Cost recoveries

185. WFP provides goods and services such as air operations, fuel, logistics, supply chain, and other services to United Nations organizations and agencies. WFP intends to recover the respective costs on full-cost recovery basis from the receiving organizations and agencies. In 2022, WFP recorded USD 220.7 million of cost recoveries under the position other revenue.

186. Such transactions are defined as exchange transactions in IPSAS, and corresponding revenue is to be recorded by reference to the stage of completion method at the reporting date.

187. The External Auditor noted several cases where other revenue was recorded in 2022 for services rendered by WFP in prior periods. The External Auditor requested the reasons for the recognition in the later period. For the transaction with the highest financial impact amounting to USD 1.3 million, the respective country office responded that the services rendered in 2020 and 2021 were recorded and recovered in 2022 because they were initially overlooked.

188. The External Auditor holds that country offices need to recover costs and record other revenue for goods and services in the period in which they have been rendered. In addition, the External Auditor noted that the late recognition occurred due to an oversight. The External Auditor is concerned that the process in place could endanger the completeness of cost recovery and revenue recognition. Country offices need to be aware of the need of timely cost recovery. Therefore, WFP should enhance awareness at country offices and establish a process to ensure the completeness of revenue recognition and mitigation of the risk of unrecorded revenue from goods and services provided.

189. **The External Auditor recommends that WFP enhance awareness of country offices of the need for timely cost-recovery and establish a process to verify the completeness of cost recovery and revenue recognition on a regular basis**.

190. WFP agreed with the recommendation. WFP stated that it would consider additional practical steps to verify the completeness of service provision revenue transactions on a periodic basis.

## e. Elimination of internal transactions

191. WFP recorded internal transactions between separate WFP offices, funds and entities in the WINGS IPSAS ledger mainly for budgetary and fund management purposes. A quarterly elimination of these internal transactions was required to exclude them from the IPSAS financial accounts. As at 31 December 2022, elimination entries of USD 1.5 billion related to the Global Commodity Management Facility and USD 0.3 billion to other internal services.

192. WFP established accounts for the posting of internal transactions in WINGS. However, the External Auditor was informed that internal transactions were not exclusively posted on these accounts. It could occur that entities, funds and country offices used different, additional accounts for the posting of internal transactions. Furthermore, external transactions were partly also posted on these accounts. Therefore, WFP could not use the entire balance of the accounts to determine the quarterly elimination postings. Rather, the General Accounts Branch needed to conduct an analysis of transactions on these accounts to determine necessary eliminations. This analysis was done in excel spreadsheets separately for the Global Commodity Management Facility transactions and other services.

193. WFP highlighted to the External Auditor that the General Accounts Branch covered the majority of internal transactions through the analysis. However, WFP also confirmed the inherent risk of incompleteness due to the manual nature of the elimination exercise.

194. In view of the volume and the recurring nature of the elimination entries, the External Auditor holds that an automated process would be beneficial to WFP. The External Auditor holds that the manual nature of the quarterly elimination exercise bears the risk of incomplete adjustments, errors and is time-consuming. An automated process could support the completeness of elimination adjustments, limit the inherent risk of errors and reduce the time associated with the eliminations.

195. **The External Auditor recommends that WFP automate the process of internal transaction elimination to ensure the completeness of such eliminations, to reduce the risk of manual errors, and to make the process more time efficient**.

196. WFP agreed with the recommendation and stated that the automation of elimination entries had been included in the list of prioritized automation projects for 2023 and the work on establishing detailed business requirements had commenced.

## f. Meaningful use of business areas

197. The External Auditor sent a questionnaire to ten country offices (including headquarters) to gain information on the processes of fuel procurement, consumption and accounting treatment. The External Auditor noted that one country office posted fuel expenses under the headquarters' business area in WINGS. WFP stated that the country office used a Special Account for Logistics Services (SLHC) to record fuel expenses. The fuel costs were managed by headquarters through the SLHC and were therefore charged to the headquarters' business area. Based on a default setting in WINGS, the headquarters' business area was always applied when a country office used the SLHC. As a result, WFP recorded fuel expenses of country offices under the headquarters' business area (ITHQ).

198. The External Auditor is aware that in case of using special accounts a default business area is automatically selected in WINGS. That results in the reporting of expenses under a business area which has not actually incurred the expenses. The users of the accounts get the information as if fuel expenses have been incurred at headquarters, although they have been incurred at the country office. The External Auditor holds that this set-up can lead to misinterpretation and erroneous assessments. The External Auditor holds that WFP should ensure that business areas are meaningful and reflect the actual transactions and recipients of goods and services, i.e., the country offices which incurred the expenses.

199. From the External Auditors perspective, the business area is a crucial identifier for expenses and assets whereas a special account reflects budgetary and funding source information. The two areas of budget or funding and IPSAS financial expenses should be strictly separated, for example through using two separate ledgers – one for budget and one for IPSAS.

200. **The External Auditor recommends that WFP ensure the meaningfulness of business areas, in particular in cases in which WFP uses special accounts to fund expenses according to financial regulation 5.1**.

201. WFP disagreed with the recommendation and stated that business areas as reporting object in WINGS are derived from funding source information and represent certain level of organizational units. For the funding sources that are managed at headquarters level, e.g.,

special accounts, the business area derived is ITHQ. WFP considers this information meaningful.

202. The External Auditor adheres to the recommendation. Each operating unit within WFP (country offices, regional bureaux, headquarters) operates under a business area. The business area is part of a financial transaction posting on a general ledger account to identify the unit that incurred the expense. The External Auditor holds that IPSAS expenses should be linked to the expense incurring unit irrespective of the funding source. This approach ensures a clear allocation of business transactions and allows for meaningful tracking and analyses. To cover all special accounts managed at headquarters level under the business area ITHQ is misleading and does not support a true and fair view of the financial accounting.

## g. Bank signatories

203. At year-end 2022, WFP operated 440 headquarters and field bank accounts. For the management of bank signatories, WFP maintained an Access database for "bank signatories and accounts". WFP informed the banks about opening and closing of bank accounts, addition and deletion of bank signatories, and requested them to confirm the receipt of the updated information. WFP did not schedule periodic reviews whether the Access database and banks' signatory data were aligned.

204. The External Auditor requested the list and confirmation of bank signatories from 12 WFP headquarters and field bank accounts. The exercise revealed that for 6 out of 12 confirmations the bank signatories maintained at the banks were not consistent with the signatories in the WFP Access database as at 31 December 2022. Overall, the banks reported a significantly deviating number of bank signatories than contained in the Access database. For example, one bank confirmed 28 bank signatories whereas the Access database contained 16 signatories. I.e., 12 persons had actual bank signatory rights for the concerned accounts but were not included in the Access database. In another case, the information from the bank compared with the Access database had some congruent signatories, but both lists contained additional signatories which were not included in the other list.

205. The misuse of bank signatories can lead to financial losses of WFP. The External Auditor holds that the accuracy of bank signatories is of utmost importance to mitigate this risk. The External Auditor is of the view that WFP should ensure that the signatories are correctly recorded at the banks and aligned with the Access database.

206. **The External Auditor recommends that WFP enhance its control over bank signatories when changes of signatory rights occur and conduct reviews of bank signatories on spot check basis on predetermined intervals to ensure the consistency between designated and registered bank signatories**.

207. WFP agreed with the recommendation and stated that obtaining a system-generated list of revised signatories might not be possible for the majority of banks across the world due to their lack of system sophistication. WFP stated that it would strive on best effort basis to obtain in those cases a system generated list or confirmation letter with the full details of updated signatories. WFP agreed to embed spot checks of updated bank signatories in its work plan.

# D. Disclosures by management

## 1. Losses, write-offs, and ex-gratia payments

208. WFP reported in note 9 of the financial statements details of losses of cash, food commodities and other assets in a total amount of USD 27.8 million. The reported losses comprised food commodity losses of USD 25.3 million, contributions receivable losses of USD 1.6 million, losses of other assets and cash of USD 0.8 million, and losses of non-food items of USD 0.1 million. WFP also reported that it had made ex gratia payments of USD 0.5 million.

209. WFP provided the External Auditor with a decision memorandum from the Director of the Corporate Finance Division to the Executive Director dated 31 March 2023, i.e., after closure of the accounts. The Executive Director approved the recommendation of the Director of the Corporate Finance Division to write-off these losses and to grant ex-gratia payments on that date.

210. As the External Auditor had previously commented in its reports on the financial statements for 2016-2021, the write-offs of food commodity losses had not undergone a systematic detailed analysis submitted to the Executive Director before the write-off took place. Financial Regulation 12.4 provides that "the Executive Director may, after full investigation, authorize the writing-off of losses of cash, commodities and other assets […]." The External Auditor holds that write-offs of food commodity losses should only be recognized after being duly authorized by the Executive Director.

211. The same applies to ex-gratia payments. Pursuant to Financial Regulation 12.3 "the Executive Director may make such ex-gratia payments as the Executive Director deems necessary in the interest of WFP." The External Auditor holds that ex-gratia payments should be approved by the Executive Director on a case-by-case basis and documented by approval memoranda before payment and posting.

212. Several of the documents provided by WFP were not approved by the Executive Director, related to previous years, were approved in previous years, and did not add up to the amounts disclosed in note 9 of the financial statements. Therefore, the External Auditor does not express any assurance on these amounts.

## 2. Cases of fraud and presumptive fraud

213. In accordance with the International Standards on Auditing (Standard 240), the External Auditor plans its audits of the financial statements so that he has a reasonable expectation of identifying material misstatements and irregularities (including those resulting from fraud). The External Auditor's work, however, should not be relied upon to identify all misstatements or irregularities. The primary responsibility for preventing and detecting fraud remains with management.

214. During the audit, the External Auditor made enquiries of management regarding their oversight responsibility for assessing the risks of material fraud and the processes in place for

identifying and responding to the risk of fraud, including any specific risks identified by management or brought to its attention. The External Auditor also enquired as to whether management had knowledge of any actual, suspected or alleged fraud, including enquiries by Internal Audit.

215. During 2022, WFP reported 186 cases of fraud valued at USD 16.1 million (2021: 0.1 million). Thereof, USD 9.1 million (2021: 0.02 million) were recovered. The cases mainly represented theft and embezzlement by third parties (USD 13.9 million) and fraudulent practices of cooperating partners (USD 1.2 million). WFP reported 53 cases of presumptive fraud valued at USD 9.8 million (2021: USD 9.6 million). Cases of presumptive fraud related to ongoing investigations where amounts could be reasonably estimated and mainly involved fraudulent practices by cooperating partners and WFP personnel.

# E. Acknowledgement

216. The External Auditor wishes to express his appreciation for the cooperation and assistance extended to his staff by the Executive Director, the Deputy Executive Directors, the Director of the Corporate Finance Division and the Deputy Director Financial Reporting and their staffs.

*(Signed)* Kay Scheller

President of the German Supreme Audit Institution

(External Auditor)

14 April 2023

# Section II

## Executive Director's statement

### Introduction

1. In accordance with article XIV.6 (b) of the general regulations and financial regulation 13.1, I have the honour to submit for the approval of the Executive Board (the Board) the financial statements of the World Food Programme (WFP), prepared in accordance with IPSAS, for the year ended 31 December 2022. The External Auditor has given his opinion and report on the 2022 financial statements, both of which are also submitted to the Board as required by financial regulation 14.8 and the annex to the financial regulations.

### Operational context

**Operating environment**

2. The World Food Programme was established in 1961 by the United Nations General Assembly and Food and Agriculture Organization of the United Nations (FAO) Conference as the United Nations system's food aid organization. WFP is governed by a 36-member Executive Board which provides intergovernmental support, direction, and supervision of WFP's activities. WFP provides assistance in 122 countries and territories where its work is overseen through the six regional bureaux. WFP has more than 23,000 employees worldwide of whom over 87 percent are based in the countries where the agency provides assistance.

3. The organization's corporate strategy is mapped out in its strategic plan which is renewed every four years. The WFP strategic plan (2022–2025) is situated within a renewed global commitment to the 2030 Agenda for Sustainable Development and brings strengths and capabilities to the United Nations system efforts to help countries respond to the urgent needs of those furthest behind and achieve the Sustainable Development Goals (SDGs). Specifically, the vision of the strategic plan is the eradication of food insecurity and malnutrition (SDG 2 – zero hunger) and national and global actors achieving the SDGs (SDG 17 – partnerships for the goals). While prioritizing SDGs 2 and 17, the drivers behind increasing food insecurity – shocks that come on top of old grievances, persistent stressors and worsening structural vulnerabilities – underline their deep interconnectedness with other SDGs.

4. Country strategic plans serve as the vehicle for contextualizing and implementing the corporate strategy at the country level, while the corporate results framework is WFP's tool for monitoring and reporting performance towards corporate goals.

5. Responding to emergencies and saving lives and livelihoods – either through direct assistance, or by strengthening country capacities – remains at the heart of WFP's operations, especially as humanitarian needs become increasingly complex and protracted. At the same time, WFP continues to support countries by building resilience for food security and nutrition, and to change the lives of individuals and communities across the world by improving agricultural techniques, strengthening local livelihoods, promoting adaptation to climate change, ensuring children have the nutrients they need and managing school feeding programmes that help girls and boys stay at school and build bright futures.

6. Conflict, economic shocks, climate extremes and soaring fertilizer prices are combining to create a food crisis of unprecedented proportions. In 2022, WFP estimates that in countries with WFP operational presence, up to 349 million people were acutely food insecure or at a high risk of food insecurity, a staggering rise of 200 million people compared to pre-coronavirus disease 2019 pandemic levels. An estimated 50 million people were on the brink of famine (Integrated Food Security Phase Classification (IPC)/cadre harmonisé (CH) phase 4) or equivalent in 45 countries. This includes close to 900,000 people who are already facing catastrophic famine or famine-like conditions (IPC/CH phase 5) in parts of Afghanistan, Ethiopia, Somalia, South Sudan and Yemen.

7. Conflict is the biggest driver of hunger with 70 percent of the world's hungry people living in areas afflicted by war and violence. The ripple effects of the conflict in Ukraine are making large parts of the world even more fragile, contributing to new humanitarian crises. Overall, 94 percent of WFP country offices report rising food and nutrition needs as a consequence of the impact of the Ukraine crisis.

8. These global conditions have placed increased pressure on WFP to mobilize resources for meeting escalating operational requirements. In 2022, given increased demand for WFP's assistance, WFP's final budget increased from the originally planned USD 13.7 billion to USD 20.8 billion, an increase of 52 percent. Contributions revenue to WFP reached USD 14.1 billion in 2022, a 49 percent increase compared to the 2021 contribution revenue level of USD 9.4 billion. Supported by record donor funding levels, and in partnerships with national governments, United Nations agencies, and over 1,000 non-governmental organization (NGO) partners, WFP reached 160 million of direct beneficiaries, by delivering USD 3.9 billion and USD 3.3 billion of food assistance and cash-based transfers, respectively. While emergency response remained a focus in 2022 and 69 percent of WFP funding was directed to crisis response, WFP's response in nutrition, smallholder farmer support, collaboration with national governments, and its role in providing common services, among others were significant.

## Financial analysis

### Summary

9. WFP's primary source of revenue is voluntary contributions from donors. In 2022, WFP, in consultation with its External Auditor, changed its accounting policy for revenue recognition taking into consideration the evolving donor landscape and the stipulations in donor agreements. Under the previous accounting policy, WFP recognized contribution revenue when confirmed in writing and where the contributions were not stipulated for a future financial year. Contributions stipulated by donors for use in future periods were recorded as deferred revenue.

10. The revenue recognition accounting policy is revised as follows (disclosed in Note 1: Accounting policies):

    a) Donors' stipulations on the use of funding in future periods were reviewed. If they do not contain refund obligations in case of a contract breach that would fulfil a condition under its meaning in IPSAS 23, deferred revenue is no longer recognized, and an asset (contribution receivable) and contribution revenue is recognized upon confirmation of agreement in writing for the total amount of the agreement, despite the donor agreement stipulating funding for future implementation periods. Notwithstanding, the change in accounting treatment which results in the upfront revenue recognition, the operational spending is deferred by WFP to the future periods as stipulated by the donors in the agreements in order to honour the contractual obligations of WFP. These stipulations are now considered restrictions and disclosed in Note 3: Revenue.

b) Further, where provision of funding in future years is subject to parliamentary appropriation under donor’s jurisdiction or budget availability confirmation in the future period(s) in accordance with donor agreements, such future year funding would not meet asset recognition criteria. Therefore, neither asset (contribution receivable), nor liability (deferred revenue) is recognized. Contingent assets with respect to future year appropriations stipulated in donor agreements that are subject to further confirmations are disclosed in Note 8.2: Contingent liabilities and contingent assets.

c) Finally, for those donor agreements that contain refund obligations in case of a contract breach that fulfil conditions under IPSAS 23, an asset (contribution receivable) and a corresponding liability (deferred revenue) continue to be recognized where contributions are stipulated for use in future periods.

11. The change in the revenue recognition accounting policy has been applied retrospectively, resulting in the restatement of the comparative figures in the financial statements for 2021 and throughout the financial analysis section of the Executive Director’s statement. The details of impact from the restatement are provided in Note 1: Accounting policies.

12. WFP’s primary expenses are for food commodities distributed and cash-based transfers. Expenses are recognized when food commodities are delivered to cooperating partners or, in case of direct delivery, to beneficiaries, or when cash-based transfers are distributed to beneficiaries.

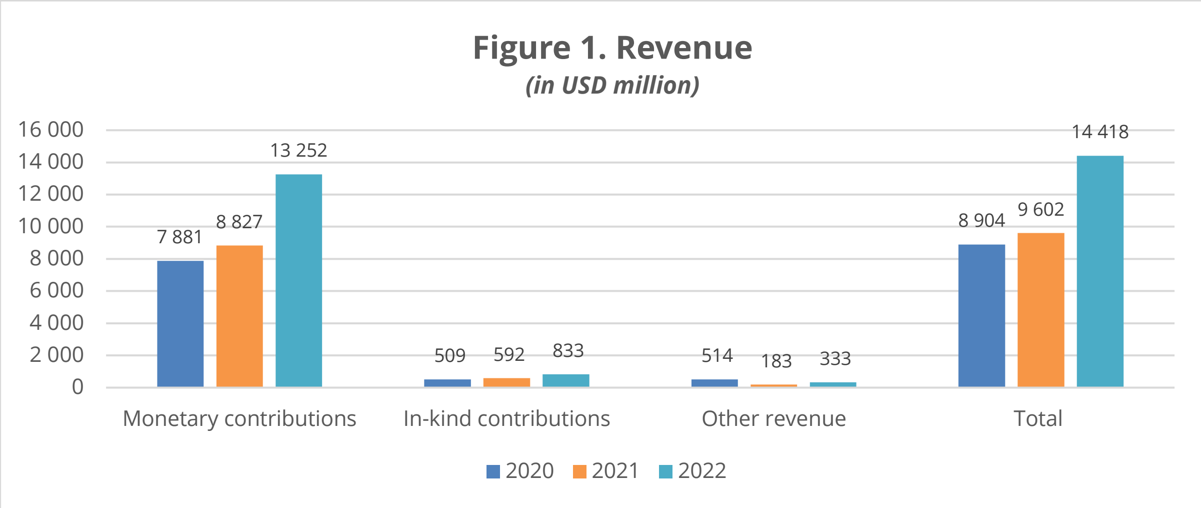
13. There is an inherent time lag between the recognition of revenue and the recognition of expenses. Expenses in any one year may be higher or lower than the revenue in that year as WFP utilizes or replenishes its fund balances. When revenue growth is strong, such as in 2022, WFP is expected to realize surpluses that are carried forward for spending in future periods.

14. Based on the nature of WFP’s operations most of its assets are current assets expected to be realized within 12 months after the reporting date. Current assets are expected to be significantly higher than current liabilities due to the time lag between revenue and expenses recognition as discussed above.

15. Total fund balances and reserves comprise fund balances accumulated due to excess of revenue over expenses (including gains and losses recognized directly in net assets) in prior financial periods, and reserves established by the Board for funding specific activities under specific circumstances.

## Financial performance

### *Revenue*



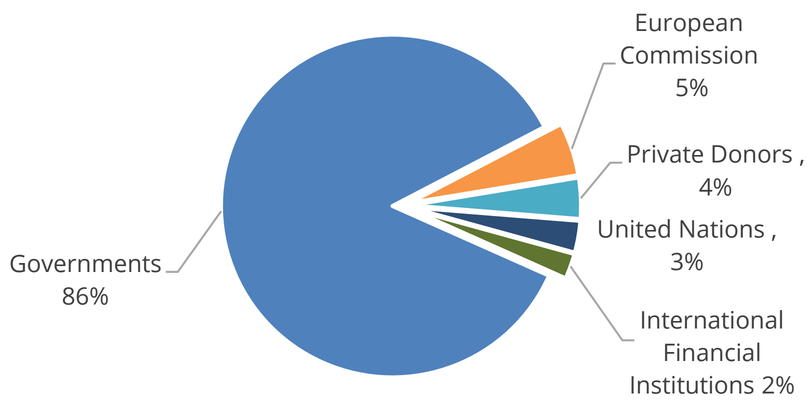

16. In 2022, WFP recognized a record revenue of USD 14,417.6 million, an increase of USD 4,815.5 million or 50 percent from the revenue of USD 9,602.1 million in 2021. This is the highest year-on-year increase in the past ten years. In view of the change in revenue recognition accounting policy, it shall be noted that only USD 48.4 million out of the total increase of USD 4,815.5 million was due to the policy change.

17. USD 14,084.6 million or 98 percent of total revenue was from donor monetary and in-kind contributions, an increase of USD 4,665.6 million or 49 percent compared to USD 9,419.0 million in 2021.

18. The increase in contribution revenue in 2022 was driven by an increase of USD 3,549.9 million from the largest donor, the United States of America, whose contributions to WFP in 2022 represented a 52 percent share in total contribution revenue. Other traditional major donors also increased their contributions in 2022, including Germany, the European Commission, Canada, the United Kingdom of Great Britain and Northern Ireland, Sweden, and Japan. Other United Nations entities and private donors also increased their contributions by 57 percent and 11 percent, respectively. In addition to top contributors mentioned above, many other governments and international financial institutions continued to provide strong support in 2022.

**Figure 2. Contributions revenue by donors**

*(in percentages)*




19. USD 12,113.1 million or 86 percent of 2022 contributions revenue of USD 14,084.6 million was for WFP's programme category funds, USD 312.6 million or 2 percent for trust funds and USD 1,658.9 million or 12 percent was initially recorded under the General Fund and Special Accounts segment. Multilateral contributions, amounting to USD 573.3 million in 2022, that are initially recorded under the General Fund and Special Account segment, are subsequently allocated to specific programmes.

20. Thirty-three percent of contribution revenue under the programme category funds was generated in the Regional Bureau for Eastern Africa due to increased support from major donors to a number of countries in the region. Twenty-eight percent of contribution revenue under this category was generated in the Regional Bureau for the Middle East, Northern Africa and Eastern Europe due to the extensive needs of major emergency operations in Ukraine, Yemen, the Syrian Arab Republic and the Syrian Regional Refugee Response. Eighteen percent of contribution revenue was generated in the Regional Bureau for Asia and the Pacific due to contribution revenue for Afghanistan in response to rising needs. The contribution revenue under the programme category funds was distributed across six regional bureaux and across top ten countries as follows.

**Figure 3. Contribution revenue distribution by regional bureau**

(in percentages)

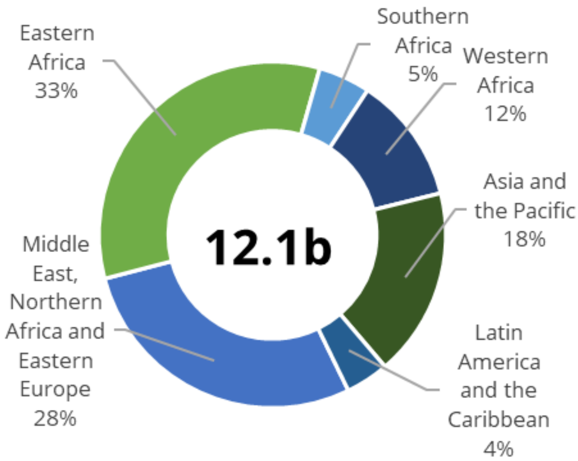
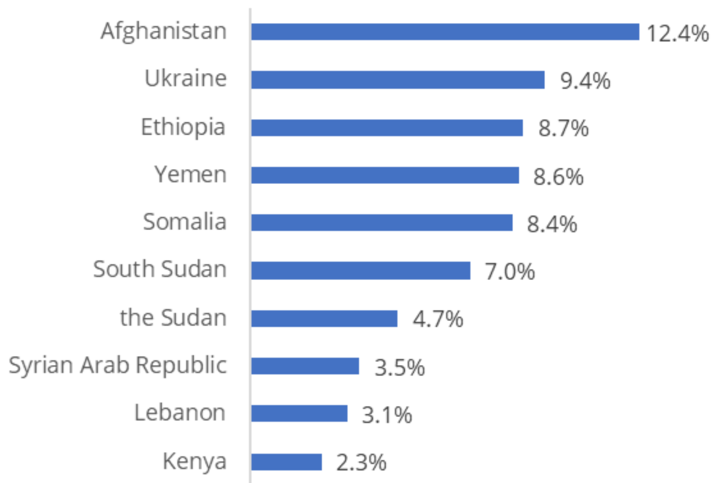



**Figure 4. Top 10 countries by revenue distribution**



21. Other revenue was USD 333.0 million in 2022, an increase of USD 149.9 million or 82 percent compared to USD 183.1 million in 2021. The increase is due to movement in realized and unrealized currency exchange gains and losses while return on investments and revenue generated from provision of goods and services are lower than in the prior year. The other revenue comprised:

   a) other revenue generated from provision of goods and services and from sale of assets – USD 242.6 million, a decrease of 13 percent, mainly due to decrease in revenue from fuel sales and other logistics service provision;

   b) currency exchange differences – USD 106.1 million gain (2021: USD 84.9 million loss), as realized exchange differences on purchase and sale of currencies and payments more than offset devaluation losses of contribution receivables denominated in euro; and

   c) return on investments – USD 15.7 million loss (2021: USD 9.8 million loss)

***Expenses***

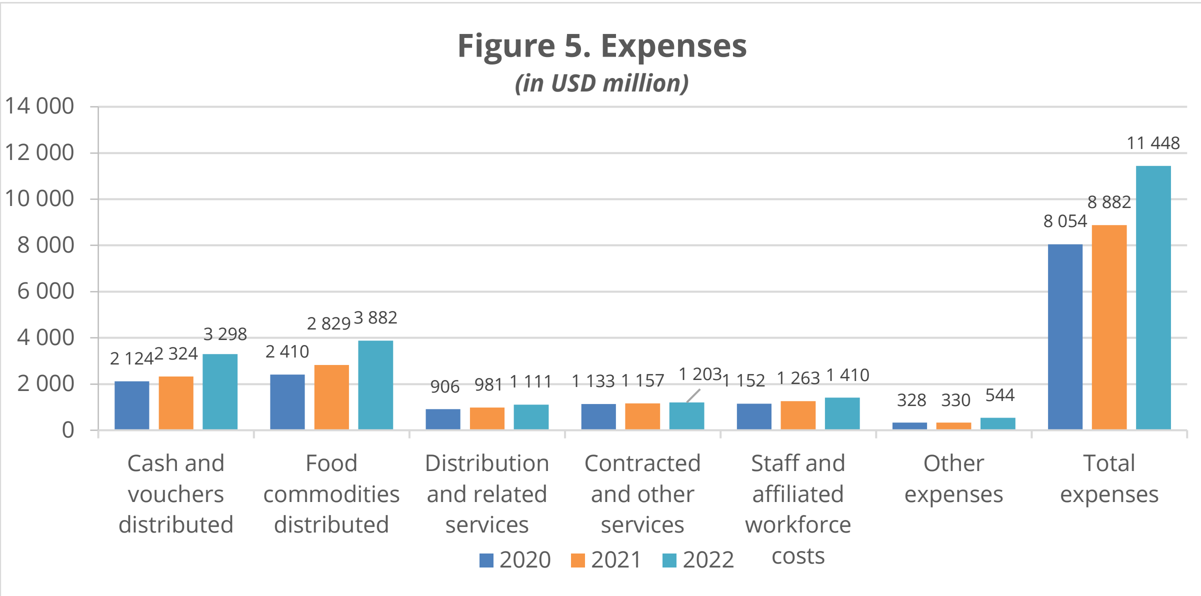



**Figure 5. Expenses**
*(in USD million)*

22. In 2022, WFP expenses were USD 11,447.6 million, an increase of USD 2,565.2 million or 29 percent from USD 8,882.4 million in 2021.

23. The main expense lines "cash-based transfers" and "commodities distributed" relate to WFP's main purpose and function to deliver food assistance. Other expense lines include costs related to this delivery, as well as: costs of working with communities to improve nutrition and build resilience; costs of services WFP is mandated to provide to other United Nations organizations and the humanitarian community such as aviation and managing emergency supplies (United Nations Humanitarian Air Services and Humanitarian Response Depot) and costs of other services delivered on demand in the area of logistics, cash transfers, information technology and administration for United Nations organizations, governments or non-governmental organizations. Most of WFP's food commodities distribution activities are conducted through cooperating partners. In 2022, WFP carried out food distribution in 72 countries, through 1,005 cooperating partners. Cash-based transfers are delivered through various delivery mechanisms engaging different transfer agents such as financial services providers, remittance companies, mobile money providers, retailers, government entities, non-governmental or United Nations organizations and directly by

WFP. In 2022, WFP carried out cash-based transfers in 72 countries partnering with 653 transfer agents.

24. Cash-based transfers distributed of USD 3,298.0 million (including USD 217.7 million of commodity voucher transfers), increased by USD 974.3 million or 42 percent compared to USD 2,323.7 million (including USD 235.1 million of commodity voucher transfers) in 2021. This increase was driven by the strong increase in distributions in Ukraine (USD 382.9 million), Afghanistan (USD 322.4 million) and Somalia (USD 271.0 million). The top ten countries had a 72 percent share of total distribution, of which only distribution in Yemen decreased compared to 2021 by USD 203.2 million.

25. Food commodities and non-food items distributed totalled USD 3,881.8 million, an increase of 37 percent over USD 2,828.6 million distributed in 2021. Food commodities distributed in 2022 were 4.9 million mt, an increase of 0.5 million mt over 2021. The food commodities distributed corresponding value was USD 3,829.0 million in 2022, a 38 percent increase over 2021. The increase in value is due to an increase in metric tons distributed of 12 percent as well as due to an increase in the average value of food distributed per metric tons impacted by rising food prices. Seventy-eight percent of the food commodities distributed in tonnage and in value are attributable to WFP's emergency and other large operations in Afghanistan, Yemen, the Syrian Arab Republic, Ethiopia, Ukraine, South Sudan, the Democratic Republic of the Congo, the Sudan, Nigeria, and Kenya.

26. Distribution and related services increased in 2022 by USD 129.9 million or 13 percent to USD 1,110.8 million from USD 980.9 million in 2021. The increase is mainly related to the increased landside transportation costs related to food distribution, transaction fees payable on cash-based transfers, and delivery costs of the cooperating partners.

27. Staff and affiliated workforce costs increased by USD 147.0 million to USD 1,409.8 million in 2022, a 12 percent increase compared to 2021. Overall, the increase in staff costs across main employee categories is consistent with an increase in the number of employees in those categories. The increase in average headcount in 2022 compared to 2021 was 9 percent, while the total number of staff and affiliated workforce at year end was 23,226.

28. Contracted and other services increased by USD 46.2 million or 4 percent. This is due to increased costs of field-level agreements and programme related expert services, especially in Afghanistan and Ukraine.

29. The other expenses category of USD 544.3 million increased by USD 214.6 million or 65 percent compared to 2021 due to an increase in costs of supplies and consumables and the cost of write-down of inventory to their net realizable value. Other expenses are composed of:

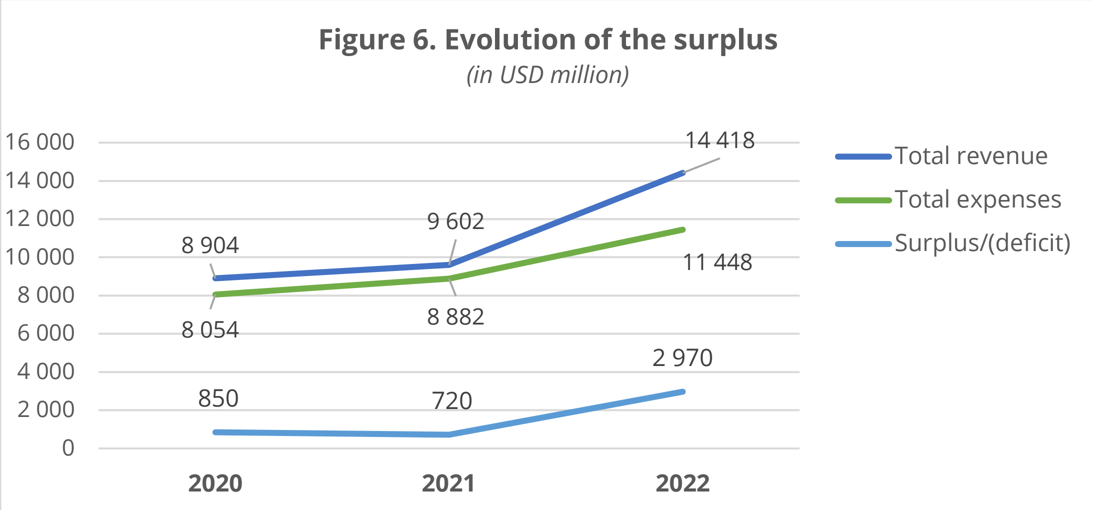
a) Supplies, consumables and other running costs – USD 293.2 million;

b) Depreciation and amortization costs – USD 62.6 million;

c) Finance costs – USD 25.0 million; and

d) Other expenses – USD 163.5 million.

***Surplus***




30. In 2022, the surplus of revenue over expenses USD 2,970.0 million, is over four times higher than in 2021 due to the strongest revenue growth in the last ten years. The surplus is realized as a result of a continuous revenue growth as revenue is mostly recognized in full when a contribution agreement is signed while expenses are recognized over the average period of one and a half years of duration of the grant.

31. The surplus in the period is comprised of surpluses in some operations where revenue recognized exceeded expenses incurred during the same period, reflecting an inherent time lag between revenue and expenses recognition. The surpluses are partially offset by the deficits in other operations, that continued to utilize fund balances, accumulated due to the excesses of revenue over expenses in previous financial periods.

32. The time lag between revenue and expenses recognition remains the main factor for surpluses/deficits in a reporting period. To illustrate this, it is worth noting that out of the contribution revenue of USD 14,084.6 million in 2022, USD 2,529.0 million was confirmed in December, 87 percent pertained to grants that have duration beyond 2022 and USD 417.3 million is restricted for use in future periods as stipulated by donors in the multi-year agreements with WFP.

33. In 2022, 61 percent of surplus is attributed to five countries: Ethiopia, Ukraine, Somalia, South Sudan and the Sudan generated by high value contributions confirmed to these operations closely before year-end. The largest deficits are realized in the Syrian Arab Republic and the Democratic Republic of the Congo, as well as in approximately half of all country offices as these operations continued to spend against the fund balances generated from previous periods.

***Financial position***

**TABLE 1. SUMMARY OF FINANCIAL POSITION AT 31 DECEMBER 2022**
***(in USD million)***

| | 2022 | 2021 |
|---|---|---|
| Cash and short-term investments | 4 109.8 | 3 514.1 |
| Contributions receivable | 6 799.1 | 4 590.0 |
| Inventories | 1 498.9 | 1 219.6 |
| Other receivables | 419.5 | 293.9 |
| Long-term investments | 987.3 | 1 162.0 |
| Property, plant and equipment and intangible assets | 263.6 | 225.4 |
| **Total assets** | **14 078.2** | **11 005.0** |
| Deferred revenues | 56.2 | 81.8 |
| Employee benefits | 884.4 | 1 102.1 |
| Loan | 49.6 | 55.2 |
| Other liabilities | 1 439.0 | 1 175.9 |
| **Total liabilities** | **2 429.2** | **2 415.0** |
| **Net assets** | **11 649.0** | **8 590.0** |
| Fund balances | 10 753.2 | 8 081.1 |
| Reserves | 895.8 | 508.9 |
| **Total fund balances and reserves** | **11 649.0** | **8 590.0** |

***Total assets***

34. The increase in total assets in 2022 of USD 3 073.2 million or 28 percent is mainly due to increased contributions receivable, driven by exceptional growth of the contribution revenue in 2022.

35. Total cash, cash equivalents, and short-term investments of USD 4,109.8 million increased by USD 595.7 million or 17 percent from USD 3,514.1 million in 2021. The increase is driven by an overall increase in operations and increased liquidity needs. WFP's cash, cash equivalents and short-term investments included in the programme category funds segment of USD 2,288.3 million cover two and a half months of operational activity (2021: three and a half months). Long-term investments decreased by USD 174.7 million or 15 percent, primarily due to unrealized losses arising as a result of a decline in the market value of bonds and equities, offset by additions to invested assets. These investments are held with an aim to cover long-term employee benefits.

36. Total contributions receivable of USD 6,799.1 million increased by USD 2 209.1 million or 48 percent from USD 4,590.0 million in 2021. The increase is in line with the growth in contribution revenue and the average collection period remains six months.

37. The inventory comprises food commodity inventory of USD 1,460.5 million and non-food items inventory of USD 38.4 million. The main food commodities held by WFP are wheat and wheat flour, sorghum, rice, split peas, vegetable oil, maize, lipid-based nutrient supplement and super cereals comprising 93 percent of balance held in mt. The value of WFP's food commodity inventory at the end of 2022 increased by USD 277.1 million or 23 percent from the 2021 value of USD 1,183.4 million while inventory held in mt increased by 12 percent from the 2021 inventory (1.9 million mt in 2022 compared to 1.7 million mt in 2021). The higher increase in value is the result of the increase in prices of most key commodities held,

in particular, wheat and vegetable oil. Sixty-nine percent of inventories by quantity and value were held by ten operations: Yemen, Ethiopia, Afghanistan, South Sudan, the Syrian Arab Republic, Somalia, the Sudan, the Democratic Republic of the Congo, Kenya and Ukraine. Using the historical average of commodities distributed, the 1.9 million mt of food commodities in inventory represents approximately four months of operational activity.

***Total liabilities***

38. Total liabilities increased by USD 14.2 million from USD 2,415.0 million in 2021 to USD 2,429.2 million in 2022.

39. Employee benefit liabilities decreased by USD 217.7 million or 20 percent to USD 884.4 million. This decrease is composed of a USD 14.5 million increase in short-term benefits and a USD 232.2 million decrease in long-term benefits due to the increase of discount rates.

40. Deferred revenue reflects contributions revenue stipulated for future years where WFP has a present obligation recognized as a liability. Deferred revenue in 2022 decreased by USD 25.6 million, or 31 percent, to USD 56.2 million.

41. The increase in other liabilities was USD 263.1 million or 22 percent. The increase in other liabilities is in line with the overall increase in expenses in 2022. Other liabilities primarily comprise accruals, vendor payables and liabilities for service provision. Liabilities for service provision results from activities in which WFP provides goods and services in exchange for payment. For these activities payments are normally received from requesting parties, predominantly governments and other United Nations system organizations, in advance, while revenue is recognized, and advance payment released upon provision of service or delivery of goods.

***Net assets***

42. Net assets represent the difference between WFP's total assets and total liabilities. At 31 December 2022, WFP's net assets totalled USD 11,649.0 million, confirming a healthy financial position. Of these net assets (fund balances and reserves), USD 8,965.6 million relate to the programmes, representing approximately five months of operational activity (same as in 2021). Operational fund balances relate to donor support primarily directed to specific programmes in different stages of implementation, with expenses and related reduction in fund balance only recognized when food commodities are delivered, and cash-based transfers are distributed. The remaining balance of USD 1,787.6 million pertains to the General Fund, Trust Fund and Special Accounts while USD 895.8 million pertains to reserves.

43. At 31 December 2022, reserves balances increased by USD 386.9 million or 76 percent compared to the balance held at 31 December 2021. The increase was due to a USD 270.6 million increase in the Programme Support and Administrative Equalization Account and a USD 116.3 million increase in the Immediate Response Account (IRA).

## Budgetary analysis

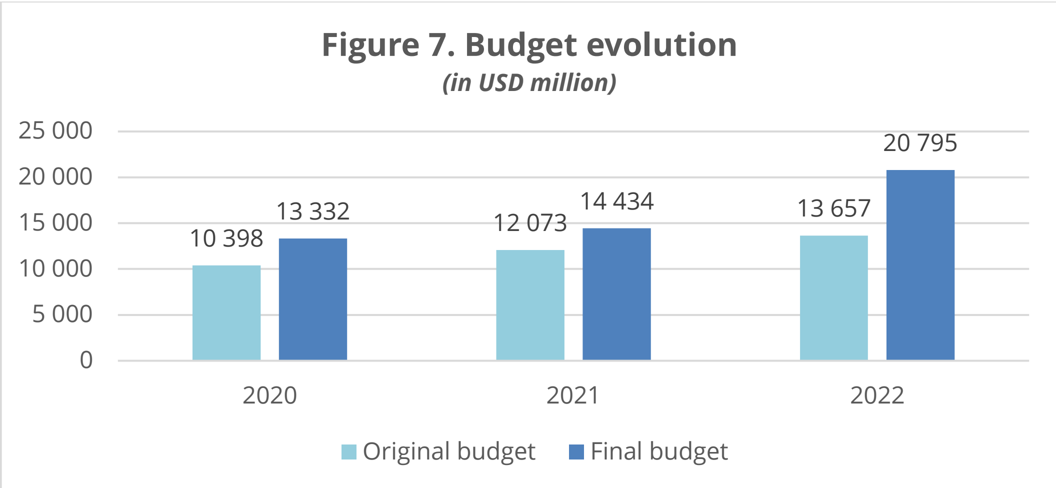
### Budget preparation and approval

44. The strategic and programmatic context for budget preparation is set out in the WFP strategic plan (2022–2025) and is embedded in planning processes that are designed to build on WFP's priority emergency assistance in ways that result in not only saving lives but also changing lives. WFP's country offices are operating based on a CSP framework composed of CSPs, interim CSPs (ICSPs) and limited emergency operations. CSPs include

country portfolio budgets and serve as a vehicle for resource mobilization and fund management. They are aligned with the WFP Strategic Plan (2022–2025) and the Corporate Results Framework (2022–2025).[1]

45. CSPs are approved by the Board and may be revised to respond to contextual and operational changes. If the strategic review based on which a CSP is developed is not completed, ICSPs lasting up to three years are approved by the Board. Revisions funded entirely by the host country may be approved by the Executive Director. Further authorities are delegated from the Board to the Executive Director such as approval of limited emergency operations up to a USD 50 million limit, increase of CSPs or ICSPs not exceeding 15 percent of current overall budget and revisions related to service provision activities as further detailed in annex III of document WFP/EB.1/2020/4-A/1/Rev.2.

**Basis of the budget**




46. The original budget figures for the CSP and programme support and administrative (PSA) budget disclosed in Financial Statement V – Statement of comparison of budget and actual amounts are derived from the WFP management plan (2022–2024). The CSP budgets are broadly needs-based and are updated throughout the year. Resources are made available for the CSP costs when contributions are confirmed by donors for approved CSPs and through WFP's advance financing facilities. Budgetary authority to incur PSA costs is received through the approval of the management plan.

**Overview of the budgetary requirements in 2022**

47. The WFP management plan (2022–2024), which was approved by the Board in November 2021, presented the 2022 programme of work amounting to USD 13,657.4 million as "original budget". The original budget in 2022 increased by 13 percent compared to the original budget in 2021, due to increased operational requirements in some of the largest operations such as in the Sudan, Afghanistan, the Syrian Arab Republic, Lebanon and South Sudan.

48. By the end of 2022 the programme of work was updated to include the unforeseen needs. The final 2022 budget was 52 percent higher at USD 20,794.9 million, an increase of USD 7,137.5 million. This is disclosed in the Financial Statement V as "final budget".

[1] Budgetary reporting in 2022 follows the structure of the previous strategic plan. Following a transitional year, reporting under the strategic plan (2022–2025) will commence in 2023.

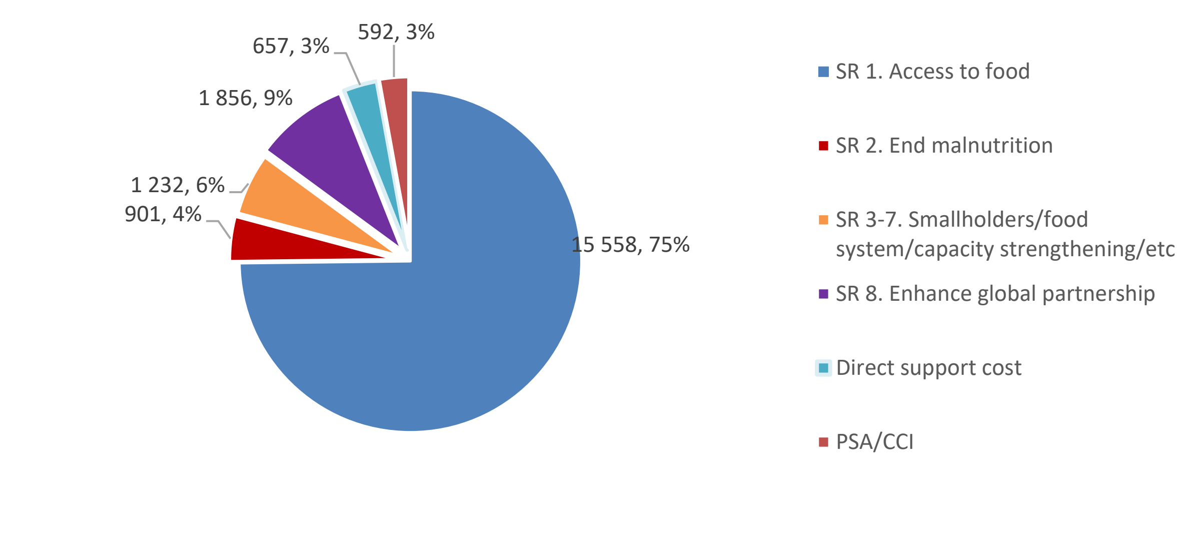


Figure 8. Final Budget for period ended 31 December 2022
*( in USD million)*

49. Nearly 81 percent or USD 5,761.3 million of the USD 7,137.5 million total increase is attributable to the increased needs in Afghanistan, Ukraine, Ethiopia, Somalia and Lebanon.

50. Countries affected by conflict required urgent and targeted unconditional food assistance and nutrition programmes, adapted to the magnitude of the conflict and to fluctuations in needs. From the programmatic perspective, WFP direct programmatic costs in support of SDG 2, Strategic Result 1 (Access to food) and Strategic Result 2 (End malnutrition) represented 79 percent or USD 16,458.6 million of the total final budget of USD 20,794.9 million (a 55 percent increase for the unforeseen needs compared to the 2022 original budget).

51. Furthermore, 9 percent or USD 1,855.5 million of the total final budget was allocated in support of SDG 17, Strategic Result 8 (Enhance global partnership) which includes increases in Ethiopia, Lebanon and the State of Palestine.

52. Ten WFP operations in 2022, accounted for 69 percent of the total CSP final budget.

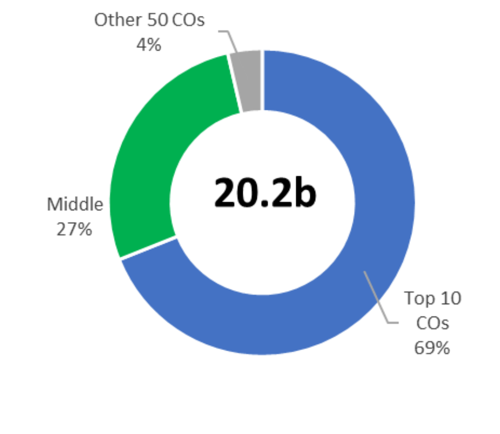


**Figure 9. Final budget by size - CSP**
***(in percentage)***

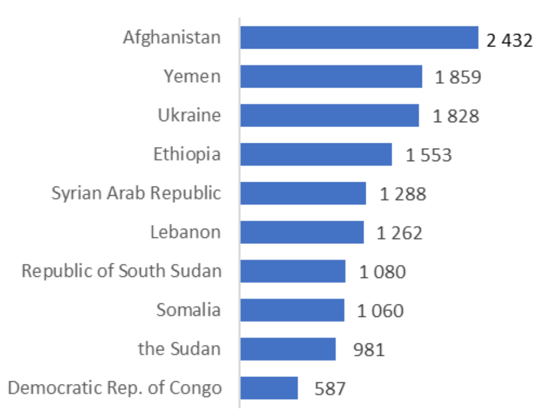
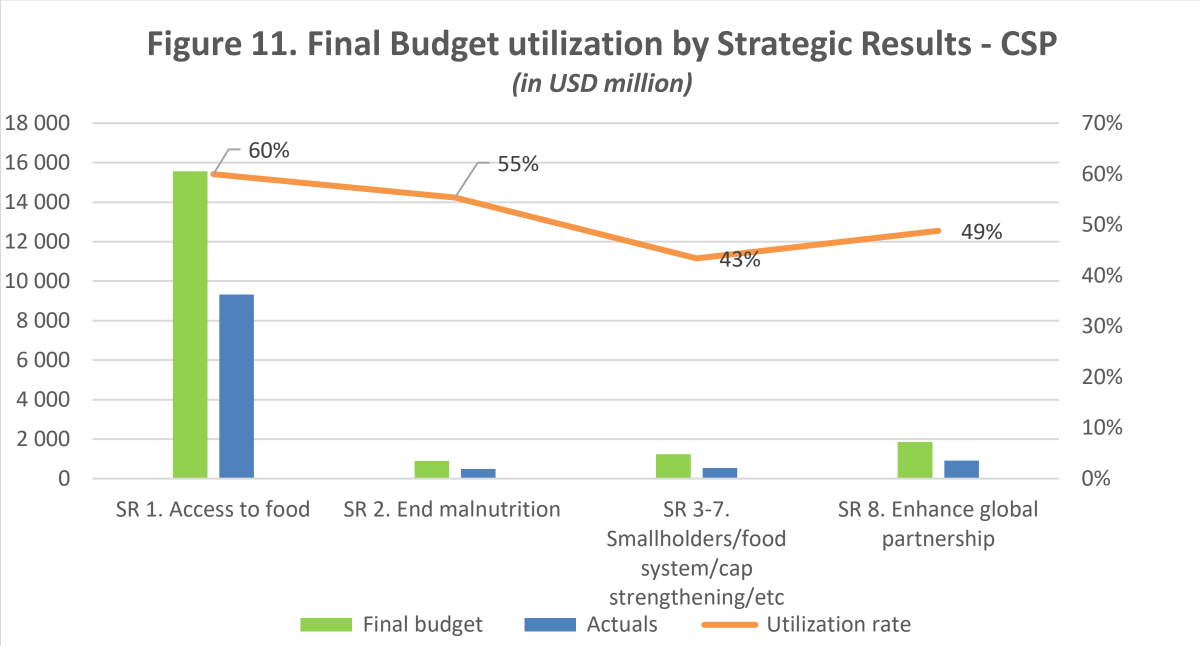


**Figure 10. Top 10 countries by final budget**
***(in USD million)***

### Utilization of the budget

***CSP final budget utilization***




53. Resources are made available for CSPs when contributions are confirmed by donors for the approved CSP, or funds are provided through advance financing mechanisms. Therefore, budgetary utilization within the year is constrained by the amount, timing, and predictability of contributions, as well as the inherent operational constraints.

54. In 2022, the CSP final budget excluding indirect support costs was USD 20,202.6 million (disclosed in the Financial Statement V as “Subtotal CSP costs” under the Final Budget) and overall utilization of the CSP final budget was at 58 percent, reflected across the various strategic results as outlined below:

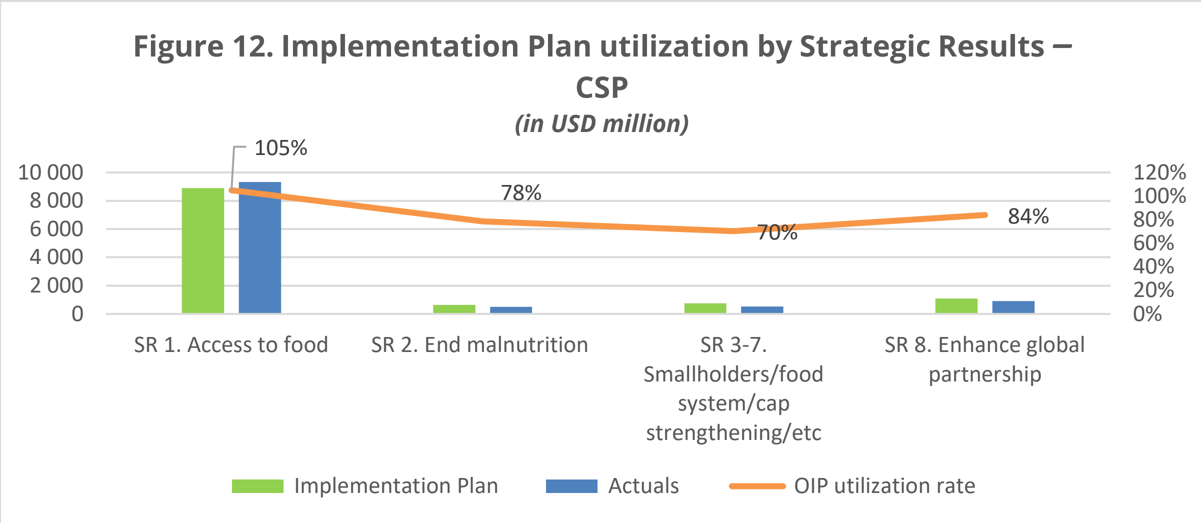
a) Strategic Result 1 (Everyone has access to food) had a utilization rate of 60 percent. Nearly 97 percent of USD 9,328.8 million actual costs under Strategic Result 1 related to unconditional resource transfers, school meals, malnutrition prevention and nutrition treatment activities. Unconditional resource transfer in Afghanistan amounted to USD 1,200.4 million, followed by USD 901.0 million in Yemen and USD 726.6 million in Ukraine.

b) Strategic Result 2 (No one suffers from malnutrition) had a utilization rate of 55 percent, resulting from both resource and implementation constraints. Malnutrition prevention and nutrition treatment activities represented 90 percent of total actual costs of USD 498.8 million under Strategic Result 2.

c) Strategic Result 8 (Sharing of knowledge, expertise, and technology, strengthen global partnership support to country efforts to achieve the SDGs) had an overall utilization rate of 49 percent. Service provision and platforms activities are the primary activity category contributing to Strategic Result 8. WFP was most active in Ethiopia, the State of Palestine, Lebanon, Yemen, and South Sudan to provide various services including food procurement services, cash transfer services and supply chain services.

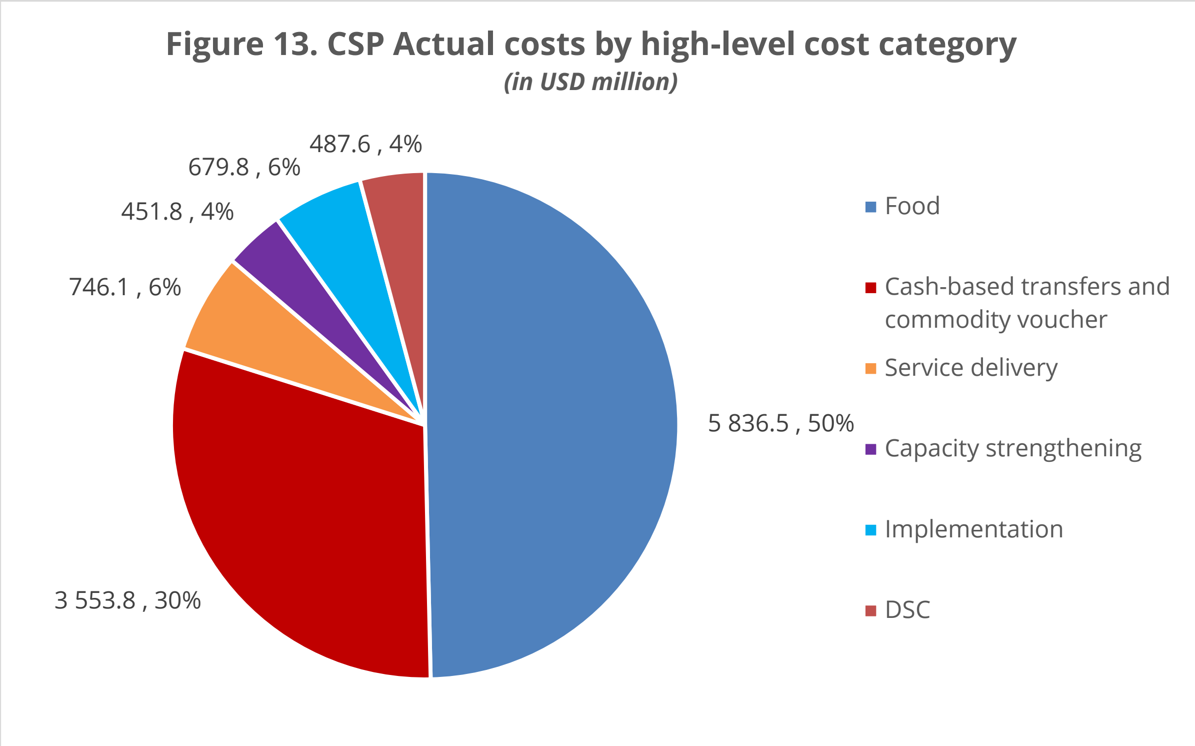
d) The remaining five strategic results (Strategic Results 3–7), contributing to sustainable food systems and to countries' capacities to implement SDGs had an overall utilization rate of 43 percent. Among the remaining five strategic results, Strategic Result 3 (Smallholders have improved food security and nutrition) and Strategic Result 4 (Food systems are sustainable) accounted for 79 percent of overall actual costs of USD 534.3 million. Asset creation and livelihood support was the main contributing activity towards these strategic results, with an overall utilization rate of 38 percent.

***CSP Implementation plan utilization***




55. The CSP implementation plan presented in Statement V of USD 11,890.8 million represents operational needs prioritized to consider forecasted available resources and projected operational constraints as at 1 January 2022. WFP achieved an overall utilization rate of 99 percent against the implementation plan. The high utilization rate is due to the emergency response in Ukraine that was not planned at the beginning of the year (explaining the higher than 100 percent implementation rate under Strategic Result 1). In addition, actual spending exceeded planned amounts in several countries such as Somalia, Ethiopia, Kenya in respect of Strategic Result 1 and the State of Palestine in respect of Strategic Result 8 due to worsening security and high levels of donor support.

***CSP actual costs analysis by transfer modalities***




56. The country portfolio budget structure includes four high-level cost categories: transfer costs; implementation costs; direct support costs; and indirect support costs. The transfer costs correspond to the monetary value of the transferred food, cash, capacity strengthening and service delivery, as well as the related delivery costs and accounted for 90 percent of total CSP operational and direct support costs in 2022.

57. Out of a total of USD 10,588.2 million transfer costs, USD 5,836.5 million was for food transfers. Afghanistan, Yemen, Ethiopia, the Syrian Arab Republic, South Sudan, Ukraine, Somalia, the Sudan, Kenya and the Democratic Republic of the Congo were the countries with the highest food delivery, representing 79 percent of the total food transfer cost.

58. Cash-based transfers increased consistently over the past ten years and reached USD 3,553.8 million in 2022. Somalia, Afghanistan, Ukraine, Lebanon, Bangladesh, Yemen, Jordan, the Sudan, Nigeria and the Niger operations represent the largest share of cash-based transfers, with 66 percent of total cash-based transfer costs.

59. Capacity strengthening accounted for USD 451.8 million or 4 percent of total CSP costs, referring to the transfer of materials, equipment, knowledge and other resources to individual beneficiaries, communities, or other counterparties in support of WFP's strategic objectives. Service delivery transfer costs increased to USD 746.1 million in 2022, with an increased demand for the cash transfer services.

60. Implementation costs and direct support costs accounted for 6 percent and 4 percent, respectively, of the CSP actual costs.

**Indirect costs**

61. Budgetary authority to incur PSA costs is received through the approval of the management plan under which a USD 496.1 million budget was approved for regular PSA expenditure and 42.4 million for critical corporate initiatives. The final PSA budget

in 2022 consisted of USD 513.3 million for regular PSA expenditure and USD 79.0 million for critical corporate initiatives. The regular PSA budget was increased under Executive Director authority to adjust the budget in accordance with a change in the level of the global contribution forecast for the year, at a rate not to exceed 2 percent of the anticipated change in income. The Executive Board approved a USD 13.3 million increase in the CCI budget at its annual session and USD 23.3 million of the CCI budget was carried over from previous years. Of the final approved regular PSA budget, USD 511.7 million or 99.7 percent was utilized. Of the final approved critical corporate initiatives budget, USD 52.4 million or 66 percent was utilized in 2022.

## Enhancing transparency and accountability

62. WFP prepares financial statements in accordance with IPSAS to ensure timely, relevant, and useful financial reporting, thereby improving transparency and accountability in the management of resources.

63. To ensure continued compliance with IPSAS, WFP assesses the impact and applies new IPSAS standards and changes accounting policies when changes in IPSAS require revisions. WFP continues to work closely with other United Nations system organizations, through the High-Level Committee on Management task force on IPSAS. This task force provides a platform for discussion of IPSAS issues, with a view to achieving consistency in the application of IPSAS developments and enhancing comparability of financial reporting.

64. The leadership group meets regularly to discuss strategic direction and the framework for decision making, including a review of selected IPSAS-based financial highlights, which cover key areas of WFP's financial performance and financial position.

65. WFP's enterprise risk management framework is designed to manage and communicate WFP's risk exposure and provide reasonable assurance regarding the achievement of WFP's objectives. The Risk Management Division prepares the Annual Statement on Internal Control on behalf of the Executive Director. In February 2021, the Executive Director signed a decision memorandum requesting the leadership group to convene dedicated risk discussions, focusing on key responsibilities assigned to functional directors under the 2018 enterprise risk management policy and tasking the Risk Management Division with supporting these discussions. In 2022, one leadership group risk discussion on the changing donor landscape took place, with extensive follow-up through working groups.

66. The Deputy Executive Director, Management Department, and Chief Financial Officer: a) oversees and provides direction to the Risk Management Division; b) serves as steward for the internal control framework and monitors its implementation through regular reporting on risk matters at senior governance and oversight committees as well as annual assurance statements from global management; and c) ensures that a clear action plan exists for addressing major risks and internal control issues. In 2022, the Deputy Executive Director, Management Department, and Chief Financial Officer chaired the Independent Oversight Advisory Committee meeting on the Corporate Risk Register where senior management ensured accountability on addressing and facilitating priority decision making around and implementing mitigation actions on seven corporate risks.[2]

67. WFP adopted strong policies related to the public disclosure of the results of independent evaluations and audits. Summary evaluation and External Auditor reports and respective accompanying management responses dating back to 1999 are posted on the Executive Board's public website. In addition, annual updates to the Executive Board on

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[2] Beneficiary protection; strategic focus & prioritization; strategic partnerships; fraud & corruption; data management & digital transformation; employee well-being; and workforce alignment.

reports of the Joint Inspection Unit of the United Nations relevant to the work of WFP and the Executive Board are also available on the Executive Board's public website dating back to 1999. Internal audit reports are posted on WFP's public website in accordance with the Revised policy for disclosure of oversight reports issued by the Office of the Inspector General, with the Inspector General and Oversight Office providing quarterly updates to the Executive Board since 2017. In September 2022, the Office of the Chief of Staff reinstituted monthly tracking of outstanding internal audit actions, continuing high priority attention on and accountability for the timely implementation and closure of recommendations, a practice begun in July 2019.[3]

68. To increase operational transparency within the Integrated Road Map framework, WFP created the CSP data portal in mid-2018 to provide budgetary, financial and performance information over the life spans of the CSPs or ICSPs, and to ensure that the Executive Board retains required visibility and oversight.

69. WFP is a leading member of the International Aid Transparency Initiative (IATI), a voluntary multi-stakeholder initiative to increase transparency of development cooperation. In line with IATI transparency commitment, WFP openly publishes monthly in the IATI registry detailed information about WFP programmatic activities, including incoming funds, expenditures, and results (outputs). WFP has been at the top of the IATI summary statistics since 2015 assessing all IATI publishers (currently more than 1,400) by scoring three dimensions – timeliness, forward-looking and comprehensiveness. Since 2019 WFP reports to the United Nations System Chief Executives Board for Coordination in full compliance to UN Data Cube financial reporting standards. The UN Data Cube is a critical pillar of the Secretary-General's Data Strategy 2020 to increase transparency and promote a data-driven approach within the United Nations system.

## Treasury risk management

70. WFP's activities expose it to a variety of financial risks including the effects of changes in debt and equity market prices, foreign currency exchange rates, interest rates, and defaults by debtors in meeting its obligations. WFP's financial risk management policies focus on the unpredictability of financial markets and seek to minimize potential adverse effects on the financial performance of WFP.

71. Financial risk management is carried out by a central treasury function using guidelines set out by the Executive Director who is advised by the WFP Investment Committee. Policies cover foreign exchange, interest rate and credit risk, the use of derivative financial instruments, and investing of excess liquidity.

72. WFP investments experienced a volatile year as global inflation proved to not be transitory and led to a robust response by monetary authorities which began raising interest rates. Short-term fixed income investments produced positive returns while the long-term investment portfolio saw significant declines as global stock and bond markets experienced the largest losses in asset prices since the global financial crisis. Looking ahead to 2023, despite the risk of lower economic growth from the higher geopolitical risks, major global central banks are expected to end their interest rate hiking cycle, enabling investment returns to be significantly better than the previous year.

73. WFP's employee benefit liabilities were USD 884.4 million at 31 December 2022. WFP sets aside assets for the long-term employee benefit liabilities in the form of cash and long-term investments (bonds and equities). In accordance with the current funding plan approved by the Board in 2010, an incremental annual funding of USD 7.5 million is included in the

[3] "Annual Report of the Inspector General" (WFP/EB.A/2020/6-D/1/Rev.1) paragraphs 39-40.

standard staff cost over a 15-year period starting in 2011, with a view towards achieving a fully funded status of the long-term employee benefit liabilities in 2025. WFP determines the funding level based on the long-term employee benefit liabilities. As at 31 December 2022, the level of assets set aside (USD 951.7 million) for the funding of the long-term employee benefit liabilities (USD 814.0 million) represents a 117 percent funding level. This is an increase from the 108 percent funding level in 2021. Improvement of the funding ratio in 2022 is a result of a decrease in the long-term liabilities by 22 percent primarily due to an increase in the discount rates, offset by a 16 percent decrease in the assets set aside to cover these liabilities.

74. WFP is committed to mitigating cash-related risks and increasing accountability to people, donors, and governments. WFP released a cash-based transfers assurance framework with the aim of putting together existing guidance and learning on the measures that country offices should have in place so that WFP can be reasonably confident that the right beneficiaries receive the right entitlements at the right time, and the risks of potential fraud, human error or other divergence of cash-based transfer benefits are mitigated to the extent possible while promoting beneficiary protection and effective programmes at the same time.

75. Controls are implemented across the full cash-based transfers programme cycle from beneficiaries targeting and registration, through verifications of beneficiaries registers and improved beneficiary complaint and feedback mechanisms, to due diligence assessments of financial services providers selected by WFP following the procurement rules, using the corporate templates for all contracts and agreements, established secure payment processes, segregation of duties, distribution reconciliations and finally, post-distribution monitoring and evaluation to ensure programmatic objectives are achieved as designed.

## Sustainability

76. WFP’s financial statements are prepared on a going-concern basis. In making this determination, WFP has considered the impact on the operational activities of WFP as described under the operational context section of this statement. In the environment of worsening global food insecurity, WFP’s mandate of the leading humanitarian organization saving lives and changing lives, delivering food assistance in emergencies, and working with communities to improve nutrition and build resilience is as relevant as ever.

77. My statement on sustainability is supported by:

i) the operational requirements I put forward in the WFP management plan (2023–2025) of USD 19.7 billion, approved by the Executive Board during its 2022 second regular session;

ii) the WFP strategic plan (2022–2025) approved by the Executive Board at its 2021 second regular session;

iii) the total assets held at the end of 2022 of USD 14.1 billion, an increase of 28 percent compared to 2021, which are nearly six times higher than WFP’s liabilities;

iv) the net assets (fund balances and reserves) held at the end of 2022 of USD 11.6 billion, an increase of 36 percent compared to 2021;

v) the revenue received in 2022 of USD 14.4 billion, an increase of 50 percent compared to 2021; and

vi) the projected contributions levels for the year 2023 of USD 11.0 billion, as indicated in the approved WFP management plan (2023–2025).

78. The trend of donor support in sustaining WFP's mandate since its inception remained strong and on growth. However, high international food and fuel prices will continue to impact access to food. As a result, WFP's operational needs will continue to grow, widening the gap between WFP's funding needs and available resources. The consequences of any potential significant reduction in contributions would lead to a consequential reduction in the scale of operations and number of people who rely on WFP's assistance.

79. While I am confident that WFP has adequate resources to continue to operate in the medium term thanks to the tremendous support of the donors, resource mobilization is the critical priority that WFP is addressing to its Board and our donors.

## Administrative matters

80. WFP's principal place of business as well as the names and addresses of its General Counsel, actuaries, principal bankers, and External Auditor are shown in the annex to this document.

## Responsibility

81. As required under financial regulation 13.1, I am pleased to submit the following financial statements, which have been prepared under IPSAS. I certify that to the best of my knowledge and information, all transactions during the period have been properly entered in the accounting records and that these transactions together with the following financial statements and notes, details of which form part of this document, fairly present the financial position of WFP at 31 December 2022.

Statement I Statement of Financial Position at 31 December 2022

Statement II Statement of Financial Performance for the year ended 31 December 2022

Statement III Statement of Changes in Net Assets for the year ended 31 December 2022

Statement IV Statement of Cash Flow for the year ended 31 December 2022

Statement V Statement of Comparison of Budget and Actual Amounts for the year ended 31 December 2022

Notes to the financial statements

David M. Beasley
Executive Director

Rome, 4 April 2023

# Executive Director's statement on internal control

## Scope and purpose of internal control

1. WFP's Executive Director is accountable to the Executive Board for the administration of WFP and for the implementation of WFP programmes, projects and other activities. Financial Regulation 12.1 requires the Executive Director to establish internal controls, including internal audit and investigation, to ensure the effective and efficient use of WFP's resources and the safeguarding of its assets.

2. WFP defines internal control as a process, effected by WFP's Executive Board, management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives relating to operations, reporting and compliance. The Statement on Internal Control provides assurance from the Executive Director on the effectiveness of WFP's system of internal control.

## WFP's operating environment

3. The humanitarian imperative obliges WFP to respond when needed. This principle exposes WFP to operating environments and situations with a high level of inherent risk, including in terms of the security of its employees and beneficiaries, and, in some cases, the ability to maintain the highest standards of internal control.

## Internal control and enterprise risk management frameworks

4. WFP's internal control framework is aligned with guidance issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In accordance with COSO, WFP's system on internal control includes five components: control environment; risk assessment; control activities; information and communication; and monitoring activities.

5. WFP's enterprise risk management framework is aligned with COSO guidance on enterprise risk management, which integrates risk, strategy and performance. WFP's 2018 enterprise risk management policy aims to establish a pragmatic, systematic and disciplined approach to identifying and managing risks throughout WFP that is clearly linked to the achievement of its strategic objectives.

6. WFP's oversight framework outlines the organization's vision for oversight and provides a snapshot of the evolving architecture and activities in place to operationalize the vision, which includes governance, Executive Board accountability and oversight frameworks, and associated reporting arrangements.

## Review of the effectiveness of internal control

7. Managers within WFP who are responsible for implementing and overseeing internal controls in their areas of responsibility inform an annual review of the effectiveness of WFP's internal controls that considers: feedback from global management as part of the annual Executive Director's Assurance Exercise; the annual report of the Inspector General; and other evidence as available and appropriate.

## Significant risk and internal control matters

8. Four issues from the 2021 Statement on Internal Control continue to achieve progress but were carried over for prioritization and further attention in 2023 as follows.

9. **Talent management and workforce planning.** Difficulties to attract local and international talent were attributed to limited national capacity, hardship conditions, duty station incentives, and the complex career growth pathway. WFP (i.e., United Nations) salaries and short-term contractual offer were not perceived as competitive with the private sector and some international non-governmental organizations. The launch of the WFP people policy in 2021 laid out an ambitious vision for people excellence and introduced a systematic strategic workforce planning approach to continue to ensure WFP attracts people with the right profiles to deliver on the WFP strategic plan (2022–2025). The new staffing framework and service contract conversion exercises have helped to shift WFP's workforce from 61 percent short-term in 2021 to 50 percent in 2022. Nevertheless, funding constraints affect the ability to offer long-term contracts. While improved, WFP's recruitment process remains long and cumbersome, calling for greater flexibility to speed up the filling of positions. In the External Auditor performance report on support services for financial year 2022, management accepted the recommendation for WFP to continue to regularize posts in line with staffing needs and the stipulations of the staffing framework.[7]

10. **Workplace culture and conduct.** WFP has introduced comprehensive policy changes, organizational restructuring and dedicated significant resources toward improving workplace culture and conduct. In 2022, a new Leadership Framework was issued which outlines the behaviours that all WFP employees are expected to demonstrate, irrespective of grade and contract type. While safe and appropriate channels for employees to raise concerns about misconduct are in place and communicated regularly, speak up culture was still seen as being impacted by lengthy investigative processes. Specifically, in 2022, a revised Executive Director's circular[8] on preventing and responding to abusive conduct as well as an updated WFP Code of Conduct were issued in order to embed WFP's values and reinforce the obligation of all employees to ensure a respectful and inclusive working environment. As one of the four pillars of the WFP people policy, diversity and inclusion are a priority for the organization and a working group was established to address challenges related to responding to cases of discrimination, the gender gap and diversity in leadership and implementing measures to prevent bias. While the tone at the top has improved, measures to improve accountability, communication and transparency, including in appointments, promotions and reassignments should continue.

11. **Non-governmental organization (NGO) management.** Cooperating partners are essential enablers to achieving WFP's objectives, and NGO management remains a top control challenge. Lack of partner capacity is cited as an overarching challenge that encompasses all aspects of the partnership lifecycle. As per the WFP strategic plan (2022–2025), WFP is committed to working with local actors to strengthen their capacity and promote equal partnerships. However, challenges are heightened when working with national NGOs that often lack the financial and operational resources of international partners and require additional capacity strengthening and monitoring efforts. With a large portfolio of partners, a high turnover of partner staff and the frequent use of short-term field-level agreements, bureaucratic constrains have continued to hamper the establishment of stable and strategic partnerships that go beyond the short-term transfer of technical knowledge. Governance over cooperating partner data is also a risk. To address these concerns, the NGO Partnerships Unit has continued to streamline established control measures and develop digital solutions for NGO management, including supporting as a co-founder the global rollout of the United Nations Partner Portal and the launch of the WFP

[7] "Report of the External Auditor on support services" (WFP/EB.A/2023/6-F/1), paras 58-69.
[8] OED 2022/004 Executive Director's circular on Prevention and Response to Abusive Conduct (Harassment, Sexual Harassment, Abuse of Authority, and Discrimination) issued 10 February 2022

Partner Connect platform. The NGO Partnerships Unit has also been working with regional bureaux to strengthen capacity through dedicated regional trainings and workshops.

12. **Beneficiary identity management and information technology solutions.** WFP recognizes that beneficiary identity management and its enabling information technology solutions remain a critical area facing numerous challenges across the programme cycle. The organization took a decisive step to address these challenges in August 2021 with the establishment of the Identity Management Steering Committee. Feedback from the field indicates persistent issues related mainly to beneficiary-facing technology and data management, such as inadequate system integration within WFP and with external stakeholders, lack of end-to-end delivery coverage of corporate solutions (e.g., WFP's digital beneficiary information and transfer management platform – SCOPE), or the prevalence of practices that could affect the integrity and privacy of beneficiary data. A centralized approach to beneficiary identity management, including relevant guidance to strengthen data privacy and protection, will mitigate many of these risks, which WFP expects to address in 2023 through the launch of the Identity Management Normative Framework governing how WFP safeguards and manages the personal data of the people WFP serves.

13. **Emerging risk and control challenges.** The Assurance Exercise raised the following top risk and control challenges not noted above that affected WFP's ability to achieve its objectives:

    a) **Resource mobilization and donor relations,** covering funding constraints, donor fatigue and changing priorities, diversification, reporting requirements and compliance, and the global economic crisis.

    b) **Programmatic partnerships and host government engagement**, covering the management of direct assistance through government entities, volatile political contexts, interference in operations, country capacity strengthening, access to government information, and oversight of government controls.

    c) **Monitoring, research and assessment**, covering WFP's independence during the targeting process, field monitoring challenges related to insufficient resources, staff capacity, systems and tools to generate evidence, and strategic adjustments to programming.[9]

    d) **Emergency response and humanitarian access**, covering WFP's access constraints in remote and insecure locations and related scale-up.

## Statement

14. All internal controls have inherent limitations – including the possibility of circumvention – and therefore WFP can provide only reasonable assurance regarding the achievement of objectives relating to operations, reporting and compliance. Further, because of changing conditions, the effectiveness of internal controls may vary over time.

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[9] Monitoring and review systems was removed as a significant risk and control issue in the 2020 Statement on Internal Control due to substantial progress at all levels since monitoring was first identified as an issue in the 2011 Statement on Internal Control.

15. Based on the above, I consider, to the best of my knowledge and information, that WFP operated a satisfactory system of internal control for the year ended 31 December 2022 in line with the May 2013 COSO Internal Control – Integrated Framework.

16. WFP is committed to addressing the internal control and risk management issues identified above as part of the continuous improvement of its system of internal control.

David M. Beasley

Executive Director Rome, 31 March 2023

**WORLD FOOD PROGRAMME**

**STATEMENT I**

**STATEMENT OF FINANCIAL POSITION**

**AT 31 DECEMBER 2022**

***(USD million)***

| | Note | 2022 | 2021 Restated |
|---|---|---|---|
| **Assets** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 2.1 | 2 680.4 | 1 848.8 |
| Short-term investments | 2.2 | 1 429.4 | 1 665.3 |
| Contributions receivable | 2.3 | 6 667.7 | 4 386.9 |
| Inventories | 2.4 | 1 498.9 | 1 219.6 |
| Other receivables | 2.5 | 419.5 | 293.9 |
| | | **12 695.9** | **9 414.5** |
| **Non-current assets** | | | |
| Contributions receivable | 2.3 | 131.4 | 203.1 |
| Long-term investments | 2.6 | 987.3 | 1 162.0 |
| Property, plant and equipment | 2.7 | 248.2 | 212.4 |
| Intangible assets | 2.8 | 15.4 | 13.0 |
| | | **1 382.3** | **1 590.5** |
| **Total assets** | | **14 078.2** | **11 005.0** |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Payables and accruals | 2.9 | 1 393.5 | 1 160.4 |
| Deferred revenue | 2.10 | 32.0 | 64.9 |
| Provisions | 2.11 | 45.5 | 15.5 |
| Employee benefits | 2.12 | 70.4 | 55.9 |
| Loan | 2.13 | 5.6 | 5.6 |
| | | **1 547.0** | **1 302.3** |
| **Non-current liabilities** | | | |
| Deferred revenue | 2.10 | 24.2 | 16.9 |
| Employee benefits | 2.12 | 814.0 | 1 046.2 |
| Loan | 2.13 | 44.0 | 49.6 |
| | | **882.2** | **1 112.7** |
| **Total liabilities** | | **2 429.2** | **2 415.0** |
| **Net assets** | | **11 649.0** | **8 590.0** |
| **Fund balances and reserves** | | | |
| Fund balances | 2.15 | 10 753.2 | 8 081.1 |
| Reserves | 2.15 | 895.8 | 508.9 |
| **Total fund balances and reserves** | | **11 649.0** | **8 590.0** |

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

David M. Beasley
Executive Director
Rome, 4 April 2023

Manoj Juneja
Deputy Executive Director and
Chief Financial Officer
Management Department

# WORLD FOOD PROGRAMME

## STATEMENT II

## STATEMENT OF FINANCIAL PERFORMANCE

## FOR THE YEAR ENDED 31 DECEMBER 2022

***(USD million)***

| | Note | 2022 | 2021 Restated |
|---|---|---|---|
| **Revenue** | | | |
| Monetary contributions | 3.1 | 13 252.1 | 8 827.2 |
| In-kind contributions | 3.2 | 832.5 | 591.8 |
| Currency exchange differences | 3.3 | 106.1 | (84.9) |
| Return on investments | 3.4 | (15.7) | (9.8) |
| Other revenue | 3.5 | 242.6 | 277.8 |
| **Total revenue** | | **14 417.6** | **9 602.1** |
| **Expenses** | | | |
| Cash-based transfers distributed | 4.1 | 3 298.0 | 2 323.7 |
| Food commodities distributed | 4.2 | 3 881.8 | 2 828.6 |
| Distribution and related services | 4.3 | 1 110.8 | 980.9 |
| Contracted and other services | 4.4 | 1 202.9 | 1 156.7 |
| Staff costs | 4.5 | 1 023.0 | 869.7 |
| Affiliated workforce costs | 4.5 | 386.8 | 393.1 |
| Supplies, consumables and other running costs | 4.6 | 293.2 | 218.4 |
| Finance costs | 4.7 | 25.0 | 8.0 |
| Depreciation and amortization | 4.7 | 62.6 | 57.3 |
| Other expenses | 4.7 | 163.5 | 46.0 |
| **Total expenses** | | **11 447.6** | **8 882.4** |
| **Surplus for the year** | | **2 970.0** | **719.7** |

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

**WORLD FOOD PROGRAMME**

**STATEMENT III**

**STATEMENT OF CHANGES IN NET ASSETS**

**FOR THE YEAR ENDED 31 DECEMBER 2022**

***(USD million)***

| | Note | Accumulated surplus/fund balances | Surplus (deficit) | Reserves | Total net assets |
|---|---|---|---|---|---|
| **Total net assets at 31 December 2021 (restated)** | | **7 361.4** | **719.7** | **508.9** | **8 590.0** |
| Allocation of the surplus for 2021 | | **719.7** | **(719.7)** | **-** | **-** |
| **Movements in fund balances and reserves in 2022** | | | | | |
| Transfer from/to reserves | 2.15 | (386.9) | - | 386.9 | - |
| Net unrealized losses on long-term investments | 2.6/2.15 | (206.0) | - | - | **(206.0)** |
| Actuarial gains on employee benefit liabilities | 2.12 | 295.0 | - | - | **295.0** |
| Surplus for the year | 7.2 | - | 2 970.0 | - | **2 970.0** |
| **Total movements during the year** | | **(297.9)** | **2 970.0** | **386.9** | **3 059.0** |
| **Total net assets at 31 December 2022** | | **7 783.2** | **2 970.0** | **895.8** | **11 649.0** |

| | Note | Accumulated surplus/fund balances | Surplus (deficit) | Reserves | Total net assets |
|---|---|---|---|---|---|
| **Total net assets at 31 December 2020** | | **5 581.2** | **850.0** | **411.2** | **6 842.4** |
| Change in accounting policy | 1 | 761.5 | - | 44.9 | 806.4 |
| **Total net assets at 31 December 2020 (restated)** | | **6 342.7** | **850.0** | **456.1** | **7 648.8** |
| Allocation of the surplus for 2020 | | **850.0** | **(850.0)** | **-** | **-** |
| **Movements in fund balances and reserves in 2021** | | | | | |
| Transfer from/to reserves (restated) | 2.15 | (52.8) | - | 52.8 | - |
| Net unrealized gains on long-term investments | 2.6/2.15 | 94.6 | - | - | 94.6 |
| Actuarial gains on employee benefit liabilities | 2.12 | 126.9 | - | - | 126.9 |
| Surplus for the year (restated) | | - | 719.7 | - | 719.7 |
| **Total movements during the year (restated)** | | **168.7** | **719.7** | **52.8** | **941.2** |
| **Total net assets at 31 December 2021 (restated)** | | **7 361.4** | **719.7** | **508.9** | **8 590.0** |

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

# WORLD FOOD PROGRAMME
## STATEMENT IV
## STATEMENT OF CASH FLOW
## FOR THE YEAR ENDED 31 DECEMBER 2022
***(USD million)***

| | Note | 2022 | 2021 Restated |
|---|---|---|---|
| **Cash flows from operating activities:** | | | |
| Surplus for the year | | 2 970.0 | 719.7 |
| Adjustments to reconcile surplus to net cash flows from operating activities | | | |
| Depreciation and amortization | 2.7/2.8 | 62.6 | 57.3 |
| Unrealized loss on short-term investments | 2.2 | 18.1 | 16.4 |
| Unrealized loss on long-term investments | 2.6 | 14.6 | 19.0 |
| (Increase) in amortized value of long-term investments | 2.2/2.6 | (2.5) | (2.8) |
| (Decrease) in amortized value of long-term loan | 2.13 | (0.3) | (0.4) |
| Interest expense on long-term loan | 2.13 | 1.6 | 1.8 |
| (Increase) in inventories | 2.4 | (279.3) | (206.7) |
| (Increase) in contributions receivable | 2.3 | (2 209.1) | (359.5) |
| (Increase) in other receivables | 2.5 | (119.5) | (10.6) |
| Property, plant and equipment (donated in-kind) | 2.7 | - | 5.0 |
| Increase (decrease) in payables and accruals | 2.9 | 233.1 | (14.8) |
| (Decrease) increase in deferred revenue | 2.10 | (25.6) | 31.7 |
| Increase (decrease) in provisions | 2.11 | 30.0 | (6.5) |
| Increase in employee benefits net of actuarial gain/loss on post-employment benefits | 2.12 | 77.3 | 93.0 |
| **Net cash flows from operating activities** | | **771.0** | **342.6** |
| **Cash flows from investing activities:** | | | |
| Decrease (increase) in short-term investments | 2.2 | 224.5 | (268.8) |
| Increase (decrease) in accrued interest receivable | 2.5 | (6.1) | 1.3 |
| (Increase) in long-term investments | 2.6 | (50.1) | (82.1) |
| (Increase) in property, plant and equipment | 2.7 | (95.3) | (83.7) |
| (Increase) in intangible assets | 2.8 | (5.5) | (3.9) |
| **Net cash flows from investing activities** | | **67.5** | **(437.2)** |
| **Cash flows from financing activities:** | | | |
| Interest paid on loan | 2.13 | (1.6) | (1.8) |
| Repayment of annual principal on loan | 2.13 | (5.3) | (5.3) |
| **Net cash flows from financing activities** | | **(6.9)** | **(7.1)** |
| **Net increase (decrease) in cash and cash equivalents** | | **831.6** | **(101.7)** |
| **Cash and cash equivalents at beginning of the year** | 2.1 | **1 848.8** | **1 950.5** |
| **Cash and cash equivalents at end of the year** | 2.1 | **2 680.4** | **1 848.8** |

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

**WORLD FOOD PROGRAMME**

**STATEMENT V**

**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS[1]**

**FOR THE YEAR ENDED 31 DECEMBER 2022**

***(USD million)***

| | Note | Budget amount | | Actual on | Difference: final | Implementation |
|---|---|---|---|---|---|---|
| | 6 | Original budget | Final budget[2] | comparable basis[3] | budget and actual | plan |
| **CSP costs** | | | | | | |
| Strategic Result 1 – Everyone has access to food | | 9 793.1 | 15 557.8 | 9 328.8 | 6 229.0 | 8 891.3 |
| Strategic Result 2 – No one suffers from malnutrition | | 822.9 | 900.8 | 498.8 | 402.0 | 636.3 |
| Strategic Result 3 – Smallholders have improved food security and nutrition through improved productivity and incomes | | 342.2 | 365.4 | 157.5 | 207.9 | 214.2 |
| Strategic Result 4 – Food systems are sustainable | | 575.5 | 652.0 | 264.7 | 387.3 | 408.2 |
| Strategic Result 5 – Developing countries have strengthened capacities to implement the SDGs | | 136.4 | 211.4 | 111.8 | 99.6 | 136.8 |
| Strategic Result 6 – Policies to support sustainable development are coherent | | 2.9 | 2.5 | 0.1 | 2.4 | 1.2 |
| Strategic Result 7 – Developing countries access a range of financial resources for development investment | | 0.9 | 0.3 | 0.2 | 0.1 | 0.3 |
| Strategic Result 8 – Sharing of knowledge, expertise and technology, strengthen global partnership support to country efforts to achieve the SDGs | | 920.2 | 1 855.5 | 906.1 | 949.4 | 1 081.0 |
| Adjusted direct support costs | | 524.8 | 656.9 | 487.6 | 169.3 | 521.5 |
| **Subtotal CSP costs** | | **13 118.9** | **20 202.6** | **11 755.6** | **8 447.0** | **11 890.8** |
| Regular PSA costs | | 496.1 | 513.3 | 511.7 | 1.6 | 496.1 |
| Critical corporate initiatives | | 42.4 | 79.0 | 52.4 | 26.6 | 42.4 |
| **Subtotal indirect costs** | | **538.5** | **592.3** | **564.1** | **28.2** | **538.5** |
| **Total** | | **13 657.4** | **20 794.9** | **12 319.7** | **8 475.2** | **12 429.3** |

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

[1] Prepared on a commitment basis. Commitments represent possible future liabilities based on a current contractual agreement and include outstanding purchase orders and contracts where goods and services have not yet been received.

[2] The final budget represents approved operational needs as of 31 December of the reporting year. Instead, implementation plan represents operational needs prioritized considering funding forecasts of available resources and operational challenges as at 1 January 2022.

[3] Comparable basis means the actual amounts presented on the same accounting basis, same classification basis, for the same funds and the same period as the approved budget.

# Notes to the financial statements at 31 December 2022

## Note 1: Accounting policies

### Reporting entity

1. WFP was established in 1961 by the United Nations General Assembly and the Conference of the FAO as the United Nations system's food aid organization. The purposes of WFP are: a) to use food aid to support economic and social development; b) to meet refugee and other emergency and protracted relief food needs; and c) to promote world food security in accordance with the recommendations of the United Nations and FAO.

2. WFP is governed by a 36-member Executive Board which provides intergovernmental support, direction and supervision of WFP's activities. The organization is headed by an Executive Director, who is appointed jointly by the United Nations Secretary-General and the Director-General of FAO.

3. WFP has its headquarters in Rome, Italy. During 2022, WFP provided assistance in 122 countries and territories, where its work is overseen through the six regional bureaux.

4. The financial statements include the operations of WFP. Jointly controlled entities are disclosed in note 11.

### Basis of preparation

5. The financial statements of WFP have been prepared on the accrual basis of accounting in accordance with the IPSAS using the historic cost convention, modified by the inclusion of investments at fair value. Where an IPSAS does not address a particular issue, reference is made to the relevant pronouncement of other standard setting bodies, such as the International Accounting Standards Board.

6. The financial statements have been prepared on a going-concern basis. This assessment is based on approved budget, funding forecast, net assets available and the on-going relevance of WFP's mandate.

7. The cash flow statement (Statement IV) is prepared using the indirect method.

8. The functional and reporting currency of WFP is the United States dollar. Transactions in currencies other than the United States dollar are translated into United States dollars at the prevailing United Nations operational rates of exchange at the time of transaction. Assets and liabilities in currencies other than United States dollars are translated into United States dollars at the prevailing United Nations operational rates of exchange year-end closing rate. Resulting gains or losses are accounted for in the Statement of Financial Performance.

### Change in accounting policy

9. WFP is entering into contribution agreements through which donors commit to provide multi-year funding (up to five years in advance) or, in some instances, require implementation periods to start after the reporting date. In such cases, upon signing a contribution agreement WFP recognized an asset (contribution receivable) and a liability (deferred revenue) until the implementation period as specified by the donor started at which point the liability was derecognized, and revenue recognized. This accounting policy had been in place since financial year 2016 when multi-year agreements gained significance. Over time, the number and volume of such donor agreements has increased further, and stipulations, terms, and clauses of multi-year donor agreements became more complex.

10. Therefore, management in consultation with the External Auditor decided to revise the accounting policy and reflect different recurring scenarios of multi-year donor agreements.

Identified scenarios are cases where: a) the agreements do not contain all encompassing refund obligations to fulfil a condition under its meaning in IPSAS 23; b) where provision of funding in future years is subject to parliamentary appropriation or similar clauses, whereby such future year funding would not fulfil asset recognition criteria under IPSAS 23; and c) the agreements meet the criteria of conditions in IPSAS 23. In the first case, an asset (contribution receivable) and contribution revenue will be recognized upon confirmation of agreement in writing for the total amount of the agreement, despite the donor agreement stipulating future implementation dates and contribution amounts. In the second case, neither an asset (contribution receivable), nor a liability (deferred revenue) will be recognized. A contingent asset will be disclosed in cases where the inflow is probable. In the third case, an asset (contribution receivable) and a corresponding liability (deferred revenue) will be recognized.

11. This change in accounting policy has been applied retrospectively in accordance with IPSAS 3, resulting in the restatement of the comparative financial statements for 2021.The impact of the change in accounting policy is an increase in opening balance of net assets as at 1 January 2021 by USD 806.4 million with corresponding decrease in the deferred revenue balances.

12. Statements I, II, III and IV were restated. The impact on Statement I is a decrease in current and non-current contribution receivables reported in 2021 (by USD 301.3 million and USD 347.0 million, respectively), a decrease of current and non-current deferred revenue (by USD 755.6 million and USD 533.2 million, respectively) and a corresponding increase in fund balances of USD 603.1 million and reserves of USD 37.4 million. The impact on Statement II is a decrease in monetary contribution revenue reported in 2021 of USD 188.8 million, an increase in in-kind contribution revenue of USD 0.1 million and an increase in currency exchange differences of USD 22.8 million. Note 2.3 Contributions receivable discloses adjusted opening and closing contribution receivable balances, note 2.10 Deferred revenue discloses adjusted deferred revenue opening and closing balances, note 2.15 Fund balances and reserves discloses impact on such, note 3 Revenue discloses the impact on contribution revenue, note 7 discloses the impact in segment reporting, note 8.2 discloses contingent assets.

**Changes in presentation or classification of items**

13. Where comparative information has been reclassified to achieve consistency with current financial year and other disclosures. The most significant changes in presentation and reclassifications are:

    a) The line wages, salaries, employee benefits and other staff costs (2021: USD 1,262.8 million) was disaggregated into staff costs (2021: USD 869.7 million) and affiliated workforce costs (2021: USD 393.1 million) lines on the face of the Statement of Financial Performance and related Note 4, Expenses.

    b) Bank charges, investment manager and custodian fees of USD 6.6 million in 2021 were reclassified from other expenses to finance costs on the face of the Statement of Financial Performance and related Note 4, Expenses.

    c) Note 3, Revenue and Note 4, Expenses were further disaggregated to provide additional information on the nature of revenue and expenses transactions. The expense lines “leases” and “security and other services”, part of “contracted and other services”, were revised and now disclose in-kind lease expenses in addition to commercial lease expenses and security expenses incurred through Department of Safety and Security cost sharing in addition to other security expenses, as previously reported.

**Use of estimates and judgements**

14. The preparation of the financial statements in conformity with IPSAS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenses. The estimates and associated assumptions are based on past experience and various other factors that are believed to be reasonable under the circumstances, and information available at the date of preparation of the financial statements, the results of which form the basis of judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, and any future periods affected.

15. Significant estimates and assumptions that may result in material adjustments in future periods include: actuarial measurement of employee benefits; impairment of assets; selection of useful lives and the depreciation/amortization method for property, plant and equipment/intangible assets; provisions and contingent liabilities.

**Adoption of new accounting standards**

16. WFP follows closely IPSAS Board new pronouncements, assesses their relevance and impact on WFP's accounting policies and procedures, and adopts new IPSAS standards based on their relevance, and in line with the standards effective implementation dates as prescribed by the IPSAS Board. The following new standards and exposure drafts are of relevance for WFP.

17. In August 2018, the IPSAS Board published IPSAS 41, *Financial instruments* to replace IPSAS 29, *Financial instruments: recognition and measurement*. The new standard establishes new requirements for classifying, recognizing and measuring financial instruments to replace those in IPSAS 29. IPSAS 41 is effective on 1 January 2023, the date at which WFP is adopting it.

18. In January 2022, the IPSAS Board published IPSAS 43, *Leases* to replace IPSAS 13, *Leases*. Issuance of IPSAS 43 completes the Phase One of the IPSAS Board's Leases project, the main purpose of which is the alignment with the IFRS 16 *Leases*. The IPSAS 43 no longer requires classification of leases as either finance or operational leases, and it requires recognition of assets and liabilities related to rights and obligations created by all lease contracts. The effective date of IPSAS 43 is 1 January 2025. WFP will adopt the standard on its effective date.

19. In May 2022, the IPSAS Board published IPSAS 44, *Non-current assets held for sale and discontinued operations.* The purpose of it is to provide the accounting for assets held for sale and the presentations and disclosure requirements of discontinued operations. The key principle of the standard with regard to a classification of assets as held for sale is that the carrying amount of the asset will be recovered through a sale rather than through continuing use. The effective date of IPSAS 44 is 1 January 2025. WFP will assess the applicability and impact of IPSAS 44 on its operations and adopt the standard on its effective date.

20. In March 2023, the IPSAS Board has issued IPSAS 47, *Revenue*, covering revenue with performance obligations and revenue without performance obligations, to replace IPSAS 9, *Revenue from exchange transactions* and IPSAS 23, *Revenue from non-exchange transactions (taxes and transfers),* and IPSAS 11, *Construction contracts*, and IPSAS 48, *Transfer expenses*. The standards are expected to affect the core activities of WFP. The impact assessment by WFP is in progress.

**Cash and cash equivalents**

21. Cash and cash equivalents comprise cash on hand, cash at banks, money market and short-term deposits with maturity of three months or less, including those managed by investment managers.

22. Investment revenue is recognized as it accrues, taking into account the effective yield.

**Financial instruments**

23. Financial instruments are recognized when WFP becomes a party to the contractual provisions of the instrument until such time as when the rights to receive cash flows from those assets have expired or have been transferred and WFP has transferred substantially all the risks and rewards of ownership.

24. Financial assets that are held for trading are measured at fair value and any gains or losses arising from changes in the fair value are accounted for through surplus or deficit and included within the Statement of Financial Performance in the period in which they arise. The short-term investments are classified within this category since they are held to support WFP operations and therefore may be divested of in the short-term which may generate trading gains or losses. Derivatives are also classified as held for trading.

25. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in active markets. Loans and receivables comprise contributions receivable in cash, other receivables and cash and cash equivalents. Loans and receivables are stated at amortized cost.

26. Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that WFP has the intention and ability to hold to maturity. Held-to-maturity investments comprise the United States Treasury Separate Trading of Registered Interest and Principal of Securities (STRIPS) held within the long-term investment portfolio and are stated at amortized cost.

27. Available-for-sale financial assets are non-derivative financial assets that are not designated within any other category. Available-for-sale assets comprise the long-term investments other than the United States Treasury STRIPS. They are carried at fair value, with value changes recognized in the Statement of Changes in Net Assets. Gains and losses are reclassified from net assets to surplus or deficit when the assets are derecognized.

28. All non-derivative financial liabilities are recognized initially at fair value, and subsequently measured at amortized cost using the effective interest method.

**Inventories**

29. The vast majority of WFP's inventory are food commodities held for distribution to beneficiaries. Inventories also include non-food items held at various storage facilities.

30. Food commodities and non-food items on hand at the end of the financial period are recorded as inventories and are valued at cost or current replacement cost, whichever is lower. The cost of food commodities includes purchase cost or fair value[1] if donated in-kind and all other costs incurred in bringing the food commodities into WFP's custody at their point of first entry into a recipient country. In addition, any significant costs of conversion such as milling, or bagging are included.

[1] Indicators of the fair value for food commodities donated in-kind include world market prices, the Food Assistance Convention price and the donor's invoice price.

31. Under the legal framework in which WFP operates, legal title of food commodities normally passes to the recipient country government at their point of first entry into a recipient country where they become distributable. Although legal title may have passed for those food commodities held in WFP warehouses in recipient countries, WFP records these commodities as inventories because WFP retains physical custody and control.

32. Cost of other inventories includes all costs of purchase and all other costs of bringing the items to strategic storage depots or delivery direct to a recipient country.

33. Where inventories or elements of their cost are acquired through a non-exchange transaction, their cost is measured at their fair value as at the date of acquisition.

34. Inventories are valued net of any impairments. An allowance for impairment is made for possible loss or damage to inventories under WFP's custody.

**Contributions receivable**

35. WFP recognizes a contribution receivable when, by the reporting date, it has entered into a binding arrangement in writing with a donor, the donor has obtained all the appropriation approvals that are required under its jurisdiction, the inflow of future economic benefits or service potential is probable, and WFP can reliably measure the funds to be transferred.

36. Contributions receivable are presented net of allowance for impairment and allowance for estimated reduction in contribution revenue.

37. In-kind contribution receivables of services that directly support approved operations and activities, which have budgetary impact, and can be reliably measured, are recognized when confirmed in writing by donors, and valued at fair value. These contributions include use of premises, utilities, transport, and personnel.

38. In-kind contribution receivables for donated property, plant and equipment and intangible assets are recognized when confirmed in writing by donors and are valued at fair market value.

**Property, plant and equipment**

39. Property, plant and equipment are measured initially at cost. Subsequently, property, plant and equipment are carried at cost less accumulated amortization and any impairment losses.

40. Costs consist of asset purchase price and any other directly attributable costs of bringing the asset to working condition for its intended use. Borrowing costs, if any, are not capitalized. Donated property, plant and equipment are valued at fair market value and recognized as property, plant and equipment and contribution revenue.

41. Individual items of property, plant and equipment are capitalized if their cost is greater or equal to the threshold limit set at USD 5,000. The threshold is reviewed periodically.

42. Leasehold improvements are recognized as assets and valued at cost and depreciated over the lesser of remaining useful life of the improvements or the lease term.

43. Depreciation is provided for property, plant and equipment over their estimated useful life using the straight-line method, except for land which is not subject to depreciation. The estimated useful life for property, plant and equipment classes is as follows:

| Class | Estimated useful life (years) |
|---|---|
| **Buildings** | |
| Permanent | 40 |
| Temporary | 5 |
| Computer equipment | 3 |
| Other equipment | 3 |
| Office fixtures and fittings | 5 |
| Motor vehicles | |
| Light | 5 |
| Heavy and armoured | 8 |
| Workshop equipment | 3 |

44. Impairment reviews are undertaken for all assets at least annually.

**Intangible assets**

45. Intangible assets are resources without physical substance controlled by WFP. They mainly consist of software acquired externally or internally developed and rights. Intangible assets are measured initially at cost. Subsequently, intangible assets are carried at historical cost less accumulated amortization and any impairment losses. Donated intangible assets are valued at fair market value and recognized as intangible assets and contribution revenue.

46. Intangible assets are capitalized if their cost exceeds the threshold of USD 5,000 except internally generated software, where the threshold is USD 100,000. The capitalizable value of internally generated software excludes those costs related to research and maintenance costs.

47. Amortization is provided over the estimated useful life using the straight-line method. The estimated useful life for intangible asset classes is as follows:

| Class | Estimated useful life (years) |
|---|---|
| Internally generated software | 6 |
| Externally acquired software | 3 |
| Licences and rights, copyrights and other intangible assets | 3 |

**Employee benefits**

48. WFP recognizes the following categories of employee benefits:

- short-term employee benefits;
- post-employment benefits;
- other long-term employee benefits; and
- termination benefits.

49. Short-term employee benefits are those that are due to be settled within 12 months after the end of the period in which an employee renders the related service. They consist of annual leave and education grants. Short-term employee benefit liabilities include incurred

but not paid amounts related to all benefit plans. Except benefits incurred but not paid, which are measured by actuary, short-term employee benefits are measured by WFP at nominal value.

50. Post-employment benefits are those payable after completion of employment or separation from employment, excluding termination payments. They are defined benefit plans consisting of after-service medical plans, the separation payment scheme and the compensation plan reserve fund. Post-employment benefits are measured by professional actuaries on the basis of actuarial assumptions, using the projected unit credit method. The actuarial gains or losses on post-employment benefits are recognized in the Statement of Changes in Net Assets.

51. Other long-term employee benefits are those that do not fall due wholly within 12 months after the end of the period in which employees provide the related service. They consist of home leave travel and other separation-related benefits such as accrued leave, death grants, repatriation grants and repatriation travel and removal expenses. Except home leave travel, other long-term employee benefits are measured by professional actuaries on the basis of actuarial assumptions, using the projected unit credit method. The actuarial gains or losses on other long-term employee benefits are recognized in the Statement of Financial Performance.

52. Termination benefits are recognized as an expense only when WFP is demonstrably committed, without realistic possibility of withdrawal, to either terminating the employment of a staff member before the normal retirement date or to providing termination benefits as a result of an offer made to encourage voluntary redundancy.

**United Nations Joint Staff Pension Fund**

53. WFP is a member organization participating in the United Nations Joint Staff Pension Fund (UNJSPF or the Fund), which was established by the General Assembly to provide retirement, death, disability and related benefits to employees. The Fund is a funded, multi-employer defined benefit plan. As specified by Article 3 (b) of the regulations of the Fund, membership in the Fund shall be open to the specialized agencies and to any other international, intergovernmental organization which participates in the common system of salaries, allowances and other conditions of service of the United Nations and the specialized agencies.

54. The Fund exposes participating organizations to actuarial risks associated with the current and former employees of other organizations participating in the Fund, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets, and costs to individual organizations participating in the plan. WFP and the UNJSPF, in line with the other participating organizations in the Fund, are not in a position to identify WFP's proportionate share of the defined benefit obligation, the plan assets and the costs associated with the plan with sufficient reliability for accounting purposes. Hence WFP has treated this plan as if it were a defined contribution plan in line with the requirements of IPSAS standard 39, "Employee Benefits" (IPSAS 39). WFP's contributions to the Fund during the financial period are recognized as expenses in the Statement of Financial Performance.

**Provisions and contingent liabilities**

55. Provisions are made for future liabilities and charges where WFP has a present legal or constructive obligation as a result of past events, and it is probable that WFP will be required to settle the obligation.

56. Other material commitments, which do not meet the recognition criteria for liabilities, are disclosed in the notes to the financial statements as contingent liabilities when their existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events which are not wholly within the control of WFP.

**Contingent assets**

57. Contingent assets are possible assets that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within WFP's control. Contingent assets are disclosed when their occurrence is probable.

**Contributions revenue**

58. Revenue from contributions (monetary and in-kind) arises from a non-exchange transaction, whereby resources are received by WFP without directly giving approximately equal consideration in return to the donor. WFP recognizes contributions revenue once it has met the requirements for asset recognition (see paragraph 38) and it has discharged any present obligation recognized as a liability in respect of that transferred asset. For contributions where WFP has a present obligation recognized as a liability, WFP recognizes an asset (contribution receivable) and a liability (deferred revenue) once it has met the requirements for asset recognition. Deferred revenue is reduced, and revenue is recognized as WFP satisfies the present obligation recognized as a liability.

**Other revenue**

59. Other revenue is revenue from exchange transactions. An exchange transaction is one where WFP receives resources, assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange. Revenue from the provision of services is recognized in the financial period in which the service is rendered according to the estimated stage of completion of that service. Revenue from the transfer of goods is recognized when the risk and rewards of ownership of the goods are passed to the requesting party. When providing goods or cash transfer services, payment for the cost of the transfer service is recognized as other revenue, while the value of goods or cash transferred is recognized as a liability towards the requesting party until the liability is extinguished.

**Food commodities and cash-based transfers distributed**

60. Food commodities are expensed when distributed directly by WFP or once they are handed over to cooperating partners or service providers for distribution. Cost is determined on the weighted average basis.

61. Cash-based transfers are expensed when distributed directly by WFP or once they are distributed by the cooperating partners or service providers.

**Fund accounting and segment reporting**

62. A fund is a self-balancing accounting entity established to account for the transactions of a specified purpose or objective. Funds are segregated for the purpose of conducting specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. The financial statements are prepared on a fund accounting basis, showing at the end of the period the consolidated position of all WFP funds. Fund balances represent the accumulated residual of revenue and expenses.

63. A segment is a distinguishable activity or group of activities for which financial information is reported separately in order to evaluate an entity's past performance in achieving its objectives and for making decisions about the future allocation of resources. WFP classifies

all projects, operations and fund activities into three segments: i) programme category funds; ii) General Fund and Special Accounts; and iii) trust funds. WFP reports on the transactions of each segment during the financial period, and the balances held at the end of the period.

64. The programme category funds is an accounting entity established by the Board for the purposes of accounting for contribution revenue and expenses for all programme categories established to carry out the purposes of WFP. Programme categories include CSPs, ICSPs, limited emergency operations and transitional ICSPs. CSPs are prepared following sustainable development analysis and include WFP's entire portfolio of humanitarian and development activities in a country.

65. The General Fund is the accounting entity established for recording, under separate accounts, indirect support cost (ISC) recoveries, miscellaneous income, operational reserve and contributions received that are not designated to a specific programme category, project or a bilateral project. Special Accounts are established by the Executive Director under financial regulation 5.1 for special contributions or monies earmarked for specific activities, the balances of which may be brought forward to the succeeding financial period.

66. Trust funds are also identifiable subdivisions of the WFP Fund. These are established by the Executive Director under financial regulation 5.1 to account for contributions, the purpose, scope and reporting procedures of which have been agreed upon with the donor under specific trust fund agreements.

67. Reserves are maintained within the General Fund for the purpose of operational support. An operational reserve is maintained within the General Fund as required under financial regulation 10.5 to ensure continuity of operations in the event of temporary shortfalls of resources. In addition to the operational reserve, other reserves have been established by the Board.

68. WFP may enter into third-party agreements (TPAs) to undertake activities which, while consistent with the objectives of WFP, are outside WFP's normal activities. TPAs are not reported as WFP revenue and expenses. At the year-end, the net balance owing to or from third parties is reported as a payable or receivable in the Statement of Financial Position under the General Fund. Service fees charged on TPAs are included within other revenue.

**Budget comparison**

69. WFP's budget is prepared on a commitment basis and the financial statements on an accrual basis. In the Statement of Financial Performance, expenses are classified on the basis of the nature of expenses, whereas in the Statement of Comparison of Budget and Actual Amounts, expenditures are classified by strategic results into WFP cost categories. The strategic results elaborated in WFP strategic plan (2022–2025) focus WFP's responses on what countries need. WFP's strategic results and outcomes are mapped to the SDG 2 and SDG 17 targets that are relevant to WFP's capacities and mandate, aligning WFP's support to national and global efforts on the SDGs.

70. Budget planning for CSPs follows the structure of the country portfolio budgets. The Board approves budgets for the direct costs of operations either directly or through its delegated authority. It also approves the annual management plan, including the appropriations for PSA costs, and critical corporate initiatives. Budgets may be subsequently amended by the Board or through the exercise of delegated authority.

71. Statement V: Comparison of Budget and Actual Amounts compares the final budget to actual amounts calculated on the same basis as the corresponding budgetary amounts. As the bases used to prepare the budget and financial statements differ, note 6 provides reconciliation of the actual amounts presented in Statement V and the actual amounts presented in Statement IV: Cash Flow.

72. The original and final budget in Statement V represents WFP's operational requirements developed based on needs assessment. In addition, the implementation plan is presented. The implementation plan represents a prioritized plan of work based on estimated available resources considering that WFP is a voluntarily funded organization and its operations and financial management therefore depend on the level of funding actually received. The implementation plan includes the prioritized programme of work for the direct cost portion and the budgeted regular PSA costs and critical corporate initiatives for the indirect cost portion.

**Note 2.1: Cash and cash equivalents**

| | 2022 | 2021 |
|---|---|---|
| | *USD million* | |
| **Cash and cash equivalents** | | |
| Bank and cash at headquarters | 761.1 | 334.2 |
| Bank and cash at regional bureaux and country offices | 196.8 | 118.4 |
| Money market and deposit accounts at headquarters | 882.5 | 599.6 |
| Cash and cash equivalents held by investment managers | 840.0 | 796.6 |
| **Total cash and cash equivalents** | **2 680.4** | **1 848.8** |

73. Cash required for immediate disbursement is maintained in cash and bank accounts. Balances in the money market and deposit accounts are available at short notice.

**Note 2.2: Short-term investments**

| | 2022 | 2021 |
|---|---|---|
| | *USD million* | |
| **Short-term investments** | | |
| Short-term investments | 1 422.8 | 1 658.5 |
| Current portion of long-term investments (note 2.6) | 6.6 | 6.8 |
| **Total short-term investments** | **1 429.4** | **1 665.3** |

74. Short-term investments are divided into two portfolio tranches with distinct investment horizons and specific investment guidelines and restrictions. The credit risk profile of short-term investments did not change significantly in 2022 but as global inflation spiked and proved not to be transitory, major central banks moved away from very accommodative monetary policy environments and began a series of aggressive interest rate rises.

75. Short-term investments were valued at USD 1,422.8 million at 31 December 2022 (USD 1,658.5 million at 31 December 2021). Of this amount, USD 577.5 million pertains to bonds issued or guaranteed by governments or government agencies (USD 715.1 million at 31 December 2021); USD 499.7 million pertains to corporate bonds (USD 537.5 million at 31 December 2021) and USD 345.6 million pertains to asset-backed securities (USD 405.9 million at 31 December 2021). These investments are stated at fair value based

on valuation provided by the independent custodian bank responsible for the administration and safekeeping of the securities.

76. At 31 December 2022, derivatives usage in short-term investments was limited to bond futures and derivatives exposure was considered not to be material. The notional amount of the derivatives financial instruments held in the investment portfolio is USD 8.9 million (USD 37.9 million at 31 December 2021).

77. The movements in short-term investment accounts during the year are as follows:

| | **2021** | **Net additions/ (deductions)** | **Interest received/ amortized** | **Net realized gains/ (losses)** | **Net unrealized gains/(losses)** | **2022** |
|---|---|---|---|---|---|---|
| | | | ***USD million*** | | | |
| Short-term investments | 1 658.5 | (220.8) | 23.2 | (20.0) | (18.1) | 1 422.8 |
| Current portion of long-term investments | 6.8 | (0.5) | 0.3 | - | - | 6.6 |
| **Total short-term investments** | **1 665.3** | **(221.3)** | **23.5** | **(20.0)** | **(18.1)** | **1 429.4** |

78. During 2022, total short-term investments decreased by USD 235.9 million. This decrease is due to withdrawals for operational needs as well as a larger allocation to the money market and deposit accounts at headquarters under cash and cash equivalents and includes net unrealized loss of USD 18.1 million presented in the reconciliation of surplus to operating cash flows in the Statement of Cash Flow. Amortized interest on the current portion of the long-term investment of USD 0.3 million, also presented in the reconciliation as part of the increase in amortized value of the long-term investment of USD 2.5 million. The remaining balance, net of reclassification from long-term to short-term of USD 6.4 million, amounting to USD 224.5 million is presented in the Statement of Cash Flow under investing activities.

**Note 2.3: Contributions receivable**

| | 2022 | 2021 restated |
|---|---|---|
| | *USD million* | |
| **Composition:** | | |
| Current | 6 667.7 | 4 386.9 |
| Non-current | 131.4 | 203.1 |
| **Total net contributions receivable** | **6 799.1** | **4 590.0** |
| Monetary contributions receivable | 6 703.2 | 4 487.9 |
| In-kind contributions receivable | 224.9 | 216.5 |
| **Total contributions receivable before allowance** | **6 928.1** | **4 704.4** |
| Allowance for reduction in contribution revenue | (121.9) | (105.4) |
| Allowance for impairment | (7.1) | (9.0) |
| **Total net contributions receivable** | **6 799.1** | **4 590.0** |

79. Current contributions receivable are for confirmed contributions that are due within 12 months while non-current contributions receivable are those that are due after 12 months from 31 December 2022.

80. Contributions receivable relate to donor contributions for programme categories, trust funds or to the General Fund and Special Accounts. Donor contributions may include restrictions that require WFP to use the contribution for a specific objective, activity or country within a specified timeframe.

81. The following table illustrates the composition of contributions receivable by ageing:

| | 2022 | | 2021 Restated | |
|---|---|---|---|---|
| | *USD million* | *%* | *USD million* | *%* |
| **Ageing** | | | | |
| 2022 | 6 031.5 | 87 | - | - |
| 2021 | 642.4 | 9 | 4 010.8 | 85 |
| 2020 | 228.0 | 3 | 552.6 | 12 |
| 2019 and earlier | 81.4 | 1 | 167.6 | 3 |
| **Subtotal** | **6 983.3** | **100** | **4 731.0** | **100** |
| Revaluation adjustments (non-USD contributions receivable) | (55.2) | | (26.6) | - |
| **Total contributions receivable before allowance** | **6 928.1** | **100** | **4 704.4** | **100** |

82. Contributions receivable are presented net of allowance for impairment and allowance for estimated reductions in contribution revenue.

83. Allowance for reductions in contribution revenue is an amount estimated for any reductions of contributions receivable and corresponding revenue when the funding is no longer needed by the programme or activity to which the contributions were related. The allowance is based on historical experience.

84. The change in the allowance for reductions in contribution revenue during 2022 is as follows:

| | **2021** | **Utilization** | **Increase/ (decrease)** | **2022** |
|---|---|---|---|---|
| | | ***USD million*** | | |
| **Total allowance for reduction in contribution revenue** | **105.4** | **(48.8)** | **65.3** | **121.9** |

85. During 2022, the reductions in contributions receivable amounted to USD 48.8 million. These reductions are recorded as a utilization of the allowance for reductions in contribution revenue and reported in the Statement of Financial Position. At 31 December 2022, the estimated final allowance required is USD 121.9 million. Accordingly, an increase of USD 65.3 million was recorded as an adjustment to contribution revenue for the period and is reported in the Statement of Financial Performance.

86. The allowance for impairment is recorded based on a review of open contributions receivable to determine any line items that may not be collectible based on objective evidence of impairment as a result of one or more events that occurred after initial recognition of the receivable ("loss event") and that loss event(s) has an impact on the estimated future cash flows of the contributions receivable or group of receivables. Note that this is for contributions receivable where expenses have already been incurred but donors are not expected to provide funding. Actual write-offs require a transfer from the General Fund and approval by the Executive Director for amounts higher than USD 10,000.

87. The change in the allowance for impairment during 2022 is as follows:

| | **2021** | **Utilization** | **Increase/ (decrease)** | **2022** |
|---|---|---|---|---|
| | | ***USD million*** | | |
| **Total allowance for impairment** | **9.0** | **(1.1)** | **(0.8)** | **7.1** |

88. During 2022, write-offs of USD 1.1 million were recorded as a utilization of the allowance for impairment and reported in the Statement of Financial Position. At 31 December 2022, the estimated final allowance for impairment required is USD 7.1 million. Accordingly, a decrease of USD 0.8 million was recorded as an adjustment for the period and is reported in the Statement of Financial Performance.

### Note 2.4: Inventories

89. The following tables show the movements of food and non-food items during the year. The first table shows the total value of inventories – food and non-food – as presented in the Statement of Financial Position. The second table shows a reconciliation of food inventories, which reflects the opening balance and the additions during the year reduced by the value of food distributed and impairment allowance made during the year.

| | 2022 | 2021 |
|---|---|---|
| | *USD million* | |
| Food on hand | 1 073.6 | 863.6 |
| Food in transit | 460.7 | 326.9 |
| **Subtotal food** | **1 534.3** | **1 190.5** |
| Less: impairment allowance and write-down to net realizable value | (73.8) | (7.1) |
| **Total food** | **1 460.5** | **1 183.4** |
| Non-food items | 38.5 | 36.4 |
| Less: impairment allowance | (0.1) | (0.2) |
| **Total non-food items** | **38.4** | **36.2** |
| **Total inventories** | **1 498.9** | **1 219.6** |

| **Food reconciliation** | **2022** | **2021** |
|---|---|---|
| | *USD million* | |
| Opening inventory | 1 183.4 | 973.8 |
| Add back: impairment allowance and write-down to net realizable value | 7.1 | 7.6 |
| Food purchased | 2 867.9 | 2 005.9 |
| In-kind commodities received | 757.6 | 496.6 |
| Transport and related costs | 547.3 | 485.8 |
| **Total inventory available for distribution** | **5 363.3** | **3 969.7** |
| Less: food distributed | (3 829.0) | (2 779.2) |
| Less: impairment allowance and write down to net realizable value | (73.8) | (7.1) |
| **Total food** | **1 460.5** | **1 183.4** |

90. For 2022, food and non-food items distributed totalled USD 3,881.8 million (USD 2,828.6 million in 2021), as reported in the Statement of Financial Performance. Of this amount, USD 3,829.0 million relates to food commodities and USD 52.8 million relates to non-food items (USD 2,779.2 million and USD 49.4 million respectively in 2021).

91. For food, costs incurred up to the first point of entry in the recipient country are included in inventories. These costs include costs of procurement, ocean transport, port costs and, for food destined for landlocked countries, the overland transport cost across transit countries.

92. Food quantities, derived from WFP's food tracking systems, are validated by physical stock counts and valued on a moving average basis.

93. Inventories include non-food items held at WFP warehouses in Dubai and at various strategic storage depots managed by the United Nations Humanitarian Response Depot network.

94. Non-food items include fuel stock, isolation and treatment units, prefabricated warehouses, modular buildings, generators and spare parts.

95. Food commodity stocks at 31 December 2022 were 1.9 million mt, valued at USD 1,460.5 million (1.7 million mt, valued at USD 1,183.4 million at 31 December 2021).

96. The value of food commodities was written down by USD 63.3 million to their net realizable value. In addition, an allowance for impairment has been made for possible loss or damage to inventories under WFP's custody. The allowance is based on past experience and has been set at 0.69 percent of total food and 0.29 percent for non-food items (in 2021, the allowance for food was 0.38 percent and the allowance for non-food items was 0.73 percent). As at 31 December 2022, the estimated final allowance for impairment required is USD 10.6 million and USD 0.1 million utilization is recorded. Accordingly, an increase in the allowance for impairment of USD 6.0 million is reported in the Statement of Financial Performance.

97. The change in the allowances for impairment during 2022 is as follows:

| | **2021** | **Utilization** | **Increase/ (decrease)** | **2022** |
|---|---|---|---|---|
| | | ***USD million*** | | |
| Allowance for impairment – food | 4.5 | - | 6.0 | 10.5 |
| Allowance for impairment – non-food | 0.2 | (0.1) | - | 0.1 |
| **Total allowance** | **4.7** | **(0.1)** | **6.0** | **10.6** |

**Note 2.5: Other receivables**

| | **2022** | **2021** |
|---|---|---|
| | ***USD million*** | |
| Advances to vendors | 115.7 | 78.9 |
| Advances to staff | 35.6 | 33.2 |
| TPA receivables | 6.3 | 0.3 |
| Customer receivables | 94.3 | 84.4 |
| Miscellaneous receivables | 198.0 | 119.7 |
| **Total other receivables before allowance** | **449.9** | **316.5** |
| **Allowance for impairment** | **(30.4)** | **(22.6)** |
| **Total net other receivables** | **419.5** | **293.9** |

98. Advances to vendors are for payments in advance of goods and service delivery.

99. Advances to staff are cash advances for education grants, rental subsidies, travel and other staff entitlements. These advances are non-interest bearing in accordance with staff rules and regulations.

100. A TPA is a legally binding contract between WFP and another party in which WFP acts as an agent to provide goods or services at an agreed price. Transactions relating to TPA are treated as receivables and payables in the Statement of Financial Position. TPA receivables and payables are offset against each other to reflect the net position with the third parties.

101. Customer receivables include amounts due from customers for goods and services provided by WFP. Miscellaneous receivables include advances to service providers for cash-based transfers, accrued interest receivable and value-added tax receivables where outright tax exemptions have not been obtained from governments.

102. Other receivables are reviewed to determine whether any allowance for impairment is required. As at 31 December 2022, the estimated allowance required is USD 30.4 million, of which USD 27.4 million is for value-added tax receivable and USD 3.0 million is for other receivables (USD 19.8 million for value-added tax receivable and USD 2.8 million for other receivables in 2021).

103. The change in the allowance for impairment during 2022 is as follows:

| | **2021** | **Utilization** | **Increase/ (decrease)** | **Revaluation adjustment** | **2022** |
|---|---|---|---|---|---|
| | | | ***USD million*** | | |
| **Total allowance for impairment** | **22.6** | **-** | **7.9** | **(0.1)** | **30.4** |

104. The revaluation adjustment reflects the revaluation of the allowance denominated in non-USD currency.

105. The increase in the allowance for impairment of USD 7.9 million was recorded as an expense for the period and is reported in the Statement of Financial Performance.

**Note 2.6: Long-term investments**

| | **2022** | **2021** |
|---|---|---|
| | ***USD million*** | |
| United States Treasury STRIPS | 44.1 | 48.5 |
| Current portion (note 2.2) | (6.6) | (6.8) |
| **Long-term portion, United States Treasury STRIPS** | **37.5** | **41.7** |
| Bonds | 382.5 | 417.9 |
| Equities | 567.3 | 702.4 |
| **Total bonds and equities** | **949.8** | **1 120.3** |
| **Total long-term investments** | **987.3** | **1 162.0** |

106. Long-term investments consist of investments in STRIPS and investments in bonds and equities.

107. The United States Treasury STRIPS were acquired in September 2001 and are held to maturity. The maturities of the securities are phased over 30 years to fund payment of interest and principal obligations on a long-term commodity loan from a donor government agency (note 2.13), denominated in the same currency as the STRIPS over the same period. The STRIPS bear no nominal interest and were purchased at a discount to their face value; the discount was directly related to prevailing interest rates at the time of purchase of 5.5 percent and to the maturities of the respective STRIPS. The current portion of the STRIPS is equal to the amount required to settle current obligations on the long-term loan.

108. Changes in market value of the investment in STRIPS are not recognized. At 31 December 2022, the market value of this investment was USD 46.7 million (USD 58.2 million at 31 December 2021).

109. The investments in bonds and equities have been designated as being held for funding of WFP's post-employment benefits liabilities and are not expected to be used in support of WFP's current operations. Although these investments are designated for this purpose, and are not available for funding current operations, the investments are not subject to separate legal restrictions and do not qualify as "plan assets" as defined in IPSAS 39, Employee Benefits.

110. Investments in equities are made through two Environmental, Social and Corporate Governance (ESG) funds which track the composition and performance of the Morgan Stanley Capital International (MSCI) All Country World Index, a recognized index of stocks to all world markets. This investment structure provides exposure to global equities markets on a passive basis with risks and returns that mirror the MSCI All Country World Index.

111. The decrease in the value of the long-term bond and equity investments of USD 170.5 million resulted from the negative performance in global fixed income and equity markets which impacted both the Global Bond and Global Equity portfolios, partly offset by additions to the portfolios. The addition of USD 65.9 million is invested in line with the WFP asset allocation policy with the objective of achieving a target of 60 percent in global equities and 40 percent in global bonds for funds set aside to meet employee benefit liabilities. These investments are stated at fair value based on valuation provided by the independent custodian bank responsible for the administration and safekeeping of the securities.

112. The movement of long-term investments accounts during 2022 is as follows:

| | **2021** | **Additions/ (deductions)** | **Interest received/ amortized** | **Net realized gains/ (losses)** | **Net unrealized gains/ (losses)** | **2022** |
|---|---|---|---|---|---|---|
| | | | ***USD million*** | | | |
| Bonds and equities | **1 120.3** | 65.9 | 7.5 | (23.3) | (220.6) | **949.8** |
| Investment in STRIPS | **41.7** | (6.4) | 2.2 | - | - | **37.5** |
| **Total long-term investment** | **1 162.0** | **59.5** | **9.7** | **(23.3)** | **(220.6)** | **987.3** |

113. During 2022, long-term investments decreased by USD 174.7 million. Long-term bonds and equities are treated as available-for-sale financial assets except the part of investment in foreign exchange forwards (notional amount of USD 43.1 million) which are treated as held for trading financial assets. Accordingly, under IPSAS, the net unrealized loss of USD 206.0 million related to those financial assets treated as available-for-sale are transferred to net assets and presented in the Statement of Changes in Net Assets. The net unrealized gains of USD 1.6 million related to derivative financial instruments and the net unrealized losses of USD 16.2 million related to foreign exchange differences on monetary items are presented in the Statement of Financial Performance. The amortized interest on the investment in STRIPS of USD 2.2 million is presented in the reconciliation of surplus to operating cash flows in the Statement of Cash Flow as part of the increase in amortized value of the long-term investment of USD 2.5 million. The remaining balance, net of a reclassification from long-term to short-term of USD 6.4 million, amounting to USD 50.1 million is presented in the Statement of Cash Flow under investing activities.

**Note 2.7: Property, plant and equipment**

| | Cost | | | | Accumulated depreciation | | | | Net carrying amount |
|---|---|---|---|---|---|---|---|---|---|
| | **At 31 Dec 2021** | **Additions** | **Disposal/ transfers** | **At 31 Dec 2022** | **At 31 Dec 2021** | **Depreciation expense** | **Disposal/ transfers** | **At 31 Dec 2022** | **At 31 Dec 2022** |
| | ***USD million*** | | | | | | | | |
| Buildings | | | | | | | | | |
| Permanent | 57.8 | 3.4 | (0.1) | 61.1 | (8.8) | (1.8) | 0.1 | (10.5) | 50.6 |
| Temporary | 135.5 | 8.2 | (4.3) | 139.4 | (101.4) | (12.5) | 3.9 | (110.0) | 29.4 |
| Computer equipment | 18.3 | 1.9 | (0.5) | 19.7 | (15.1) | (2.1) | 0.5 | (16.7) | 3.0 |
| Other equipment | 77.6 | 7.0 | (3.5) | 81.1 | (66.7) | (7.5) | 3.5 | (70.7) | 10.4 |
| Office fixtures and fittings | 0.9 | 0.1 | (0.1) | 0.9 | (0.6) | (0.1) | 0.1 | (0.6) | 0.3 |
| Motor vehicles | | | | | | | | | |
| Light | 110.3 | 25.4 | (11.4) | 124.3 | (70.7) | (15.7) | 8.3 | (78.1) | 46.2 |
| Heavy and armoured | 135.1 | 30.1 | 2.2 | 167.4 | (89.4) | (12.3) | 0.1 | (101.6) | 65.8 |
| Leasehold improvements | 55.2 | 5.3 | 1.2 | 61.7 | (30.9) | (7.5) | 0.9 | (37.5) | 24.2 |
| Fixed assets under construction | 5.3 | 16.6 | (3.6) | 18.3 | - | - | - | - | 18.3 |
| **Total** | **596.0** | **98.0** | **(20.1)** | **673.9** | **(383.6)** | **(59.5)** | **17.4** | **(425.7)** | **248.2** |

| | Cost | | | | Accumulated depreciation | | | | Net carrying amount |
|---|---|---|---|---|---|---|---|---|---|
| | **At 31 Dec 2020** | **Additions** | **Disposal/ transfers** | **At 31 Dec 2021** | **At 31 Dec 2020** | **Depreciation expense** | **Disposal/ transfers** | **At 31 Dec 2021** | **At 31 Dec 2021** |
| | ***USD million*** | | | | | | | | |
| Buildings | | | | | | | | | |
| Permanent | 45.9 | 8.1 | 3.8 | 57.8 | (7.0) | (1.8) | - | (8.8) | 49.0 |
| Temporary | 127.7 | 15.9 | (8.1) | 135.5 | (96.8) | (12.9) | 8.3 | (101.4) | 34.1 |
| Computer equipment | 16.8 | 2.3 | (0.8) | 18.3 | (13.7) | (2.0) | 0.6 | (15.1) | 3.2 |
| Other equipment | 74.6 | 6.8 | (3.8) | 77.6 | (60.9) | (9.3) | 3.5 | (66.7) | 10.9 |
| Office fixtures and fittings | 0.8 | 0.1 | - | 0.9 | (0.5) | (0.1) | - | (0.6) | 0.3 |
| Motor vehicles | | | | | | | | | |
| Light | 95.7 | 23.6 | (9.0) | 110.3 | (66.7) | (12.8) | 8.8 | (70.7) | 39.6 |
| Heavy and armoured | 121.8 | 16.8 | (3.5) | 135.1 | (83.6) | (9.0) | 3.2 | (89.4) | 45.7 |
| Leasehold improvements | 41.8 | 4.3 | 9.1 | 55.2 | (24.8) | (6.5) | 0.4 | (30.9) | 24.3 |
| Fixed assets under construction | 17.0 | 2.5 | (14.2) | 5.3 | - | - | - | - | 5.3 |
| **Total** | **542.1** | **80.4** | **(26.5)** | **596.0** | **(354.0)** | **(54.4)** | **24.8** | **(383.6)** | **212.4** |

114. In 2022, major additions to property, plant and equipment were for buildings, motor vehicles and other equipment. Net acquisitions (after disposals) for the period ended 31 December 2022 totalled USD 77.9 million (USD 53.9 million at 31 December 2021). There were no donated in-kind property, plant and equipment in 2022 (USD 5.0 million as at 31 December 2021). Net carrying amount of property, plant and equipment is reported in the Statement of Financial Position and the depreciation expense for the year of USD 59.5 million is reported in the Statement of Financial Performance (USD 54.4 million in 2021).

115. Other equipment category includes office equipment, security and safety equipment, telecommunication equipment and workshop equipment.

116. Assets are reviewed annually to determine if there is any impairment in their value. The review that was undertaken in 2022 did not result in any of the property, plant and equipment being impaired in value.

## Note 2.8: Intangible assets

| | Cost | | | | Accumulated depreciation | | | | Net carrying amount |
|---|---|---|---|---|---|---|---|---|---|
| | At 31 Dec 2021 | Additions | Disposal/ transfers | At 31 Dec 2022 | At 31 Dec 2021 | Amortization expense | Disposal/ transfers | At 31 Dec 2022 | At 31 Dec 2022 |
| | ***USD million*** | | | | | | | | |
| Internally generated software | 70.4 | 3.7 | 0.1 | 74.2 | (59.0) | (2.8) | - | (61.8) | 12.3 |
| Externally acquired software | 3.3 | - | - | 3.3 | (3.0) | (0.2) | - | (3.2) | 0.1 |
| Licences and rights | 0.8 | 0.2 | - | 1.0 | (0.7) | (0.1) | - | (0.8) | 0.2 |
| Intangible assets under construction | 1.2 | 1.6 | (0.1) | 2.7 | - | - | - | - | 2.7 |
| **Total intangible assets** | **75.7** | **5.5** | **(0.0)** | **81.2** | **(62.7)** | **(3.1)** | **-** | **(65.8)** | **15.4** |

| | Cost | | | | Accumulated depreciation | | | | Net carrying amount |
|---|---|---|---|---|---|---|---|---|---|
| | At 31 Dec 2020 | Additions | Disposal/ transfers | At 31 Dec 2021 | At 31 Dec 2020 | Amortization expense | Disposal/ transfers | At 31 Dec 2021 | At 31 Dec 2021 |
| | ***USD million*** | | | | | | | | |
| Internally generated software | 63.0 | 3.1 | 4.3 | 70.4 | (56.3) | (2.7) | - | (59.0) | 11.4 |
| Externally acquired software | 2.9 | 0.2 | 0.2 | 3.3 | (2.8) | (0.2) | - | (3.0) | 0.3 |
| Licences and rights | 0.7 | 0.1 | - | 0.8 | (0.7) | - | - | (0.7) | 0.1 |
| Intangible assets under construction | 5.2 | 0.5 | (4.5) | 1.2 | - | - | - | - | 1.2 |
| **Total intangible assets** | **71.8** | **3.9** | **-** | **75.7** | **(59.8)** | **(2.9)** | **-** | **(62.7)** | **13.0** |

117. Net carrying amount of intangible assets is reported in the Statement of Financial Position while the amortization expense for the year of USD 3.1 million is reported in the Statement of Financial Performance.

**Note 2.9: Payables and accruals**

| | 2022 | 2021 |
|---|---|---|
| | *USD million* | |
| Vendor payables | 185.5 | 155.0 |
| Donor payables | 37.3 | 11.8 |
| Liabilities for service provision | 212.9 | 201.4 |
| Miscellaneous | 101.3 | 94.8 |
| **Subtotal payables** | **537.0** | **463.0** |
| Accruals | 856.5 | 697.4 |
| **Total payables and accruals** | **1 393.5** | **1 160.4** |

118. Payables to vendors relate to amounts due for goods and services for which invoices have been received.

119. Payables to donors represent balance of unspent contributions for closed activities, country portfolio budgets or grants pending refund or reprogramming.

120. Liabilities for service provision represent liabilities to customers that will be extinguished through provision of goods and services in future financial periods.

121. Miscellaneous payables include amounts due to staff and other United Nations agencies for services received.

122. Accruals are liabilities for goods and services that have been received or provided to WFP during the year and which have not been invoiced by suppliers.

**Note 2.10: Deferred revenue**

| | 2022 | 2021 Restated |
|---|---|---|
| | *USD million* | |
| **Composition** | | |
| Current | 32.0 | 64.9 |
| Non-current | 24.2 | 16.9 |
| **Total deferred revenue** | **56.2** | **81.8** |

123. Deferred revenue represents contributions where revenue recognition has been deferred to future financial periods since the donor agreement stipulates condition on transferred assets.

124. The current portion denotes revenue deferred for contributions related to the next 12 months. The non-current portion denotes revenue deferred for contributions related to the period beyond 12 months after the financial year-end.

125. In line with the accounting policy for contribution revenue as described in note 1, deferred revenue is reduced, and contribution revenue is recognized in the Statement of Financial Performance as WFP satisfies a present obligation recognized as a liability.

126. The following table illustrates the composition of deferred revenue by contribution year, as stipulated by the donor:

| | 2022 | 2021 Restated |
|---|---|---|
| | ***USD million*** | |
| **Contribution year** | | |
| 2025 and after | 6.4 | 1.4 |
| 2024 | 17.8 | 2.6 |
| 2023 | 32.0 | 12.9 |
| 2022 | - | 64.9 |
| **Total deferred revenue** | **56.2** | **81.8** |

**Note 2.11: Provisions**

| | 2022 | 2021 |
|---|---|---|
| | ***USD million*** | |
| Provision for refunds to donors | 26.0 | 11.5 |
| Other provision | 19.5 | 4.0 |
| **Total provisions** | **45.5** | **15.5** |

127. The provision for refunds to donors estimates the level of refunds that are expected to be given back to donors for unspent cash contributions to the programme. The provision is based on historical experience.

128. The change in the provision for refunds to donors during 2022 is as follows:

| | 2021 | Utilization | Increase/ (decrease) | 2022 |
|---|---|---|---|---|
| | ***USD million*** | | | |
| Provision for refunds to donors | 11.5 | (2.8) | 17.3 | 26.0 |

129. During 2022, refunds made to donors totalled USD 2.8 million. These refunds are recorded as a utilization of the provision for refunds to donors and reported in the Statement of Financial Position. At 31 December 2022, the estimated final provision required is USD 26.0 million. Accordingly, an increase of USD 17.3 million was recorded as an adjustment to monetary contribution revenue for the period and is reported in the Statement of Financial Performance.

130. Other provision is recognized for legal claims where it is probable that there will be an outflow of resources to settle the claims and the amounts can be reliably estimated.

131. The change in the provision for legal claims during 2022 is as follows:

| | 2021 | Utilization | Increase/ (decrease) | 2022 |
|---|---|---|---|---|
| | *USD million* | | | |
| Provision for legal claims | 4.0 | (2.0) | 17.5 | 19.5 |

**Note 2.12: Employee benefits**

| | 2022 | | | 2021 |
|---|---|---|---|---|
| | Actuarial valuation | WFP valuation | Total | |
| | *USD million* | | | |
| **Current** | | | | |
| Short-term employee benefits | 4.7 | 65.7 | 70.4 | 55.9 |
| **Non-current** | | | | |
| Post-employment benefits | 729.8 | 1.5 | 731.3 | 942.4 |
| Other long-term employee benefits | 79.2 | 3.5 | 82.7 | 103.8 |
| **Total employee benefits liabilities** | **813.7** | **70.7** | **884.4** | **1 102.1** |

***2.12.1 Short-term employee benefits***

132. Short-term employee benefits consist of annual leave, education grants and incurred but not paid amounts relating to all benefit plans. The benefits amount incurred but not paid was estimated by professional actuaries and accrued as short-term employee benefit liabilities.

***2.12.2 Post-employment benefits***

133. Post-employment benefits are defined benefit plans consisting of after-service medical plans (ASMPs), the Separation Payment Scheme (SPS) and the Compensation Plan Reserve Fund.

134. Post-employee benefits are established for two groups of staff: a) staff members who are in the professional category and general service in headquarters; and b) WFP's national professional officers and general service staff members in the country offices and regional bureaux. Both groups of staff are covered by the FAO staff rules and the United Nations staff rules.

135. The ASMPs allow eligible retirees and their eligible family members to participate in the Basic Medical Insurance Plan (BMIP) or the Medical Insurance Coverage Scheme (MICS) depending on which staff group they belong to. BMIP is provided to staff members in the professional category and the general service category in headquarters. MICS is provided to national professional officers and general service staff members in country offices and regional bureaux. ASMP defined benefit obligation represents the present value of the share of the organization's medical insurance costs for retirees and active staff post-employment benefits accrued to-date.

136. The SPS is a plan to fund severance pay for WFP general service staff at the duty stations in Italy upon separation from service.

137. The Compensation Plan Reserve Fund is a plan that provides compensation to all staff members, employees and dependents in case of death, injury or illness attributable to the performance of official duties and, in certain circumstances, to supplement the disability and survivors' pensions paid by the Fund.

***2.12.3 Other long-term employee benefits***

138. Other long-term employee benefits consist of home leave travel and other separation-related benefits which comprise accrued leave, death grants, repatriation grants and repatriation travel and removal expenses and are payable when staff are no longer in service.

***2.12.4 Valuation of employee benefit liabilities***

139. The employee benefit liabilities are funded through charges against relevant funds and projects and through the Board approval funding plan. During the 2010 annual session, the Board approved a funding plan to provide for the unfunded employee benefit liabilities currently allocated to the General Fund. The funding plan includes an incremental annual funding of USD 7.5 million 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 the 15-year period.

140. At 31 December 2022, the amount of USD 1,014.4 million has been charged against relevant funds and projects (USD 929.4 million at 31 December 2021).

***2.12.5 Actuarial valuations of post-employment and other separation-related benefits***

141. Employee benefit liabilities are measured by professional actuaries or calculated by WFP.

142. Liabilities arising from post-employment benefits (ASMPs, SPS and the Compensation Plan Reserve Fund) and other separation-related benefits are determined by professional actuaries on the basis of actuarial assumptions.

143. Post-employment benefits and other separation-related benefits liabilities which are calculated by actuaries totalled USD 809.0 million at 31 December 2022 (USD 1,040.6 million in 2021), of which USD 545.5 million pertains to staff members who are in the professional category and general service in headquarters (USD 724.8 million in 2021) and USD 263.5 million pertains to the benefits for national professional officers and general service staff members in country offices and regional bureaux (USD 315.9 million in 2021).

*2.12.5.1 Actuarial assumptions and methods*

144. Each year, WFP reviews and selects assumptions and methods that will be used by the actuaries in the year-end valuation to determine the expense and contribution requirements for WFP's after-service benefit plans (post-employment benefits and other separation-related benefits). For the 2022 valuation, the assumptions and methods used are described in the following table which also indicates the assumptions and methods used for the 2021 valuation.

145. The assumptions and methods adopted for the 2022 actuarial valuation resulted in a decrease in the post-employment and other separation-related benefits net liabilities in the total amount of USD 231.6 million (a decrease of USD 36.6 million in 2021).

146. The principal actuarial assumptions are required to be disclosed in the financial statements in accordance with IPSAS 39. In addition, each actuarial assumption is required to be disclosed in absolute terms.

147. The following assumptions and methods have been used to determine the value of post-employment and other separation-related employee benefits liabilities for WFP at 31 December 2022.

| | |
|---|---|
| Discount rate | Established based on yield curve approach, using yields on high-grade corporate bonds and the expected cash flows of each of the WFP's plans. Separate discount rates are used for each of the plans as follows:<br>**International professional and headquarters general service**: BMIP – 4.65 percent; other separation-related benefits (OSRB) – 5.85 percent; SPS – 3.80 percent and Staff Compensation Plan (SCP) – 5.2 percent; (BMIP – 2.6 percent; OSRB – 1.3 percent; SPS – 0.7 percent and SCP – 3.2 percent in 2021 valuation).<br>**National professional officers and general service in country offices/regional bureaux:** MICS – 5.3 percent; OSRB – 5.55 percent; SCP – 5.3 percent (MICS – 3.4 percent; OSRB – 2.5 percent; SCP – 3.4 percent in 2021 valuation). |
| Medical cost increases (ASMP only) | BMIP – 6.75 percent for 2023, decreasing steadily to 3.95 percent for 2032 and beyond (4.00 percent for 2022, decreasing steadily to 3.45 percent for 2033 and beyond in 2021 valuation).<br>MICS – 6.5 percent for 2023, decreasing steadily to 3.85 percent in 2030 and beyond (8.3 percent for 2022, decreasing steadily to 3.95 percent in 2042 and beyond in 2021 valuation). |
| Annual salary scale | General inflation (varies per plan) plus 0.5 percent for productivity increases plus merit component (same in 2021 valuation). |
| Annual cost of living increases/ general inflation | Separate general inflation rates are used for each of the plans as follows:<br>**International professional and headquarters general service**: BMIP – 2.5 percent; OSRB – 2.2 percent; SPS – 2.5 percent and SCP – 2.3 percent (BMIP – 2.4 percent; OSRB –2.3 percent; SPS – 2.1 percent and SCP – 2.3 percent in 2021 valuation).<br>**National professional officers and general service in country offices/regional bureaux:** MICS – 2.4 percent; OSRB – 2.2 percent; SCP – 2.3 percent (MICS – 2.5 percent; OSRB – 2.5 percent; SCP – 2.5 percent in 2021 valuation). |
| Future exchange rates | United Nations operation rates of exchange at 31 December 2022. |
| Mortality rates | Mortality rates are based on 2017 UNJSPF tables with annuitant rates weighted by headcount, rather than by annuity size (the same in 2021 valuation). |
| Disability rates | Disability rates match the ones used in 31 December 2021 valuation of the UNJSPF. |
| Withdrawal rates | **International professional and headquarters general service**: Based on a study of WFP's withdrawal rates from 2021 to 2022 (based on a study of withdrawal rates from 2013 to 2018 in 2021 valuation).<br>**National professional officers and general service in country offices/regional bureaux:** Based on a study of WFP's withdrawal rates from 2021 to 2022 (based on a study of withdrawal rates from 2015 to 2020 in 2021 valuation). |

| | |
|---|---|
| Retirement rates | **International professional and headquarters general service**: Based on a study of WFP's withdrawal rates from 2021 to 2022 (based on a study of withdrawal rates from 2013 to 2018 in 2021 valuation).<br>**National professional officers and general service in country offices/regional bureaux:** Based on a study of WFP's withdrawal rates from 2021 to 2022 (based on a study of withdrawal rates from 2015 to 2020 in 2021 valuation). |
| Actuarial method | ASMPs, SPS and SCP: Projected unit credit with an attribution period from the entry on duty date to the date of full eligibility for benefits.<br>Other separation-related payments schemes: For accrued leave, projected unit credit with an attribution period from the entry on duty date to separation.<br>For repatriation travel and removal, projected unit credit with an attribution period from the entry on duty date to separation. For repatriation grant and death grant, projected unit credit with an attribution based on the actual benefit formula. |

148. The following tables provide additional information and analysis in relation to employee benefits liabilities, as calculated by the actuaries.

*2.12.5.2 Reconciliation of defined benefit obligation*

| | **After-service medical plans** | **Other separation-related benefits** | **Separation payment scheme** | **Compensation Plan Reserve Fund** | **Total** |
|---|---|---|---|---|---|
| | ***USD million*** | | | | |
| **Defined benefit obligation at 31 December 2021** | **892.4** | **99.7** | **26.9** | **21.6** | **1 040.6** |
| Service cost for 2022 | 62.6 | 9.9 | 2.5 | 3.2 | 78.2 |
| Interest cost for 2022 | 25.5 | 2.2 | 0.2 | 0.7 | 28.6 |
| Actual gross benefit payments for 2022 | (11.3) | (9.4) | (1.1) | (1.1) | (22.9) |
| Participant contributions | 2.7 | - | - | - | 2.7 |
| Exchange rate movements | (25.9) | (0.6) | (1.9) | (0.1) | (28.5) |
| Other actuarial (gains) losses | (254.0) | (22.7) | (6.1) | (6.9) | (289.7) |
| **Defined benefit obligation at 31 December 2022** | **692.0** | **79.1** | **20.5** | **17.4** | **809.0** |

*2.12.5.3 Annual expense for calendar year 2022*

| | After-service medical plans | Other separation-related benefits | Separation payments scheme | Compensation Plan Reserve Fund | Total |
|---|---|---|---|---|---|
| | ***USD million*** | | | | |
| Service cost | 62.6 | 9.9 | 2.5 | 3.2 | 78.2 |
| Interest cost | 25.5 | 2.2 | 0.2 | 0.7 | 28.6 |
| Actuarial (gain) | - | (23.3) | - | - | (23.3) |
| **Subtotal expense** | **88.1** | **(11.2)** | **2.7** | **3.9** | **83.5** |

*2.12.5.4 Reconciliation of present value of defined benefit obligation*

| | After-service medical plans | Other separation-related benefits | Separation payments scheme | Compensation Plan Reserve Fund | Total |
|---|---|---|---|---|---|
| | ***USD million*** | | | | |
| **Defined benefit obligation** | | | | | |
| Inactive | 242.4 | - | - | 13.0 | 255.4 |
| Active | 449.6 | 79.1 | 20.5 | 4.4 | 553.6 |
| **Total** | **692.0** | **79.1** | **20.5** | **17.4** | **809.0** |
| (Gain)/loss on defined benefit obligation | (279.9) | (23.3) | (8.0) | (7.0) | (318.2) |

***2.12.6 Employee benefits liability – sensitivity analysis***

149. The principal assumption in the valuation of all employee benefit plans is the discount rate. Sensitivity analysis for the discount rate for the employee benefits liabilities is presented in the following table.

| | After-service medical plans | Other separation-related benefits | Separation payments scheme | Staff Compensation Plan | Total |
|---|---|---|---|---|---|
| **Defined benefit obligation** | ***USD million*** | | | | |
| Current discount rate assumption minus 1% | 866.9 | 85.0 | 22.3 | 19.7 | 993.9 |
| Current discount rate assumption | 692.0 | 79.1 | 20.5 | 17.4 | 809.0 |
| Current discount rate assumption plus 1% | 562.2 | 74.0 | 18.9 | 15.4 | 670.5 |

*2.12.6.1 After-service medical plans – sensitivity analysis*

150. Three of the principal assumptions in the valuation of the ASMPs are: i) the rate at which medical costs are expected to increase in the future; ii) the exchange rate between the

United States dollar and the euro; and iii) the discount rate used to determine the present value of benefits that will be paid from the plan in the future.

151. Sensitivity analysis for the actuarial estimates for BMIP is presented in the following table.

| | | Long-term medical inflation per year | | |
|---|---|---|---|---|
| **Exchange rate** | **Discount rate** | **2.95%** | **3.95%** | **4.95%** |
| | | ***USD million*** | | |
| 0.965 USD per EUR | 5.65% | 283.1 | 342.6 | 420.2 |
| 1.065 USD per EUR | 5.65% | 294.8 | 357.0 | 438.2 |
| 1.165 USD per EUR | 5.65% | 306.4 | 371.4 | 456.2 |
| | | | | |
| 0.965 USD per EUR | 4.65% | 341.9 | 420.1 | 523.7 |
| 1.065 USD per EUR | 4.65% | 356.3 | 438.2 | 546.7 |
| 1.165 USD per EUR | 4.65% | 370.7 | 456.2 | 569.7 |
| | | | | |
| 0.965 USD per EUR | 3.65% | 420.1 | 524.8 | 665.6 |
| 1.065 USD per EUR | 3.65% | 438.2 | 547.9 | 695.6 |
| 1.165 USD per EUR | 3.65% | 456.3 | 571.0 | 725.6 |

152. Sensitivity analysis for the actuarial estimates for MICS is presented in the following table.

| | Long-term medical inflation per year | | |
|---|---|---|---|
| **Discount rate** | **2.85%** | **3.85%** | **4.85%** |
| | ***USD million*** | | |
| 6.4% | 166.6 | 205.2 | 255.5 |
| 5.4% | 203.2 | 253.8 | 320.6 |
| 4.4% | 251.7 | 319.0 | 409.1 |

153. The results assume that claims costs and premium rates would increase by the same percentage as the medical inflation, but that all other assumptions would be unaffected.

### *2.12.7 Expected costs during 2023*

154. The expected contribution of WFP in 2023 to the defined benefits plans is USD 22.7 million which is determined based on expected benefit payments for that year.

| | **After-service medical plans** | **Other separation-related benefits** | **Separation payments scheme** | **Staff Compensation Plan** | **Total** |
|---|---|---|---|---|---|
| | | | ***USD million*** | | |
| Expected organization contributions during 2023 | 9.9 | 10.6 | 1.3 | 0.9 | 22.7 |

### *2.12.8 United Nations Joint Staff Pension Fund*

155. The Fund's Regulations state that the Pension Board shall have an actuarial valuation made of the Fund at least once every three years by the Consulting Actuary. The practice of the Pension Board has been to carry out an actuarial valuation every two years using the Open Group Aggregate Method. The primary purpose of the actuarial valuation is to determine whether the current and estimated future assets of the Fund will be sufficient to meet its liabilities.

156. WFP's financial obligation to the Fund consists of its mandated contribution, at the rate established by the United Nations General Assembly (currently at 7.9 percent for participants and 15.8% for member organizations) together with any share of any actuarial deficiency payments under Article 26 of the Regulations of the Pension Fund. Such deficiency payments are only payable if and when the United Nations General Assembly has invoked the provision of Article 26, following determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the Fund as of the valuation date. Each member organization shall contribute to this deficiency an amount proportionate to the total contributions which each paid during the three years preceding the valuation date.

157. The latest actuarial valuation for the Fund was completed as of 31 December 2021, and a roll forward of the participation data as of 31 December 2021 to 31 December 2022 will be used by the Fund for its 2022 financial statements.

158. The actuarial valuation as of 31 December 2021 resulted in a funded ratio of actuarial assets to actuarial liabilities of 117.0 percent (107.1 percent in the 2019 valuation). The funded ratio was 158.2 percent (144.4 percent in the 2019 valuation) when the current system of pension adjustments was not taken into account.

159. After assessing the actuarial sufficiency of the Fund, the Consulting Actuary concluded that there was no requirement, as of 31 December 2022, for deficiency payments under Article 26 of the Regulations of the Fund as the actuarial value of assets exceeded the actuarial value of all accrued liabilities under the plan. In addition, the market value of assets also exceeded the actuarial value of all accrued liabilities as of the valuation date. At the time of this report, the General Assembly has not invoked the provision of Article 26.

160. Should Article 26 be invoked due to an actuarial deficiency, either during the ongoing operation or due to the termination of the Fund, deficiency payments required from each member organization would be based upon the proportion of that member organization's contributions to the total contributions paid to the Fund during the three years preceding the valuation date. Total contributions paid to the Fund during the preceding three years (2019, 2020 and 2021) amounted to USD 8,505.27 million, of which 5 percent was contributed by WFP.

161. During 2022, contributions paid to the Fund by WFP amounted to USD 172.5 million (2021: USD 146.7 million). Expected contributions due in 2023 are approximately USD 182.4 million.

162. Membership of the Fund may be terminated by decision of the United Nations General Assembly, upon the affirmative recommendation of the Pension Board. A proportionate share of the total assets of the Fund at the date of termination shall be paid to the former member organization for the exclusive benefit of its staff who were participants in the Fund at that date, pursuant to an arrangement mutually agreed between the organization and the Fund. The amount is determined by the United Nations Joint Staff Pension Board based on an actuarial valuation of the assets and liabilities of the Fund on the date of termination; no part of the assets which are in excess of the liabilities are included in the amount.

163. The United Nations Board of Auditors carries out an annual audit of the Fund and reports to the Pension Board and to the United Nations General Assembly on the audit every year. The Fund publishes quarterly reports on its investments and these can be viewed by visiting the Fund at www.unjspf.org.

#### *2.12.9 Social security arrangements for employees under service contracts*

164. WFP employees under service contracts are entitled to social security based on local conditions and norms. WFP, however, has not undertaken any global arrangement for social security under service contracts. Social security arrangements can either be obtained from the national security system, private local schemes or as cash compensation for own scheme. The provision of proper social security in line with local labour legislation and practice is a key requirement of the service contract. Service contract holders are not WFP staff members and are not covered by the FAO and United Nations Staff Rules and Regulations.

### Note 2.13: Loan

| | 2022 | 2021 |
|---|---|---|
| | *USD million* | |
| Current portion of loan | 5.6 | 5.6 |
| Non-current portion of loan | 44.0 | 49.6 |
| **Total loan** | **49.6** | **55.2** |

165. In December 2000, an agreement was reached between a major donor and WFP regarding a scheme to facilitate the provision of food assistance to two country projects. Under the scheme, a USD 106.0 million long-term loan was obtained from a government agency of the donor country and used to purchase food commodities.

166. The loan is payable over 30 years and interest on the loan is at the rate of 2 percent per year for the first ten years and 3 percent per year on the declining balance each year thereafter. The current portion of the long-term loan includes an annual principal of USD 5.3 million and an amortization cost of USD 0.3 million using the effective interest method. Investments in United States Treasury STRIPS (note 2.6) acquired in 2001 are held to maturity up to 2031 for the payment of interest and principal of the commodity loan of USD 106.0 million.

167. The loan is reflected at amortized cost using the effective interest rate of 2.44 percent. At 31 December 2022, the total amortized cost was USD 49.6 million (USD 55.2 million at 31 December 2021) with an amount due within one year of USD 5.6 million and a long-term portion of USD 44.0 million (USD 5.6 million and USD 49.6 million, respectively, in 2021).

168. Interest expense during 2022 totalled USD 1.2 million (USD 1.4 million at 31 December 2021) as reflected in the Statement of Financial Performance, of which USD 1.6 million represents the annual interest paid in May 2022 and USD (0.4) million represents the amortized cost resulting from the recognition of the long-term loan at its net present value.

169. In the Statement of Cash Flow, interest paid during the year in the amount of USD 1.6 million is presented under financing activities, while amortized interest of USD (0.4) million is presented under reconciliation to net cash flows from operating activities.

## Note 2.14: Financial instruments

### *2.14.1 Nature of financial instruments*

170. Details of the significant accounting policies and methods adopted, including the criteria for recognition and de-recognition, the basis of measurement and the basis on which gains and losses are recognized in respect of each class of financial asset and financial liability are set out in note 1.

171. The financial assets of WFP are categorized as follows:

| | 2022 | 2021 Restated |
|---|---|---|
| | *USD million* | |
| Financial assets at fair value through surplus or deficit | 1 426.4 | 1 660.4 |
| Held-to-maturity investments | 44.1 | 48.5 |
| Loans and receivables | 9 677.4 | 6 519.7 |
| Available-for-sale financial assets | 946.3 | 1 118.4 |
| **Subtotal** | **12 094.2** | **9 347.0** |
| Non-financial assets | 1 984.0 | 1 658.0 |
| **Total** | **14 078.2** | **11 005.0** |

172. Financial assets at fair value through surplus or deficit are categorized as held for trading.

173. All material financial liabilities are stated at amortized cost.

174. The following table presents the WFP assets that are measured at fair value at 31 December 2022 and 2021, respectively.

| | 2022 | | | | 2021 | | | |
|---|---|---|---|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 | Total |
| | *USD million* | | | | *USD million* | | | |
| Financial assets at fair value through surplus or deficit | - | 1 426.4 | - | 1 426.4 | - | 1 657.6 | 2.8 | 1 660.4 |
| Available-for-sale financial assets | 567.7 | 378.5 | - | 946.2 | 706.2 | 412.2 | - | 1 118.4 |
| **Total** | **567.7** | **1 804.9** | **-** | **2 372.6** | **706.2** | **2 069.8** | **2.8** | **2 778.8** |

175. The different levels of fair value have been defined as follows: quoted prices (unadjusted) in active markets for identical assets (level 1); inputs other than quoted prices included within level 1 that are observable for the asset, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and inputs for the asset that are not based on observable market data (that is, unobservable inputs) (level 3).

176. WFP investment guidelines are conservative in nature with the primary objective being capital preservation and liquidity. Both the held for trading and the available-for-sale financial assets are rated high quality as per international credit ratings (note 2.14.2 Credit risk). Investment managers are bound by WFP investment guidelines that require them to select highly liquid securities for the investment portfolios. Fair value levels largely depend on whether an active market exists for a security. Active markets provide direct data inputs and may, on average, provide better liquidity, lowering trading costs via tighter bid and ask prices. A different fair value level does not necessarily imply a different or higher level of risk for a security, all things being equal. The fair value hierarchy reflects the nature of the inputs used in determining fair values, but not the level of risk inherent in a security as the probability of a partial or full default on cash flows from issuers or counterparts is independent from the fair value level category.

177. The level 3 financial instruments were not acquired in 2022, while the level 3 financial instruments were held in 2021.

178. During 2022, there was no transfer between fair value levels for financial assets.

***2.14.2 Credit risk***

179. WFP's credit risk associated with investments is spread widely and WFP's risk management policies limit the amount of credit exposure to any one counterparty and include minimum credit quality guidelines. The short-term investments have credit quality at year-end of AA and the long-term investments have credit quality at year-end of A+.

180. Credit risk and liquidity risk associated with cash and cash equivalents are minimized substantially by ensuring that these financial assets are placed in highly liquid and diversified money market funds with AAA credit ratings and/or with major financial institutions that have been accorded strong investment grade ratings by a primary rating agency and/or with other creditworthy counterparties.

181. Contribution receivables comprise primarily amounts due from sovereign nations. There is a credit risk concentration where 68 percent is a receivable from one government's agencies (2021: 57 percent). Details of contributions receivable, including allowances for reductions in contribution revenue and doubtful accounts are provided in note 2.3.

***2.14.3 Interest rate risk***

182. WFP is exposed to interest rate risk through short-term investments and long-term bonds. At 31 December 2022, the effective interest rates of these two investment portfolios were 4.49 percent and 3.94 percent, respectively (0.52 percent and 1.29 percent, respectively, in 2021). A measurement of interest rate sensitivity indicates that the effective duration is 0.62 years for the short-term investments and 10.28 years for the long-term bonds (0.77 years and 11.41 years, respectively, in December 2021). Fixed income derivatives are used by external investment managers to manage interest rate risk under strict investment guidelines.

***2.14.4 Foreign currency risk***

183. At 31 December 2022, 78 percent of cash, cash equivalent and investments are denominated in the US dollar base currency and 22 percent are denominated in euros and other currencies (87 percent and 13 percent, respectively, as at 31 December 2021). Non-US dollar holdings have the primary objective of supporting operating activities. In addition, 75 percent of contributions receivable are denominated in the US dollar base currency, 15 percent are denominated in euros, 4 percent in Swedish kronor, 2 percent in Canadian dollars, and 4 percent in other currencies (60 percent in the United States dollar

base currency, 20 percent in euros, 9 percent in Swedish kronor, 3 percent in Canadian dollars, and 8 percent in other currencies at 31 December 2021).

184. Foreign exchange forward contracts are used to hedge the euro versus US dollar exchange exposure on PSA staff costs incurred at headquarters in line with the hedging policy approved by the Board at its 2008 annual session. During the year ended 31 December 2022, 12 contracts were settled at a realized loss of USD 9.5 million (12 contracts were settled during the year ended 31 December 2021 at a realized loss of USD 0.9 million). In addition, a new hedging strategy was implemented for 2023, in which WFP entered into 12 foreign exchange forward contracts to purchase a total of EUR 116.1 million over 12 months at a fixed exchange rate. At 31 December 2022, the 12 contracts have a notional value of USD 121.4 million and an unrealized gain of USD 3.9 million using the forward rate at 31 December 2022. Both the realized loss and unrealized gain are included in currency exchange differences presented in the Statement of Financial Performance.

### *2.14.5 Market risk*

185. WFP is subject to market risk in both the short-term and long-term investments. The market value of its fixed income, equity, financial derivatives and foreign exchange forwards may change on a daily basis. All the sensitivity analyses provided below have been prepared on the basis that all variables are held constant, other than that specifically mentioned.

186. Interest rate sensitivity – For short-term investments, if interest rates were to rise (fall) by 1 percent, the impact to the Statement of Financial Performance is a USD 14.1 million unrealized loss (gain). For long-term bond portfolio, if interest rates were to rise (fall) by 1 percent, the impact to the Statement of Changes in Net Assets is a USD 39.6 million unrealized loss (gain).

187. Futures price sensitivity – For short-term investments, if futures prices were to rise (fall) by 1 percent, the impact to the Statement of Financial Performance is a USD 0.1 million unrealized loss (gain). For long-term bond portfolio, if futures prices were to rise (fall) by 1 percent, the impact to the Statement of Changes in Net Assets is a USD 0.2 million unrealized gain (loss).

188. Equity price sensitivity – The equity investments track the MSCI All Country World Index, a recognized index of stocks of all world markets. If equity prices were to rise (fall) by 1 percent proportionally across the two ESG equity funds, the impact to the Statement of Changes in Net Assets is a USD 5.7 million unrealized gain (loss).

189. Foreign exchange forwards sensitivity – For the remaining 12 PSA hedge forward contracts, if USD/EUR rate were to rise (fall) by 1 percent, the impact to the Statement of Financial Performance is a USD 1.2 million unrealized gain (loss), with all other variables held constant. For long-term investments, if foreign currency prices were to appreciate (depreciate) versus the USD by 1 percent across the forward currency positions currently held, the impact to the Statement of Financial Performance is a USD 0.4 million unrealized gain (loss).

## Note 2.15: Fund balances and reserves

190. Fund balances represent the unexpended portion of contributions that are intended to be utilized in future operational requirements of the Programme. These are WFP's residual interest in WFP's assets after deducting all its liabilities. The following table presents WFP's fund balances.

| | 2022 | | | | |
|---|---|---|---|---|---|
| | Programme category funds | Trust funds | General Fund and Special Accounts | | Total |
| | (fund balance) | (fund balance) | (fund balance) | Reserves | |
| **Opening balance at 1 January 2022 (restated)** | **6 655.7** | **309.0** | **1 116.4** | **508.9** | **8 590.0** |
| **Surplus (deficit) for the year** | **1 630.6** | **205.4** | **1 134.0** | **-** | **2 970.0** |
| **Movements in fund balances and reserves in 2022** | | | | | |
| Advances to projects | 385.2 | - | - | (385.2) | **-** |
| Repayments by projects | (220.4) | - | - | 220.4 | **-** |
| Other transfer from/to reserves | - | - | (551.7) | 551.7 | **-** |
| Transfer between funds | 514.5 | (49.9) | (464.6) | - | **-** |
| Actuarial gains on employee benefit liabilities | - | - | 295.0 | - | **295.0** |
| Net unrealized losses on long-term investments | - | - | (206.0) | - | **(206.0)** |
| **Total movements during the year** | **679.3** | **(49.9)** | **(927.3)** | **386.9** | **89.0** |
| **Closing balance at 31 December 2022** | **8 965.6** | **464.5** | **1 323.1** | **895.8** | **11 649.0** |

| | 2021 | | | | |
|---|---|---|---|---|---|
| | Programme category funds | Trust funds | General Fund and Special Accounts | | Total |
| | (fund balance) | (fund balance) | (fund balance) | Reserves | |
| **Opening balance at 1 January 2021** | **5 256.7** | **286.3** | **888.2** | **411.2** | **6 842.4** |
| Change in accounting policy | 630.7 | 25.7 | 105.1 | 44.9 | 806.4 |
| **Opening balance at 1 January 2021 (restated)** | **5 887.4** | **312.0** | **993.3** | **456.1** | **7 648.8** |
| **Surplus (deficit) for the year (restated)** | **191.9** | **(28.2)** | **556.0** | **-** | **719.7** |
| **Movements in fund balances and reserves in 2021** | | | | | |
| Advances to projects | 220.2 | 0.4 | 2.3 | (222.9) | **-** |
| Repayments by projects | (70.4) | - | - | 70.4 | **-** |
| Other transfer from/to reserves (restated) | - | - | (205.3) | 205.3 | **-** |
| Transfer between funds | 426.6 | 24.8 | (451.4) | - | **-** |
| Actuarial gains on employee benefit liabilities | - | - | 126.9 | - | **126.9** |
| Net unrealized gains on long-term investments | - | - | 94.6 | - | **94.6** |
| **Total movements during the year** | **576.4** | **25.2** | **(432.9)** | **52.8** | **221.5** |
| **Closing balance at 31 December 2021 (restated)** | **6 655.7** | **309.0** | **1 116.4** | **508.9** | **8 590.0** |

191. Advances from the IRA reserve to projects, repayments of such advances and other movements in the IRA reserve are explained in 2.15.3.

192. Other transfer from/to reserves include allocations approved by the Board, replenishments of reserves and surplus of ISC revenue over PSA expenses and are explained in 2.15.3 and 2.15.4.

193. There are cash contributions provided by donors, which, at the time of confirmation, have not been designated to a specific programme category fund. These contributions are initially designated as multilateral and unallocated funds and are reported under the General Fund. They are allocated to specific programme categories through transfers between funds.

194. Reserves are established by the Board as facilities for funding and/or financing specific activities under specific circumstances. During 2022, WFP had four active reserves: i) operational reserve; ii) Global Commodity Management Facility reserve; iii) IRA; and iv) PSA Equalization Account (PSAEA). The following table presents WFP’s reserves.

| | 2022 | | | | |
|---|---|---|---|---|---|
| Note | **Operational reserve** | **Global Commodity Management Facility** | **IRA** | **PSAEA** | **Total** |
| **Opening balance at 1 January 2022 (restated)** | **95.2** | **6.0** | **43.7** | **364.0** | **508.9** |
| Advances to projects | - | - | (385.2) | - | **(385.2)** |
| Repayments by projects | - | - | 220.4 | - | **220.4** |
| Approved Board allocations | - | - | 130.0 | (101.8) | **28.2** |
| Replenishments | - | - | 151.1 | - | **151.1** |
| Surplus of ISC revenue over PSA expense | - | - | - | 372.4 | **372.4** |
| **Total movements during the year** | **-** | **-** | **116.3** | **270.6** | **386.9** |
| **Closing balance at 31 December 2022** | **95.2** | **6.0** | **160.0** | **634.6** | **895.8** |

195. Movements in the reserves are charged directly against the reserve accounts.

### *2.15.1 Operational reserve*

196. Financial Regulation 10.5 calls for the maintenance of an operational reserve to ensure the continuity of operations in the event of a temporary shortfall of resources. In addition, the operational reserve is used to manage the risk associated with the Internal Project Lending Facility (previously referred to as the Working Capital Financing Facility).

197. The balance of the operational reserve at 31 December 2022 is USD 95.2 million.

198. The operational reserve level was increased to USD 130 million through an allocation from the General Fund in 2023, based on Executive Board decision (2022/EB.2/5).

#### *2.15.2 Global Commodity Management Facility reserve*

199. The Global Commodity Management Facility reserve account was established in 2014 to provide for losses sustained by the Global Commodity Management Facility that fall outside insurance coverage (decision 2014/EB.A/8).

200. The balance of the Global Commodity Management Facility reserve at 31 December 2022 is USD 6.0 million.

#### *2.15.3 Immediate Response Account*

201. The IRA was established as a flexible resource facility to enable WFP to respond quickly to emergency needs for food and for non-food-related purchase and delivery costs.

202. In 2022, the IRA received USD 151.1 million in replenishments.

203. Advances made to projects totalled USD 385.2 million and repayments by projects amounted to USD 220.4 million.

204. In 2022, the IRA received USD 130.0 million in approved Board allocations: USD 30.0 million transferred from the PSA Equalization Account (decision 2022/EB.1/7) and USD 100.0 million from the General Fund (decision 2022/EB.A/13). The target IRA level in 2022 was USD 200.0 million as established by the Executive Board decision 2014/EB.2/4.

205. Outstanding advances to projects made by the IRA at 31 December 2022 totalled USD 473.4 million (USD 352.8 million in 2021).

#### *2.15.4 Programme support and administrative budget equalization account*

206. The PSAEA is a reserve set up to record the difference between ISC revenue and PSA expenses for the financial period.

207. Based on the Executive Board decisions, USD 101.8 million was allocated from PSAEA: USD 57.7 million was allocated for critical corporate initiatives (decision 2021/EB.2/3 and 2022/EB.A/13), USD 30.0 million was allocated to IRA (decision 2022/EB.1/7), USD 8.0 million was allocated to Special Account for Wellness Programmes (decision 2022/EB.A/13) and USD 6.1 million was allocated to the Afghanistan and Yemen operations to correct an indirect support cost revenue error made in 2021 (decision 2022/EB.2/5).

208. The excess of ISC revenue over PSA expenses totalling USD 372.4 million was transferred to the PSAEA in 2022 (USD 119.5 million surplus in 2021).

209. The PSAEA balance at 31 December 2022 is USD 634.6 million.

## Note 3: Revenue

| | | 2022 | 2021 Restated |
|---|---|---|---|
| | | *USD million* | |
| 3.1 | **Monetary contributions** | | |
| | Contributions for direct costs | 12 508.3 | 8 294.5 |
| | ISC contributions | 826.6 | 560.1 |
| | **Subtotal** | **13 334.9** | **8 854.6** |
| | **Less:** | | |
| | Refunds, reprogrammes and reductions in contribution revenue | (82.8) | (27.4) |
| | **Total monetary contributions** | **13 252.1** | **8 827.2** |
| 3.2 | **In-kind contributions** | | |
| | Commodities in-kind contributions | 764.2 | 528.5 |
| | Services and non-food items in-kind contributions | 69.6 | 63.2 |
| | **Subtotal** | **833.8** | **591.7** |
| | **Add (deduct):** | | |
| | Increase (decrease) in contribution revenue | (1.3) | 0.1 |
| | **Total in-kind contributions** | **832.5** | **591.8** |
| 3.3 | **Currency exchange differences** | | |
| | Realized | 165.3 | 173.9 |
| | Unrealized | (59.2) | (258.8) |
| | **Total currency exchange differences** | **106.1** | **(84.9)** |
| 3.4 | **Return on investments** | | |
| | Net realized gains (losses) on investments | (38.0) | (6.7) |
| | Net unrealized gains (losses) on investments | (27.3) | (35.6) |
| | Interest earned | 49.6 | 32.5 |
| | **Total return on investments** | **(15.7)** | **(9.8)** |
| 3.5 | **Other revenue** | | |
| | Revenue generated from provision of goods and services | 220.7 | 254.5 |
| | Miscellaneous revenue | 21.9 | 23.3 |
| | **Total other revenue** | **242.6** | **277.8** |
| | **Total revenue** | **14 417.6** | **9 602.1** |

210. Contribution revenue is adjusted by changes in the levels of the allowance for reduction in contribution revenue (note 2.3) and in the level of the provision for refunds to donors (note 2.11). Actual refunds and reduction in contribution revenue are made against specific contributions.

211. In-kind contributions represent confirmed contributions of food commodities, services or non-food items during the year.

212. Included in contribution revenue and fund balances are amounts restricted by donors for use in future years as follows:

| Restricted for use in | 2022 | 2023 | 2024 | 2025 | 2026 | Total |
|---|---|---|---|---|---|---|
| | | | *USD million* | | | |
| Monetary and in-kind contributions in 2022 | - | 328.7 | 71.9 | 10.1 | 6.6 | **417.3** |
| Fund balances at 1 January 2022 | - | 162.6 | 21.4 | 2.2 | - | **186.2** |
| **Fund balances at 31 December 2022** | **-** | **491.3** | **93.3** | **12.3** | **6.6** | **603.5** |

213. Revenue generated from the provision of goods and services included mainly air operations, logistics and supply chain services, revenue from fuel sales and other services.

## Note 4: Expenses

### Note 4.1: Cash-based transfers distributed

| | 2022 | 2021 |
|---|---|---|
| | *USD million* | |
| Cash and voucher transfers | 3 080.3 | 2 088.6 |
| Commodity voucher transfers | 217.7 | 235.1 |
| **Total cash-based transfers distributed** | **3 298.0** | **2 323.7** |

214. Cash-based transfers distributed represent assistance distributed in bank notes, electronic transfers, through debit cards or value vouchers.

### Note 4.2: Commodities distributed

| | 2022 | 2021 |
|---|---|---|
| | *USD million* | |
| Food commodities | 3 829.0 | 2 779.2 |
| Non-food items | 52.8 | 49.4 |
| **Total commodities distributed** | **3 881.8** | **2 828.6** |

215. Food commodities distributed include cost of commodities as well as transport and related costs between the country in which WFP takes possession and the recipient country. Included in the cost of commodities distributed are pre- and post-delivery losses of USD 25.3 million (USD 24.9 million in 2021) (note 9).

216. Given WFP's accounting policy to expense when food is handed over to the cooperating partners, at 31 December 2022, USD 220 million (237,876 mt) of food held by cooperating partners was yet to be distributed to beneficiaries (USD 107.7 million (127,265 mt) at 31 December 2021).

217. Non-food commodities distributed represent costs of goods issued at various strategic storage depots managed by the United Nations Humanitarian Response Depot network, and costs of fuel released from stock under the fuel service provision activities that WFP carries out in Yemen.

**Note 4.3: Distribution and related services**

| | 2022 | 2021 Restated |
|---|---|---|
| | ***USD million*** | |
| Food handling and transport costs | 536.7 | 479.3 |
| Implementing partners' costs | 476.4 | 427.5 |
| Cash transfer transaction charges | 65.2 | 39.1 |
| Other | 32.5 | 35.0 |
| **Total distribution and related services** | **1 110.8** | **980.9** |

218. Distribution and related services represent cost of moving commodities in-country up to and including final distribution, including related distribution costs under field-level agreements with implementing partners, as well as transaction costs related to cash transfers to beneficiaries.

**Note 4.4: Contracted and other services**

| | 2022 | 2021 Restated |
|---|---|---|
| | ***USD million*** | |
| **Contracted and other services** | | |
| Air operations | 319.6 | 312.4 |
| Implementing partners' costs | 238.2 | 204.2 |
| Other programme-related expert services | 199.8 | 166.4 |
| Leases | 105.0 | 97.0 |
| Telecommunications/IT related services | 54.6 | 64.2 |
| Security and other services | 58.0 | 54.8 |
| Other contracted services | 227.7 | 257.7 |
| **Total contracted and other services** | **1 202.9** | **1 156.7** |

219. Contracted and other services include costs of air operations, telecommunications, security, operating lease payments, costs arising from field-level agreements with implementing partners, professional and consultancy services related to programmatic activities, and other contracted services such as United Nations common services and contributions to United Nations bodies.

**Note 4.5: Staff and affiliated workforce costs**

| | 2022 | 2021 Restated |
|---|---|---|
| | *USD million* | |
| Staff costs | 1 023.0 | 869.7 |
| Affiliated workforce costs | 386.8 | 393.1 |

220. Staff costs represent WFP's international and national staff salaries and payroll related entitlements, travel, training and staff workshops, and incentives. Affiliated workforce costs are those for consultants and service contract holders and include honoraria and salaries, travel, and other associated costs.

**Note 4.6: Supplies, consumables and other running costs**

| | 2022 | 2021 |
|---|---|---|
| | *USD million* | |
| Telecommunications and IT | 27.9 | 20.5 |
| Equipment | 163.8 | 120.1 |
| Office supplies and consumables | 47.8 | 38.6 |
| Utilities | 14.5 | 10.7 |
| Vehicle maintenance and running costs | 39.2 | 28.5 |
| **Total supplies, consumables and other running costs** | **293.2** | **218.4** |

221. Supplies, consumables and other running costs are cost of goods and services used for both direct project implementation and administration and support.

**Note 4.7: Finance costs, depreciation, amortization and other expenses**

| | 2022 | 2021 Restated |
|---|---|---|
| | *USD million* | |
| **Finance costs** | **25.0** | **8.0** |
| **Depreciation and amortization** | | |
| Depreciation of property, plant and equipment | 59.5 | 54.4 |
| Amortization of intangible assets | 3.1 | 2.9 |
| **Total depreciation and amortization** | **62.6** | **57.3** |
| **Other expenses** | | |
| Maintenance services | 10.3 | 6.6 |
| Insurance | 14.7 | 4.9 |
| Impairment and write-offs | 29.3 | 2.8 |
| Write-down of inventory to net realizable value | 60.7 | (1.2) |
| Other | 48.5 | 32.9 |
| **Total other expenses** | **163.5** | **46.0** |

222. Finance costs include loan interest expense, bank charges and investment management and custodian fees.

223. Other expenses include maintenance expenses, insurance premiums, bank charges and investment fees, write-down of inventory to net realizable value, impairment and write-off expenses as well as other expenses such as advocacy and training expenses.

## Note 5: Statement of Cash Flow

224. Cash flows from operating activities are not adjusted for donations of commodities-in-kind or services-in-kind as these donations have no impact on cash movements. Cash flows from investing activities are shown net of items where the turnover is rapid, the amounts are large, and the maturities are short.

## Note 6: Statement of Comparison of Budget and Actual Amounts

225. WFP's budget and financial statements are prepared using different bases. The Statement of Financial Position, Statement of Financial Performance, Statement of Changes in Net Assets and Statement of Cash Flow are prepared on a full accrual basis using a classification based on the nature of expenses in the Statement of Financial Performance, whereas the Statement of Comparison of Budget and Actual Amounts is prepared on a commitment accounting basis.

226. As required under IPSAS standard 24, "Presentation of Budget Information in Financial Statements", the actual amounts presented on a comparable basis to the budget shall, where the financial statements and the budget are not prepared on a comparable basis, be reconciled to the actual amounts presented in the financial statements, identifying separately any basis, timing and entity differences. There may also be differences in formats and classification schemes adopted for presentation of financial statements and the budget.

227. Budget amounts have been presented on a functional classification basis in accordance with the management plan (2022–2024), which presents a breakdown of the budget by year.

228. Statement V includes a column – implementation plan – which represents a prioritized plan of work based on estimated forecast contributions considering that WFP is a voluntarily funded organization and its operations and financial management therefore depend on the level of funding actually received.

229. Explanations of material differences between the original budget and final budget, final budget and the actual amounts, and implementation plan and the actual amounts are presented under the budget analysis section of the Executive Director's statement.

230. Basis differences occur when the approved budget is prepared on a basis other than the accounting basis. For WFP, the budget is prepared on the commitment basis and the financial statements are prepared on the accrual basis. Open commitments including open purchase orders and net cash flows from operating, investing and financing activities are presented as basis differences.

231. Timing differences occur when the budget period differs from the reporting period reflected in the financial statements. There are no timing differences for WFP for purposes of comparison of budget and actual amounts.

232. Entity differences occur when the budget omits programmes or entities that are part of the entity for which the financial statements are prepared. Under entity differences, trust funds form part of WFP activities and are reported in the financial statements but, as they are considered extra-budgetary resources, are excluded from the budget.

233. Presentation differences are due to differences in the format and classification schemes adopted for presentation of Statement of Cash Flow and Statement of Comparison of Budget and Actual Amounts. Revenue and non-fund relevant expenses that do not form part of the Statement of Comparison of Budget and Actual Amounts are reflected as presentation differences.

234. A reconciliation between the actual amounts on a comparable basis in the Statement of Comparison of Budget and Actual Amounts (Statement V) and the actual amounts in the Statement of Cash Flow (Statement IV) for the year ended 31 December 2022 is presented below.

| | **Operating** | **Investing** | **Financing** | **Total** |
|---|---|---|---|---|
| | | ***USD million*** | | |
| **Actual amount on comparable basis (Statement V)** | **(12 319.7)** | **-** | **-** | **(12 319.7)** |
| Basis differences | (1 969.1) | 67.5 | (6.9) | **(1 908.5)** |
| Presentation differences | 15 167.3 | - | - | **15 167.3** |
| Entity differences | (107.5) | - | - | **(107.5)** |
| **Actual amount in the Statement of Cash Flow (Statement IV)** | **771.0** | **67.5** | **(6.9)** | **831.6** |

# Note 7: Segment reporting

## Note 7.1: Statement of Financial Position by segment

| | 2022 | | | | | 2021 |
|---|---|---|---|---|---|---|
| | Programme category funds | General Fund and Special Accounts | Trust funds | Inter-segment transactions | Total | Restated |
| | *USD million* | | | | | |
| **Assets** | | | | | | |
| **Current assets** | | | | | | |
| Cash, cash equivalents and short-term investments | 2 288.3 | 1 355.6 | 465.9 | - | **4 109.8** | **3 514.1** |
| Contributions receivable | 6 366.2 | 100.3 | 201.2 | - | **6 667.7** | **4 386.9** |
| Inventories | 1 220.7 | 277.3 | 0.9 | - | **1 498.9** | **1 219.6** |
| Other receivables | 373.4 | 1 252.6 | 4.0 | (1 210.5) | **419.5** | **293.9** |
| | **10 248.6** | **2 985.8** | **672.0** | **(1 210.5)** | **12 695.9** | **9 414.5** |
| **Non-current assets** | | | | | | |
| Contributions receivable | 61.9 | 48.8 | 20.7 | - | **131.4** | **203.1** |
| Long-term investments | - | 987.3 | - | - | **987.3** | **1 162.0** |
| Property, plant and equipment | 159.0 | 87.9 | 1.3 | - | **248.2** | **212.4** |
| Intangible assets | 0.3 | 14.2 | 0.9 | - | **15.4** | **13.0** |
| | **221.2** | **1 138.2** | **22.9** | **-** | **1 382.3** | **1 590.5** |
| **Total assets** | **10 469.8** | **4 124.0** | **694.9** | **(1 210.5)** | **14 078.2** | **11 005.0** |
| **Liabilities** | | | | | | |
| **Current liabilities** | | | | | | |
| Payables and accruals | 1 431.4 | 949.3 | 223.3 | (1 210.5) | **1 393.5** | **1 160.4** |
| Deferred revenue | 29.1 | 1.3 | 1.6 | - | **32.0** | **64.9** |
| Provisions | 21.8 | 19.6 | 4.1 | - | **45.5** | **15.5** |
| Employee benefits | - | 70.4 | - | - | **70.4** | **55.9** |
| Loan | - | 5.6 | - | - | **5.6** | **5.6** |
| | **1 482.3** | **1 046.2** | **229.0** | **(1 210.5)** | **1 547.0** | **1 302.3** |
| **Non-current liabilities** | | | | | | |
| Deferred revenue | 21.9 | 0.9 | 1.4 | - | **24.2** | **16.9** |
| Employee benefits | - | 814.0 | - | - | **814.0** | **1 046.2** |
| Loan | - | 44.0 | - | - | **44.0** | **49.6** |
| | **21.9** | **858.9** | **1.4** | **-** | **882.2** | **1 112.7** |
| **Total liabilities** | **1 504.2** | **1 905.1** | **230.4** | **(1 210.5)** | **2 429.2** | **2 415.0** |
| **Net assets** | **8 965.6** | **2 218.9** | **464.5** | **-** | **11 649.0** | **8 590.0** |
| **Fund balances and reserves** | | | | | | |
| Fund balances | 8 965.6 | 1 323.1 | 464.5 | - | **10 753.2** | **8 081.1** |
| Reserves | - | 895.8 | - | - | **895.8** | **508.9** |
| **Total fund balances and reserves, 31 December 2022** | **8 965.6** | **2 218.9** | **464.5** | **-** | **11 649.0** | **8 590.0** |
| **Total fund balances and reserves, 31 December 2021 (restated)** | **6 655.7** | **1 625.3** | **309.0** | **-** | **8 590.0** | |

**Note 7.2: Statement of Financial Performance by segment**

| | 2022 | | | | | 2021 Restated |
|---|---|---|---|---|---|---|
| | Programme category funds | General Fund and Special Accounts | Trust funds | Inter-segment transactions | Total | |
| | *USD million* | | | | | |
| **Revenue** | | | | | | |
| Monetary contributions | 11 329.1 | 1 611.5 | 311.5 | - | **13 252.1** | **8 827.2** |
| In-kind contributions | 784.0 | 47.4 | 1.1 | - | **832.5** | **591.8** |
| Currency exchange differences | (9.0) | 116.5 | (1.4) | - | **106.1** | **(84.9)** |
| Return on investments | 0.2 | (16.2) | 0.3 | - | **(15.7)** | **(9.8)** |
| Other revenue | 346.9 | 2 308.1 | 1.4 | (2 413.8) | **242.6** | **277.8** |
| **Total revenue** | **12 451.2** | **4 067.3** | **312.9** | **(2 413.8)** | **14 417.6** | **9 602.1** |
| **Expenses** | | | | | | |
| Cash-based transfers distributed | 3 298.0 | - | - | - | **3 298.0** | **2 323.7** |
| Commodities distributed | 3 912.1 | 1 978.1 | - | (2 008.4) | **3 881.8** | **2 828.6** |
| Distribution and related services | 1 098.5 | 22.4 | 1.7 | (11.8) | **1 110.8** | **980.9** |
| Contracted and other services | 1 146.8 | 265.4 | 30.6 | (239.9) | **1 202.9** | **1 156.7** |
| Staff costs | 652.0 | 353.0 | 28.0 | (10.0) | **1 023.0** | **869.7** |
| Affiliated workforce costs | 252.9 | 113.2 | 29.6 | (8.9) | **386.8** | **393.1** |
| Supplies, consumable and other running costs | 247.7 | 66.5 | 8.9 | (29.9) | **293.2** | **218.4** |
| Finance costs | 20.8 | 4.2 | - | - | **25.0** | **8.0** |
| Depreciation and Amortization | 35.5 | 26.8 | 0.3 | - | **62.6** | **57.3** |
| Other expenses | 156.3 | 103.7 | 8.4 | (104.9) | **163.5** | **46.0** |
| **Total expenses** | **10 820.6** | **2 933.3** | **107.5** | **(2 413.8)** | **11 447.6** | **8 882.4** |
| **Surplus (deficit) for the year, 2022** | **1 630.6** | **1 134.0** | **205.4** | **-** | **2 970.0** | **719.7** |
| **Surplus (deficit) for the year, 2021 (restated)** | **191.9** | **556.0** | **(28.2)** | **-** | **719.7** | |

235. Cash and cash equivalents and short-term investments are presented as separate line items on the face of the Statement of Financial Position and presented together under segment reporting. The below table reconciles the amounts reported in the Statement of Financial Position and segment reporting.

| | 2022 | 2021 |
|---|---|---|
| | *USD million* | |
| Cash and cash equivalents | 2 680.4 | 1 848.8 |
| Short-term investments | 1 429.4 | 1 665.3 |
| **Total cash and cash equivalents and short-term investments** | **4 109.8** | **3 514.1** |

236. Some internal activities lead to accounting transactions that created inter-segment revenue and expense balances in the financial statements. Inter-segment transactions are reflected in the above tables to accurately present these financial statements.

237. Fund balances under programme category funds and trust funds represent the unexpended portion of contributions that are intended to be utilized for future operational requirements of the Programme.

## Note 8: Commitments and contingencies

### Note 8.1: Commitments

#### *8.1.1 Property leases*

| | 2022 | 2021 |
|---|---|---|
| | *USD million* | |
| Obligations for property leases: | | |
| Within 1 year | 76.2 | 54.1 |
| Later than 1 year and not later than 5 years | 110.8 | 41.4 |
| Beyond 5 years | 17.9 | 10.0 |
| **Total property leases obligations** | **204.9** | **105.5** |

238. At 31 December 2022, property lease obligations for the WFP headquarters building in Rome represent 9 percent of the total obligations under the within 1-year category and 25 percent under the later than 1 year and not later than 5 years category (15 percent and 7 percent, respectively, at 31 December 2021). The lease can be renewed at WFP's option. Costs incurred in leasing the headquarters building are reimbursed by the host government. The commitments are disclosed for all operating lease agreements. The agreements include cancellation clauses allowing WFP to terminate for any reason with sixty days' notice period.

#### *8.1.2 Other commitments*

239. At 31 December 2022, WFP had commitments for the acquisition of food commodities, transportation, services, non-food items, and capital commitments contracted but not delivered as follows:

| | 2022 | 2021 |
|---|---|---|
| | *USD million* | |
| Food commodities | 693.8 | 463.8 |
| Transportation – Food commodities | 141.6 | 124.0 |
| Services | 416.6 | 380.6 |
| Non-food items | 119.9 | 93.9 |
| Capital commitments | 13.6 | 31.5 |
| **Total open commitments** | **1 385.5** | **1 093.8** |

240. These commitments will be recognized as expenses in future financial periods and will be settled from the unexpended portion of contributions after receipt of the related goods or services.

**Note 8.2: Contingent liabilities and contingent assets**

***Contingent assets – donor contributions***

241. WFP signed contribution agreements valued at USD 530.9 million at the end of 2022, which are expected to be confirmed by the donor at the future date as they are subject to parliamentary appropriation or final confirmation of budget availability.

***Contingent assets – other***

242. In 2021, WFP entered into three agreements with the World Bank for contributions to WFP operations in Afghanistan and Yemen, applying the ISC rate of 4 percent. At that time, the standard Board-approved ISC rate was 6.5 percent with a reduced rate of 4 percent for contributions made by governments to programmes in their own countries. Following review and consultations with World Bank senior officials, senior management of WFP determined that application of the reduced ISC rate of 4 percent was in error and that the standard ISC rate of 6.5 percent should have applied. Consistent with that determination, all three contributions were registered in WFP's systems at the standard 6.5 percent ISC rate in 2021. The 2.5 percent difference between the ISC rate stated in the agreements and the standard ISC rate resulted in a programme shortfall and an increase in the PSAEA balance of USD 6.1 million as of 31 December 2021. To enable WFP to honour its obligations under the agreements and cover the shortfall, the Executive Board approved an allocation of USD 6.1 million from the PSAEA (note 2.15.4) to the Afghanistan and Yemen operations.[14]

243. In 2005, two WFP employees in the WFP regional bureau in South Africa were found to have committed fraud resulting in a loss of approximately USD 6.0 million. A criminal trial began in 2008, and the South African authorities restrained the employees' known assets, reportedly valued at ZAR 40 million (approximately USD 2.3 million at 31 December 2022).

244. WFP also initiated arbitration against the two employees for recovery of the misappropriated funds, to establish WFP's claim against the restrained assets irrespective of the outcome of the criminal proceedings. In 2010, the arbitral tribunal issued a default award in favour of WFP on all claims, for approximately USD 5.5 million, plus interest and costs. Following the required waiver by the United Nations and FAO of WFP's immunity, WFP applied to the High Court of South Africa to make the arbitral award an order of court for the purpose of enforcement in South Africa, which was granted in October 2011 and is now

[14] "Decisions and recommendations of the 2022 second regular session of the Executive Board" (WFP/EB.2/2022/11).

final. In December 2012, the two employees were found guilty and subsequently sentenced to 25 years of imprisonment. In 2016, the defendants' convictions were finalized.

245. Enforcement of the court decision against the restrained assets experienced delays after the criminal proceedings concluded. WFP is working with counsel to actively explore all options to ensure advancement of the proceedings to obtain a confiscation order for the defendants' assets.

## Note 9: Losses, *ex-gratia* payments and write-offs

246. WFP financial regulation 12.3 provides that "The Executive Director may make such *ex-gratia* payments as the Executive Director deems necessary in the interest of WFP. The Executive Director shall report all such payments to the Board with the financial statements". In addition, financial regulation 12.4 provides that "The Executive Director may, after full investigation, authorize the writing off of losses of cash, commodities and other assets, provided that a statement of all amounts written off shall be submitted to the External Auditor with the financial statements."

247. The following table details the *ex-gratia* payments and losses of cash, food commodities and other assets.

| | **2022** | **2021** |
|---|---|---|
| | ***USD million*** | |
| *Ex-gratia* payments | 0.5 | 0.2 |
| Contributions receivable | 1.6 | - |
| Food commodity losses | 25.3 | 24.9 |
| Non-food item losses | 0.1 | 0.1 |
| Other assets and cash losses | 0.8 | 0.7 |
| | ***Mt*** | |
| Commodity losses (quantity) | 29 074 | 40 287 |

248. The *ex-gratia* payments mainly pertain to critical issues affecting WFP personnel. In 2022, *ex-gratia* payments were mainly made to local staff members in two countries as a special measure due to security threats. Contributions receivable write-offs relate to the write-off of receivables from donors. The other assets and cash losses are related mainly to cash-based transfer losses and write-offs of other receivables.

249. The food commodity losses include all losses that occur from the first receipt of commodity in WFP's custody until distribution to the beneficiaries, either directly or through the cooperating partners. These losses are insured by the WFP cargo self-insurance scheme up to the point at which commodities are distributed to beneficiaries or handed over to cooperating partners in case of distribution through cooperating partners. During 2022, USD 10.0 million was recovered from the third parties responsible for the food commodity losses (USD 9.8 million in 2021). The non-food item losses are minor and are related mainly to warehouse losses.

250. In 2022, fraud substantiated by the Office of Inspections and Investigations resulted in financial losses of USD 16,059,520 of which USD 9,148,216 was recovered (USD 97,777 in 2021, of which USD 16,446 was recovered). The cases involved misrepresentation and

procurement fraud by vendor, theft and embezzlement involving WFP staff and third parties. As at 31 December 2022, presumptive fraud related to ongoing investigations where amounts can be reasonably estimated, was valued at USD 9,767,250 involving fraudulent practices by partners, third parties and WFP personnel (USD 9,648,664 in 2021).

## Note 10: Related party and other senior management disclosure

### Note 10.1: Key management personnel

| | Number of individuals | Number of positions | Compensation and post adjustment | Entitlements and benefits | Pension and health plans | Total remuneration | Outstanding advances against entitlements |
|---|---|---|---|---|---|---|---|
| | | | | *USD million* | | | |
| Key management personnel, 2022 | 8 | 8 | 1.2 | 0.7 | 0.4 | 2.3 | 0.1 |
| Key management personnel, 2021 | 8 | 8 | 1.4 | 0.6 | 0.4 | 2.4 | 0.1 |

251. Key management personnel are the Executive Director, Deputy Executive Directors, Chief of Staff and Special Advisor to the Executive Director as they have the authority and responsibility for planning, directing, and controlling the activities of WFP.

### Note 10.2: Other senior management

| | Number of individuals | Number of positions | Compensation and post adjustment | Entitlements and benefits | Pension and health plans | Total remuneration | Outstanding advances against entitlements |
|---|---|---|---|---|---|---|---|
| | | | | *USD million* | | | |
| Other senior management, 2022 | 32 | 29 | 4.5 | 1.6 | 1.4 | 7.5 | 0.6 |
| Other senior management, 2021 | 37 | 31 | 4.9 | 1.6 | 1.4 | 7.9 | 0.9 |

252. In addition to key management personnel whose remuneration, advances and loans are required to be disclosed under IPSAS standard 20, “Related Party Disclosures”, similar disclosure is also made for other senior management of WFP for the sake of completeness and transparency. Other senior management include regional directors and headquarters divisional directors.

253. The tables above detail the number of positions and the number of staff who held these positions over the course of the year. The Executive Board consists of 36 Member States without personal appointment.

254. The aggregate remuneration paid to key management personnel and other senior management includes net salaries; post adjustment; entitlements such as representation allowance and other allowances, assignment and other grants, rental subsidy, personal effect shipment costs; post-employment benefits; other long-term employee benefits and employer pension and current health insurance contributions.

255. Key management personnel and other senior management qualify for post-employment benefits and other long-term employee benefits at the same level as other employees. The actuarial assumptions applied to measure such employee benefits are disclosed in note 2.12. Key management personnel and other senior management are ordinary members of the UNJSPF.

256. During 2022, compensation in the form of remuneration, entitlements and benefits provided to close members of the family of key management personnel and other senior management amounted to USD 0.2 million and USD 1.2 million respectively (USD 0.1 and USD 0.9 million, respectively, in 2021).

257. Advances are those made against entitlements in accordance with staff rules and regulations and are widely available to all WFP staff.

## Note 11: Interest in other entities

### International Computing Centre

258. The International Computing Centre (ICC) was established in January 1971 pursuant to Resolution 2741 (XXV) of the United Nations General Assembly. The ICC provides IT and communications services to partners and users in the United Nations system. As a partner bound by the mandate of the ICC, WFP would be proportionately responsible for any third-party claim or liability arising from or related to service activities of the ICC as specified in the ICC mandate. At 31 December 2022, there are no known claims that impact WFP. Ownership of assets is with ICC until dissolution. Upon dissolution, the division of all assets and liabilities among partner organizations shall be agreed by the management committee in accordance with a formula defined at that time.

### African Risk Capacity

259. WFP and the African Risk Capacity (ARC) signed an administrative service agreement in June 2015 expiring on 31 August 2024. ARC is a specialized agency of the African Union that shares the goal of promoting food security with WFP.

260. While ARC is a separate legal entity, its financial and operating policies with reference to this agreement are subject to WFP rules. Funds received under this agreement are held under an ARC trust fund by WFP. WFP provides technical, administrative, personnel, and project management services to ARC. The Director-General of the ARC is employed by WFP and is accountable to both the WFP Executive Director and ARC. The agreement is considered a joint operation where, based on the terms of the agreement, the financial transactions of ARC are consolidated within WFP financial statements. As at 31 December 2022, the accumulated surplus held under an ARC trust fund totalled USD 19.4 million.

## Note 12: Events after reporting date

WFP’s reporting date is 31 December 2022. On the date of certifying of these financial statements by the Executive Director, there have been no material events, favourable or unfavourable, incurred between the balance sheet date and the date when the financial statements have been authorized for issue that would have impacted these statements.

# ANNEX

| | Name | Address |
|---|---|---|
| WFP | World Food Programme | Via Cesare Giulio Viola 68/70<br>Parco de' Medici<br>00148 Rome, Italy |
| General Counsel and Director, Legal Office | Bartolomeo Migone | Via Cesare Giulio Viola 68/70<br>Parco de' Medici<br>00148 Rome, Italy |
| Actuaries | Ernst & Young Advisory | Tour First, 1 place des Saisons<br>92037 Paris La Défense<br>France |
| Principal Bankers | Citibank N.A. | Via Mercanti, 12<br>20121 Milan, Italy |
| | Standard Chartered Plc | 1 Basinghall Avenue<br>London, EC2V 5DD<br>United Kingdom |
| External Auditor | President of the Federal Court of Auditors (Germany) | Adenanerallee 81<br>53113, Bonn<br>Germany |

## Acronyms

| | |
|---|---|
| ARC | African Risk Capacity |
| ASHI | After Service Health Insurance |
| ASMP | after-service medical plan |
| BMIP | Basic Medical Insurance Plan |
| CH | cadre harmonisé |
| COSO | Committee of Sponsoring Organizations of the Treadway Commission |
| CSP | country strategic plan |
| DoA | delegation of authority |
| ESG | Environmental, Social and Corporate Governance |
| FAO | Food and Agriculture Organization of the United Nations |
| GEMS | Global Equipment Management System |
| GS | general service |
| IATI | International Aid Transparency Initiative |
| ICC | International Computing Centre |
| ICSP | interim country strategic plan |
| IPC | Integrated Food Security Phase Classification |
| IPSAS | International Public Sector Accounting Standard |
| IRA | Immediate Response Account |
| ISC | indirect support cost |
| MICS | Medical Insurance Coverage Scheme |
| MSCI | Morgan Stanley Capital International |
| NGO | non-governmental organization |
| NPO | national professional officers |
| OSRB | other separation-related benefits |
| PSA | programme support and administrative (budget) |
| PSAEA | Programme Support and Administrative Equalization Account |
| SCOPE | Digital beneficiary information and transfer management platform |
| SCP | Staff Compensation Plan |
| SDG | Sustainable Development Goal |
| SLHC | Special Account for Logistics Services |
| SPS | Separation Payment Scheme |
| STRIPS | United States Treasury Separate Trading of Registered Interest and Principal of Securities |
| TPA | third-party agreement |
| UNJSPF | United Nations Joint Staff Pension Fund |
| WINGS | WFP Information Network and Global System |