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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 Eighty-first Session
Rome, 3 - 5 June 2020
Audited annual accounts, 2019

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

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NC749/e

EXECUTIVE SUMMARY

- The WFP Secretariat is pleased to submit the Audited 2019 Financial Statements together with the Audit Opinion and the Report by the External Auditor. The Financial Statements have been prepared using 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 Executive Board in accordance with General Regulation XIV.6 (b) and Financial Regulations 13.1 and 14.8, which provide for the submission to the Executive 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.
- The Statement on Internal Control (SIC) has been issued with the annual Financial Statements. The SIC provides specific assurance on the effectiveness of internal control in WFP.
- The WFP Secretariat has presented its responses to the External Auditor's recommendations included in the annual accounts documents at the same session at which the External Auditor's report is presented. These responses are contained in the "Report on the implementation of the External Auditor recommendations" (FC181/8).

GUIDANCE SOUGHT FROM THE FINANCE COMMITTEE

- The Finance Committee is requested to endorse WFP's "Audited annual accounts, 2019" 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 Executive Board to approve the 2019 Annual Financial Statements of WFP, together with the Report of the External Auditor.**

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

Executive Board
Annual session
Rome, 29 June–3 July 2020

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Agenda item 6
WFP/EB.A/2020/6-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, 2019

The Secretariat is pleased to submit the audited 2019 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/2020/6-H/1)

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Draft decision*

The Board:

i) approves the 2019 Annual Financial Statements of WFP, together with the Report of the External Auditor, pursuant to General Regulations XIV.6 (b);

ii) notes the funding from the General Fund of USD 394,645 during 2019 for the ex-gratia payments and the write off of cash losses and receivables;

iii) notes losses of commodities during 2019 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

The Dean of the Presidents of Chambers

Paris, 30 March 2020

To the Executive Board

AUDIT OPINION

Opinion

We have audited the Financial Statements of the World Food Programme (WFP), for the 12 months period ended 31 December 2019. These Financial Statements include a Statement of Financial Position as at 31 December 2019, a Statement of Financial Performance, a Statement of Changes in Net Assets, a Statement of Cash Flow, a Statement of Comparison of Budget and Actual Amounts and Notes, including a summary of the accounting policies and other information.

In our opinion, the Financial Statements present fairly the financial position of the World Food Programme as at 31 December 2019 and the results of the operations for the period, in conformity with the International Public Sector Accounting Standards (IPSAS). The Financial Statements were prepared in accordance with the stated accounting policies and the accounting policies were applied on a basis consistent with that of the preceding financial period. All transactions that we became aware of or that we tested during our audit have been carried out in compliance with the Financial Regulations and with the authorizations granted by legislative authority.

Basis for Opinion

We have conducted our audit in accordance with the International Standards on Auditing (ISA) and in accordance with Article XIV of the Financial Regulations of the World Food Programme and its annex relating to external audit. These Standards require us to comply with the ethical rules and to plan and perform our audit in order to obtain a reasonable assurance that the Financial Statements are free from material misstatements. As required by the Charter of ethics of the *Cour des comptes*, we guarantee the independence, the fairness, the neutrality, the integrity and the professional discretion of the auditors. Furthermore, we also fulfilled our other ethical obligations in compliance with the Code of Ethics of the International Organisation of Supreme Audit Institutions (INTOSAI). The responsibilities of the External Auditor are more extensively described in the section “Auditor’s Responsibilities for the Audit of the Financial Statements”.

We believe that the audit evidence collected is sufficient and appropriate to constitute a reasonable basis for our opinion.

…/

Management's Responsibilities for the Financial Statements

Within the framework of Article XIV.6 (b) of the General Regulations and by virtue of the Articles 13.1 and 13.3 of the Financial Regulations, the Executive Director of the World Food Programme is responsible for presenting the Financial Statements. These Statements are in conformity with the International Public Sector Accounting Standards. This responsibility includes the design, implementation and monitoring of internal control procedures to ensure the preparation and the fair presentation of Financial Statements, free of significant misstatements, resulting either from frauds or errors. This responsibility also includes the determination of fair accounting estimates adapted to the circumstances.

Auditor's Responsibilities for the Audit of the Financial Statements

The goal of the audit is to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs 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 these financial statements.

An audit therefore consists in implementing audit procedures in order to collect audit evidence regarding the amounts and the information presented in the Financial Statements. The External Auditor takes into account the internal control in effect in the entity, relative to the establishment and preparation of financial statements, so as to define appropriate audit procedures in the circumstances, and not with the aim of expressing an opinion on the effectiveness of this control. The choice of the audit procedures is based on the External Auditor's professional judgment, as is the case for the risk evaluation of the Financial Statements, for the assessment of the appropriateness of the accounting policies and of the accounting estimates, and for the overall presentation of the Financial Statements.

Sophie MOATI

Cour des comptes
FRANCE

EXTERNAL AUDIT OF THE WORLD FOOD PROGRAMME

AUDIT REPORT

FINANCIAL STATEMENTS OF THE WORLD FOOD PROGRAMME

FOR THE YEAR ENDED 31 DECEMBER 2019

COUR DES COMPTES REFERENCE: WFP-2020-1

WFP
World Food Programme

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I. OBJECTIVES AND SCOPE OF THE AUDIT

1. In accordance with our notification letter of 8 January 2020, a team of five auditors audited the financial statements of the World Food Programme (WFP) for the financial year ended 31 December 2019 with the objective of issuing an audit opinion on the financial statements. The audit was carried out mainly at WFP headquarters in Rome, in two stages:

- an interim audit from 14 to 25 October 2019; and
- a final audit from 17 February to 6 March 2020.

2. Pursuant to an Executive Board decision of 10 November 2015, the WFP External Audit was entrusted to the First President of the Cour des Comptes of France for the period 1 July 2016 to 30 June 2022, in accordance with financial regulation 14.1 of the WFP Financial Regulations.

3. The External Auditor's mandate is set out in section XIV of the WFP Financial Regulations and the annex thereto, and in the call for applications for the appointment of the External Auditor. The terms of reference for the mandate comprise the call for applications and the offer of services of the Cour des Comptes, particularly its detailed technical offer, which was approved by the Board.

4. The responsibilities of the External Auditor consist of auditing the accounts of WFP (financial regulation 14.1) and making observations, as it sees fit, 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 (financial regulation 14.4).

5. In accordance with article XIV.6 (b) of WFP's General Regulations and pursuant to financial regulations 13.1 and 13.3 of its Financial Regulations, the Executive Director submits the annual financial statements of WFP to the Executive Board for its approval after having submitted them to the External Auditor for examination and opinion. The financial statements are prepared in accordance with International Public Sector Accounting Standards (IPSAS). Management is responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. This responsibility includes making accounting estimates that are reasonable in the circumstances. In accordance with financial regulation 3.1, the Executive Director is also responsible and accountable to the Board for the financial management of the activities of WFP.

6. A letter of engagement was drawn up with the then Executive Director to ensure that, in accordance with the International Standards on Auditing, the respective obligations of management and the External Auditor are clearly understood. In addition, before each audit, the External Auditor informs the Secretariat of the scope of the audit activities to be undertaken.

7. This report falls within the scope of the annual work plan of the External Auditor submitted to the WFP Executive Board at its November 2019 second regular session, which describes the audit activities to be carried out from July 2019 to June 2020. In accordance with the terms of reference, each year the External Auditor must produce an audit report on the financial statements of WFP (to be submitted to the Board for approval), accompanied by an opinion on the accounts, two reports on the performance and regularity of the management of WFP, also known as "performance audit reports" (to be submitted to the Board for consideration), and management letters drafted following visits to field offices (regional bureaux and country offices). The External Auditor also validates the draft annual report on the implementation status of its previous recommendations, submitted by the Secretariat to the Board for consideration.

8. The audit of the financial statements was carried out in accordance with the International Standards on Auditing and the International Standards of Supreme Audit Institutions for financial audits.

9. The field visits to country offices and regional bureaux[1] related mainly to the regularity of the management of the offices, although the audits performed also contributed to preparation of this report.

10. The objective of the audit of the financial statements was to obtain reasonable assurance about:

- whether the financial statements give a true and fair view, in all material respects, of the financial position of WFP at 31 December 2019 and the results of the operations recorded during the financial year, in accordance with IPSAS standards;
- whether the financial statements were prepared in compliance with the Financial Regulations and the stated accounting policies;
- whether the accounting policies applied are consistent with those of the previous financial year; and
- whether the transactions were performed in compliance with the Financial Regulations and legislative authority.

11. Every observation and recommendation was discussed with the relevant staff. The audit closure meeting was held with senior management of WFP's Finance and Treasury Division (RMF) on 5 March 2020. Management received the External Auditor's draft report and provided feedback; the present report takes into account all its comments and responses.

12. The External Auditor has issued an **unqualified** opinion on the financial statements.

[1] Regional bureaux in Bangkok and Dakar and country offices in Côte d'Ivoire, the Democratic People's Republic of Korea, Kenya, Mali, the Philippines and Senegal.

II. LIST OF RECOMMENDATIONS

13. The External Auditor has assigned a priority level to each recommendation:

- ***Priority 1*:** An essential matter requiring the immediate attention of management;
- ***Priority 2*:** A less urgent control issue requiring the attention of management; and
- ***Priority 3*:** An issue brought to the attention of management for which controls could be improved.

Area	Priority	Recommendations
Employee benefits	3	1. The External Auditor recommends that WFP improve the validation of the 30 September payroll data used by the actuary and update the calculation based on the 31 December payroll data. 2. The External Auditor recommends that WFP obtain greater assurance from its actuary on the level of uncertainty associated with the assumptions used for future medical costs. 3. The External Auditor recommends that WFP obtain sensitivity analyses for all actuarial assumptions, starting with the assumption relating to the staff turnover rate. 4. The External Auditor recommends that WFP update the EUR/USD mix used to estimate long-term employee benefits based on more recent disbursement data.

III. OBSERVATIONS AND RECOMMENDATIONS

1. Follow-up on previous recommendations

14. The External Auditor has reviewed the status of implementation of the five recommendations issued in 2018 based on interviews conducted in February 2020 and the documentation provided by WFP. Its assessment of the status of implementation is summarized in the table below.

Table 1: Status of implementation of the External Auditor's recommendations relating to the audit of WFP's financial statements for the 2018 financial year

Subject	*Implemented*	*Being implemented*	*Not implemented*	*Total*	*Reference paragraphs in the 2018 report*
Cash-based transfers	1			1	para. 15
1. Increase the deployment rate of SCOPE with the goal of covering 85 percent of cash-based transfers	x				
WINGS II enterprise resource planning software		1		1	paras. 17 and 30–39
2. Improve the security policy in WINGS II		x[2]			
Financial reporting	2			1	paras. 26–29
3. Improve financial communication to better highlight the drivers of surplus growth.	x				
Employee benefits		1		2	paras. 40–51
4. Solicit more information from the actuary to more effectively assess the methodology and assumptions used.		x			
5. Obtain assurance from the United Nations Development Programme (UNDP) regarding the reliability of the payroll system used.	x				
Total	3	2		5	

Source: External Auditor.

15. With regard to cash-based transfers, WFP continued to implement the recommendation on the roll-out of SCOPE,[3] which by the end of 2019 covered 47 million beneficiaries and 71 percent of cash-based transfers. This represents a significant improvement over the 33 million beneficiaries registered in SCOPE at the end of 2018. In view of this, the External Auditor considers that the recommendation has been implemented.

[2] The recommendation is being implemented but the External Auditor decided to close it, as it will be difficult for WFP to do much more (aside from having the new procedures signed and issued).
[3] SCOPE is the digital platform for tracking the beneficiaries of aid distributed by WFP.

16. The WFP Technology Division indicated its willingness to implement the recommendation relating to the WINGS II[4] enterprise resource planning system and took measures in that regard. New procedures for cybersecurity in WINGS II are thus being prepared but had not yet been validated and issued by the WFP Chief Information Officer at the final stage of the financial audit and could thus not be considered to have been applied during the 2019 financial year. Action was also taken to correct anomalies identified during the External Auditor's tests, including to eliminate access rights that are no longer required and, more generally, to implement the actions suggested in paragraph 39 of the External Auditor's report for the 2018 financial year.[5] Nevertheless, the tests carried out by the External Auditor during the final stage of its mission showed that certain anomalies persisted (see section 4.1, below). When asked about this, the WFP Technology Division acknowledged that there would always be some level of risk due to the nature of WFP's operations and indicated that WFP accepts such risks and has put the necessary procedures in place to limit them. These risks are linked in particular to a high level of staff turnover that requires flexibility in the handover of posts, the need for the United Nations International Computing Centre (ICC), which is responsible for hosting and maintaining WINGS II, to have access to the Integrated Management Information system, and the impossibility of adhering to a strict segregation of duties in offices with a limited number of staff. Given this, the External Auditor considers that the recommendation is being implemented but should be closed, as it would clearly be difficult for WFP to do much more (aside from having the new procedures validated and issued). The External Auditor has therefore not formulated any new recommendations regarding cybersecurity for the WINGS II enterprise resource planning system.

17. With respect to financial reporting, the reasons behind the high surplus in the statement II on financial performance are explained by WFP in the Executive Director's annual statement. In 2019, this surplus was USD 658 million, down slightly from what it was in 2018 (USD 729 million). It was due to the temporary time lag between the receipt of voluntary contributions and their utilization in the associated projects, the main operation being the one in Yemen. Given this, the External Auditor considers the recommendation to be implemented.

18. With regard to employee benefits, WFP sought assurance from the UNDP in the form of a letter assuring that the internal controls in place for the management of WFP's payroll are considered adequate. On 21 April 2020, WFP received written assurance from UNDP on this point. WFP further believes that UNDP will take responsibility for any errors in this process, which it considers unlikely. Given this, the External Auditor considers that the recommendation has been implemented.

19. With regard to the actuarial valuation of employee benefits, WFP started to implement the recommendation, including by reviewing its assumptions regarding discount rate in order to adopt a specific rate according to the term of each benefit. Changes in market rates and this change in actuarial valuation method led to an increase in the liability for long-term employee benefits, from USD 737 million as at 31 December 2018 to USD 1,023 million as at 31 December 2019. WFP also obtained much more information than in the past to ensure that the methodology, data and assumptions used by the actuary were robust. The External Auditor is of the view that there is scope for further work to improve the quality of the determination of this liability line item (see section 4.2, below). Given this, the External Auditor considers that the recommendation is being implemented; however, it has formulated a new recommendation in section 4.2 of the present report highlighting the points that should be given further consideration next year.

[4] WFP Information Network and Global System.
[5] These are reiterated in section 4.1, below.

20. Finally, the recommendation made in connection with the 2017 financial statements[6] regarding the reconciliation of food distribution data between LESS[7] and COMET[8] and cash-based transfer data between WINGS and COMET can be considered to be implemented.

2. Overview of WFP's financial position at 31 December 2019

2.1. Presentation of WFP's simplified statement of financial position

Table 2: WFP's simplified statement of financial position
(*in USD million*)

	31/12/2019	31/12/2018
Current assets		
Cash and investments	2 994	2 785
Contributions receivable	3 665	3 011
Inventories	936	854
Other	319	218
Total current assets	***7 914***	***6 868***
Non-current assets		
Contributions receivable	569	511
Investments	764	629
Property, plant and equipment and intangible assets	188	167
Total non-current assets	***1 521***	**1 307**
TOTAL ASSETS (a)	***9 435***	***8 175***
Current liabilities		
Deferred revenues	911	783
Vendor payables and other liabilities	999	787
Total current liabilities	**1 910**	**1 570**
Non-current liabilities		
Deferred revenues	571	496
Employee benefits	1 023	737
Loan	61	66
Total non-current liabilities	**1 655**	**1 299**
TOTAL LIABILITIES (b)	***3 565***	***2 869***
NET ASSETS (a)–(b)	**5 870**	**5 306**

Source: Statement I of WFP's financial statements (rounded amounts).

[6] See WFP/EB.A/2019/6-A/1, paragraph 18.
[7] Logistics Execution Support System.
[8] Country office tool for managing effectively.

21. WFP's simplified statement of financial position, presented above, shows a strong financial position, with net assets of USD 5.87 billion at the end of 2019, an increase of USD 564 million over the figure as at 31 December 2018 in the previous financial statements. This rising trend in net assets has been observed for several years and is linked to significant surpluses. As a result, net assets have increased by USD 1.43 billion in the two years since the end of 2017. This financial strength is also illustrated by the asset mix at the end of 2019, which consisted of USD 3.76 billion in cash and cash equivalents and short-term and long-term investments, representing 40 percent of the USD 9.44 billion in total assets.

22. WFP's non-current liabilities include employee benefits (the largest portion of which is for after-service medical plans (ASMPs)), which stood at USD 1.02 billion at the end of 2019. This figure is USD 286 million higher than the amount recognized at the end of 2018, due to changes in market rates and a change in the assumptions concerning the discount rate, which resulted in an increase of USD 266 million in the liability related to ASMPs (see section 4.2, below). WFP set up a long-term investment to fund these liabilities, in accordance with the decision taken by the Executive Board in December 2010. The balance already covered by this investment at the end of 2019 stood at USD 714 million.

2.2. Presentation of WFP's simplified statement of financial performance

Table 3: WFP's simplified statement of financial performance
(in USD million)

	2019	2018
Revenue		
Contributions	7 970	7 235
Other revenue	301	133
Total revenue	***8 271***	***7 368***
Expenses		
Food commodities distributed	2 346	2 133
Cash-based transfers distributed	2 134	1 760
Distribution and related services	864	759
Employee costs	1 109	980
Other expenses	1 160	1 008
Total expenses	***7 613***	***6 640***
Surplus for the year	***658***	**728**

Source: Statement II of WFP's financial statements (rounded amounts).

23. The year 2019 was characterized by a very high level of contributions, totalling USD 7.97 billion, USD 735 million more than in 2018 and USD 1.97 billion more than in 2017. This continues an upward trend of the past several years, as contributions totalled only USD 4.81 billion in 2015. This increase of 66 percent in four years is a testament to WFP's capacity to mobilize donors.

24. The difference between revenue and expenses resulted in a surplus of USD 658 million, slightly less than the surplus recognized in 2018 (USD 728 million) but three times higher than the surplus recognized in 2017 (USD 212 million). WFP does not consider that this situation in any way reflects an inability to spend all the contributions it receives on its operations. Since 2018, WFP has in fact provided explanations for this in the Executive Director's statement preceding the financial statements, in accordance with an earlier recommendation (see part 1). These explanations stress the temporary time lag between the raising of the funds and their allocation and show that over half the surplus for 2019 was linked to the operations in Yemen, Ethiopia and Zimbabwe.

25. Despite the significant increase in its resources, the value of WFP's traditional activity of food distribution remained stable, at USD 2.35 billion in 2019 compared to USD 2.13 billion in 2018 and USD 2.20 billion in 2017. This is explained in part by WFP's decision to develop cash-based transfers, which rose in value to USD 2.13 billion, up from USD 1.76 billion in 2018 and USD 1.45 billion in 2017. Cash-based transfers accounted for 47.6 percent of WFP distributions in 2018, compared with 27.6 percent of distributions four years earlier, in 2015. Four countries accounted for more than half of the cash-based transfers in 2019: Turkey (USD 487 million), Lebanon (USD 285 million), Yemen (USD 265 million) and Jordan (USD 171 million). In all, food distributions and cash-based transfers accounted for USD 4.48 billion in 2019, representing 58.8 percent of WFP's total expenses.

26. Staff costs exceed the billion-dollar mark for the first time in 2019, totalling USD 1.11 billion compared to USD 0.98 billion in 2018. This was mainly due to the strong growth seen in staff numbers over the past several years. In 2019, WFP employed 18,589[9] people worldwide, 3,955 more than in 2014. At the headquarters in Rome alone, there were 2,024 staff in 2019 compared to 1,503 in 2014.

3. Main points regarding accounting principles

3.1. Change in accounting estimate of the useful life of certain vehicles

27. Up until the end of 2018, all WFP vehicles were depreciated over five years. In 2019, WFP decided to adopt a more accurate estimation of vehicle life by distinguishing between light vehicles, which are still depreciated over five years, and heavy and armoured vehicles, which are now depreciated over eight years. The rationale for this change in accounting estimate is the different usage patterns for the different types of vehicles. Recognized prospectively in accordance with IPSAS 3 on changes in accounting estimates, the change resulted in an increase of USD 7.3 million in the value of property, plant and equipment at the end of 2019. The External Auditor reviewed the rationale for the change and the way it has been reflected in the financial statements and did not identify any issues with the application of IPSAS.

[9] The staff figure of 18,784 provided during the audit by the Human Resources Division was subsequently corrected by the Finance and Treasury Division.

3.2. Accounting treatment of distributions through partners

28. In accordance with the definition of an asset in paragraph 7 of IPSAS 1, an asset is recognized in the statement of financial position, or statement I, when WFP has control over it and assumes the majority of the associated risks and benefits. In line with this principle, commodities distributed through partners are considered to have been removed from inventory, and therefore from assets, as soon as they have been handed over to the cooperating partners, even when not yet distributed to the beneficiaries. The agreements signed with the cooperating partners stipulate that the cooperating partners, and no longer WFP, assume the physical custody and control of such commodities. Cash-based transfers distributed through a partner, however, are recognized under assets until they have been distributed to the beneficiaries. In this case, the agreements with the partners provide for the opening of special bank accounts with respect to which WFP has specific rights. WFP maintains sole and full beneficial title and interest to the cash held in such accounts.

29. These accounting treatments are in line with IPSAS, including the definition of an asset. The difference in treatment between the two distribution modalities reflects the different level of control retained by WFP over each of the channels used.

4. Main points regarding internal controls

4.1. WINGS II enterprise resource planning software

30. The WINGS II enterprise resource planning system (SAP architecture) plays a major role in the production of the financial statements, given that WFP is a highly decentralized organization that depends heavily on its information systems and operates in a high-risk environment in terms of risk of control and risk of fraud. WFP should make a robust cybersecurity policy a priority, particularly for general information technology controls[10] and application controls,[11] as this is an effective way of limiting such risks. For this reason, the External Auditor has performed information technology reviews focused on WINGS II since the start of its mandate in 2016 and issued recommendations in the financial audit reports for 2016 and 2017 to improve the security policy in WINGS II. In particular, in its 2018 report, it encouraged WFP's Technology Division to pay special attention to the following points:

- periodically review users' access rights and the traceability of the actions performed to activate and deactivate profiles;
- implement mitigating controls for SAP_ALL and SAP_NEW privileged access[12] granted to certain users;
- implement appropriate prevention and detection controls for users that have a FIREFIGHTER profile[13] and maintain traceability of the actions they perform in WINGS; and

[10] General information technology controls are related to securing the access rights associated with the WINGS II integrated management software. In particular, they cover management of SAP_NEW, SAP_ALL and FIREFIGHTER privileges, monitoring of user profiles and in particular deactivation of users' rights when they leave WFP.

[11] Application controls are related to management of the segregation of duties in the processes attached to the relevant accounts (such as the purchasing process, where there should be segregation of duties between ordering, reception and payment). WFP uses the SAP CRM module to manage the segregation of duties in WINGS II.

[12] SAP_ALL access provides access to all transactions recorded in WINGS. SAP_NEW access allows WINGS settings to be changed.

[13] Among other things, this profile ensures traceability of the actions performed in WINGS with privileged access.

- limit to a strict minimum the number of user profiles that do not comply with best practice with regard to the segregation of duties[14] and implement robust mitigating controls.

31. In response, in 2019, the WFP Technology Division undertook the drafting of new cybersecurity procedures that had not yet been validated and issued at the time of the final stage of the audit. It also took measures to address the points highlighted by the External Auditor in its 2018 report:

- for user access rights, a procedure based on a monthly review of access rights by data extraction was put in place;

- SAP_ALL and SAP_NEW privileged access is now reviewed monthly for relevance;

- for users that have a "FIREFIGHTER" profile, a monthly procedure was put in place whereby those who oversee the activity of such users are required to review their usage monthly; and

- for the segregation of duties, a procedure was put in place for monthly tracking of users who move to new positions and the associated impact on the segregation of duties.

32. The External Auditor acknowledges the importance of actions taken by the WFP Technology Division. Nevertheless, the tests carried out at the final stage of the audit revealed evidence of the persistence of risks identified in previous audits:

- 20 WINGS information system users still had access rights that did not comply with best practice in terms of segregation of duties (e.g. approving orders and authorizing payments), somewhat better than the situation observed at the time of the interim financial audit in October 2019 (35 such users at that time);

- 18 users had SAP_ALL extended rights and 11 others had SAP_NEW extended rights;

- The validity dates for 744 users were not correctly entered in WINGS II, meaning that the corresponding rights would not be deactivated after their separation from WFP. This is nevertheless a significant improvement over the situation seen during the October 2019 interim financial audit, when there were 7,128 such users;

- 9 users who left WFP in January and February 2020 still had their access rights under the handover grace periods allowed at WFP, an organization with very high staff turnover; and

- 9 users had multiple valid access rights (compared to only 1 case found during the interim mission).

33. As explained in paragraph 16 above, the WFP Technology Division acknowledged that there would always be some level of risk due of the nature of WFP's operations and indicated that WFP accepts such risks and has put the necessary procedures in place to limit them.

[14] Segregation of duties aims to reduce the risk of control by limiting the powers of each person within the organization: hence, the person who performs an action is different from the person who checks it, and the person who decides a transaction is different from the person who records it and the person who arranges the associated transfer of cash.

4.2. Actuarial calculations for long-term employee benefits

34. Non-current employee benefits recognized under liabilities in statement I stood at USD 1,023 million at the end of 2019, compared with USD 737 million at the end of 2018. This constitutes a very large increase in this liability, with most of this amount (USD 1,017 million) arising from actuarial valuations by the actuarial firm under contract with WFP, as shown in the table below.

Table 4: Status of long-term employee benefits[15]
(in USD million)

	Actuarial valuation	WFP valuation	2019	2018	Variation
After-service medical plans	891		**891**	625	+42%
Other non-current employee benefits[16]	81		**81**	72	+12%
Separation payments scheme	25		**25**	20	+25%
Compensation plan reserve fund[17]	20	2	**22**	15	+47%
Home leave travel		4	**4**	5	-
Total	**1 017**	**6**	**1 023**	**737**	**+39%**

Source: External Auditor based on financial statements.

35. The very large increase seen in liabilities is explained in particular by a change in discount rate assumptions. In 2018, the External Auditor observed that the assumptions used for the discount rates[18] (3.2 percent for international staff and 4.8 percent for national staff) were used to assign a value to all the benefits. Paragraphs 85 to 88 of IPSAS 39 state that the discount rate must be selected for each type of benefit to take into account the term of each obligation and reflect the time value of money. For its previous report, the External Auditor performed a broad revaluation of the discount rates, taking into account the different term of each benefit obligation, as mentioned in the actuarial report, and came up with lower average discount rates. This situation could have led to an underestimation of the liability. Consequently, the External Auditor recommended using rates that take into account the term of each post-employment benefit.

36. This recommendation was implemented in 2019 and the discount rates were calculated individually for each benefit. This resulted in significantly lower discount rates, in particular for the ASMPs that constitute the main liability (2.1 percent in 2019 compared to 3.2 percent in 2018), and thus in an increase in the liability in question. A USD 202 million portion of the increase in liabilities is attributable to the decrease in market rates and a USD 18 million portion is due to the change in accounting estimate used to determine the rates. This is therefore a significant improvement in the exercise of estimating WFP's long-term liabilities,

[15] These benefits apply to international professional staff, general service staff and national professional officers.
[16] These benefits include death grants and repatriation grants.
[17] The purpose of this plan is to compensate staff and their families in the event of work-related death, injury or illness.
[18] The discount rate is the rate applied to render a future expense and an immediate expense comparable. See paragraph 85 of IPSAS 39.

which is becoming increasingly important in the context of the continued growth in the number of WFP staff over the past several years.

37. WFP and its actuary have also done considerable work on providing better traceability of documentation that makes it possible to assess the robustness of the methodology, data and assumptions used to estimate these long-term employee benefits.

38. Despite the significant progress made, WFP should go even further to improve the quality of these accounts related to long-term employee benefits, by prioritizing the following actions:

- Validation of the payroll data used by the actuary needs to be strengthened. The 30 September 2019 data used by the actuary (which covers 7,614 people) has 24 fewer eligible staff than the WFP human resources data at that date. In addition, the calculation is not updated to 31 December 2019, which means that the liability for 175 eligible staff is not recorded.

- The assumptions used by the actuary for long-term growth in medical costs are based on a model that adds together the long-term growth rate of real gross domestic product, the inflation rate and the rate of movement of medical costs to the public sector, but do not provide any details on the determinants of changes in the medical costs of WFP employees and future trends.

- IPSAS 39 requires sensitivity analyses to measure the effect on the employee benefit liability of a change of ±100 basis points in actuarial assumptions such as the discount rate and the growth rate for medical costs. Sensitivity analyses for the main actuarial assumptions other than the discount rate, the growth rate for medical costs and the euro/dollar exchange rate should be produced to support the assertion in note 2.12 to the financial statements[19] that the three above-mentioned assumptions are the most sensitive. This work could start with the assumption on the staff turnover rate, which is easier to test than the assumption for the mortality rate.

- The EUR/USD mix of disbursements made to pay staff the benefits to which they are entitled is based on analyses of disbursements dating from 2009, which should be updated.[20]

[19] See para. 2.12.6.1. of the notes to the financial statements.

[20] The EUR/USD mix corresponds to the percentage share of employee long-term benefit plan payments made in euros and dollars. It is used to weight the interest rates of the yield curves for each zone, i.e., the euro zone and the United States of America. Thus, the discount rate for each long-term benefit plan is equal to the portion of expenses incurred in euros multiplied by the euro-zone yield curve rate corresponding to the term of the plan in question, plus the portion of expenses in United States dollars multiplied by the dollar yield curve interest rate corresponding to the term of the long-term benefit plan in question, and so on. In other words, the EUR/USD mix is used to determine the discount rates for each employee benefit plan using the interest rates derived from the yield curves for the euro zone and the United States.

Recommendation 1. The External Auditor recommends that WFP improve the validation of the September 30 payroll data used by the actuary and update the calculation based on the December 31 payroll data.

Recommendation 2. The External Auditor recommends that WFP obtain greater assurance from its actuary on the level of uncertainty associated with the assumptions used for future medical costs.

Recommendation 3. The External Auditor recommends that WFP obtain sensitivity analyses for all actuarial assumptions, starting with the assumption relating to the staff turnover rate.

Recommendation 4. The External Auditor recommends that WFP update the EUR/USD mix used to estimate long-term employee benefits based on more recent disbursement data.

5. WFP communication concerning fraud, amounts written off and ex gratia payments

5.1. Fraud risk prevention

39. As repeatedly highlighted in previous reports, WFP is particularly exposed to a risk of fraud due to its activity, the regions in which it operates, the nature of its assets, the highly decentralized nature of its organization and the large number of partners with which it interacts. Frauds are detected regularly. In 2019, WFP reported that it was aware of 10 cases of substantiated fraud (valued at USD 7.6 million, of which WFP was unable to recover USD 456,025) and 12 cases of presumptive fraud, related to ongoing investigations (valued at USD 2.3 million). These figures, mentioned in note 9, are much higher compared to the seven cases of fraud (valued at USD 581,351) reported in 2018. As in prior years, the External Auditor obtained confirmation of these elements by the Inspector General of WFP.

40. The marked increase in fraud value seen in 2019 can be explained by two cases. The first case, one of substantiated fraud, relates to a dispute with a supplier for an amount of USD 7 million that resulted in an agreement with the supplier for recovery by WFP, which is discussed in paragraphs 220 and 221 under note 8.2 to the financial statements on contingent liabilities and contingent assets. The second case, one of presumptive fraud valued at USD 1.8 million, relates to a potential fraud in the context of a cash-based transfer activity for which the country office is unable to reconcile the payments made by WFP to the financial partner concerned with those made to the beneficiaries. While the first case relates to a dispute with a supplier, the second case illustrates the high level of risk involved in the cash-based transfer activity, which requires vigilant execution of key controls, including reconciliation of the amounts distributed to beneficiaries and the amounts paid to financial partners.

41. The External Auditor's role is not to investigate frauds or provide any assurance on the matter whatsoever. Nevertheless, the External Auditor relies on its assessment of fraud risk to define its audit strategy and its work, in accordance with ISA 240. In view of what is described in the two previous paragraphs and findings of the performance audit on fraud for the 2018 financial year, the External Auditor has maintained its assessment of fraud risk at WFP as high.

5.2. Write-offs and ex gratia payments

42. All ex gratia payments and write-offs relating to contributions, inventories of food and other items and other assets must be formally approved by the Executive Director, as per financial regulations 12.3 and 12.4. Thus, a note signed by the Executive Director was submitted to the External Auditor on 30 March 2020 approving ex gratia payments and write-offs recognized in 2019 and presented in note 9 to the financial statements.

43. As of the cut-off date, the write-offs of food commodities (USD 24.6 million in 2019, USD 14.4 million in 2018 and USD 20.5 million in 2017) had not undergone a systematic detailed analysis, nor had they led to the formulation of an action plan to limit future risk, even though 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...". As the External Auditor has already indicated in his reports on the financial statements for 2016, 2017 and 2018, write-offs should only be recognized once authorized by the Executive Director, on the basis of the annual report on post-delivery food losses, after full investigation, in accordance with the provisions of financial regulation 12.4. This point is all the more important in 2019, as the losses recorded are significantly higher than in 2018 and concern a large number of sites, with the Niger, Nigeria, Somalia, the Syrian Arab Republic, Uganda and Yemen showing the highest losses.

IV. ACKNOWLEDGEMENTS

44. The audit team would like to express its sincere gratitude to the Finance and Treasury Division (RMF) for its support during the audit, and in particular to the Chief, General Accounts Branch (RMFG), who was the primary focal point for this audit. It would also like to thank the other WFP divisions for their contribution to the audit of the financial statements, particularly the WFP Technology Division.

End of audit observations.

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 the IPSAS, for the year ended 31 December 2019. The External Auditor has given his opinion and report on the 2019 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

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 around 83 countries where its work is overseen through the six regional bureaux. WFP has more than 18,000 employees worldwide of whom over 88 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 Strategic Plan is guided by the Sustainable Development Goals (SDGs) set forth in the 2030 Agenda for Sustainable Development, in particular SDG 2 on ending hunger and SDG 17 on revitalizing global partnerships for implementation of the SDGs. WFP's Strategic Plan for 2017–2021 therefore aligns the organization's work to the 2030 Agenda's global call to action, which prioritizes efforts to end poverty, hunger and inequality, encompassing humanitarian as well as development efforts.

4. 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.

5. The year 2019 was characterized by a continuation of the record number of emergencies witnessed the previous year, with seven Level 3 and eleven Level 2 emergencies active during the year, primarily stemming from conflict. In 2019, WFP responded to food security and nutrition needs in the context of conflict, climate change, corruption and poor governance, along with the breakdown of food systems.

6. In 2019, WFP's net contribution revenue was at a record level of USD 8.0 billion versus requirements, that were also higher than ever, standing at USD 12.1 billion. As a result of this USD 4.1 billion funding gap, WFP has had to prioritize geographically, between households, and across activities. Supported by growing donor funding levels, and in partnership with national governments, United Nations agencies, and over 1,000 non-governmental organization (NGO) partners, WFP was able to achieve significant results directly reaching 97.1 million people in 75 countries. While emergency response remained a focus in 2019 – with the Level 3 and Level 2 emergencies accounting for 64 percent of the total final programme of work – WFP's response in nutrition, work with smallholders, collaboration with national governments, and role in providing common services, among others were significant. WFP continues to be the largest distributor of cash and commodity vouchers in the humanitarian system, disbursing USD 2.1 billion in 2019, an increase from USD 1.8 billion in 2018.

Integrated Road Map

7. The four components of the Integrated Road Map (IRM) – the Strategic Plan (2017–2021), the policy on country strategic plans (CSPs), the Financial Framework Review, and the Corporate Results Framework (CRF) – were approved by the Executive Board at the 2016 second regular session. The holistic framework is designed to ensure that WFP supports countries' work to end hunger among the poorest and most food-insecure people and to achieve the 2030 Agenda for Sustainable Development.

8. As of 1 January 2019, all of WFP's country offices had transitioned from the project-based system and were operating under the IRM framework either through a Board-approved CSP, an interim CSP (ICSP), or a transitional ICSP approved by the Executive Director.[1] In addition, WFP implemented in 2019 four limited emergency operations (in the Bahamas, Comoros, Latin American countries affected by the situation in the Bolivarian Republic of Venezuela, and Papua New Guinea) and the Pacific interim multi-country strategic plan. Following the Board's approval of CSPs and ICSPs at the 2019 second regular session, as of 1 January 2020, all country offices will be operating under a Board-approved CSP or ICSP.

9. Over the course of 2019, management held a series of informal consultations with Member States on proposals for delegations of authority from the Executive Board to the Executive Director to approve programmes and revisions. At the Reconvened 2020 first regular session, the Executive Board approved the delegations of authority.[2] The appendix to the General Rules was revised, with effect from 1 May 2020. The delegations of authority ensure the Executive Board's fundamental approval and oversight role is maintained, safeguard WFP's ability to rapidly and efficiently respond to emergencies and provide a simpler governance framework for country offices.

10. To enhance transparency and ensure that the Executive Board retains visibility and oversight over the lifespan of a CSP or ICSP, the CSP data portal[3] was launched in mid-2018. Management has worked in 2019 to improve the usefulness of the CSP data portal by implementing actions such as posting the cumulative expenditures and open commitments down to the strategic outcome level once each quarter, incorporating the website of the WFP Management Plan (2020–2022) and improving the portal's functionality. In 2020,

[1] Two country offices – Yemen and Somalia – were allowed to continue implementing projects alongside their approved ICSPs until 31 March 2019. Both country offices are now operating solely under the IRM framework.

[2] Delegations of authority are set forth in annex III of document WFP/EB.1/2020/4-A/1/Rev.2.

[3] The CSP data portal provides operational and budgetary information from country operation management plans – including activity-level details – for all approved CSPs and ICSPs. The CSP data portal also features financial and performance information needed to monitor the progress of CSPs and ICSPs and facilitate funding decisions.

management will explore the potential for including data in the CSP data portal from limited emergency operations and CSPs and ICSPs that are funded entirely by host countries that have not requested Board approval. In addition, in early 2020 management will implement an email notification system that will alert Member States of all budget revisions, regardless of the magnitude of the resulting change in value.

Financial analysis

Summary

11. WFP's primary source of revenue is voluntary contributions from donors. WFP recognizes contribution revenue when confirmed in writing and where the contributions are not stipulated for a future financial year. Contributions stipulated by donors for use in future periods are recorded as deferred revenue.

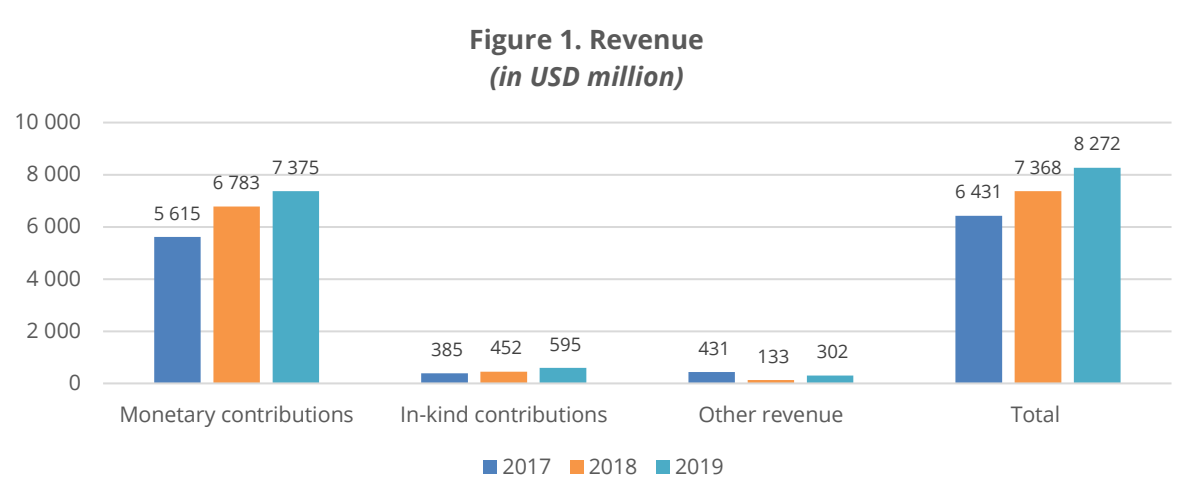
12. WFP's primary expenses are for food commodities distributed and cash-based transfers. Expenses are recognized when food commodities are delivered, or cash-based transfers are distributed. There is an inherent time lag between the recognition of revenue and the recognition of expenses. Expenses in any one year may be higher or lower than the revenue in that year as WFP utilizes or replenishes its fund balances.

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

14. 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

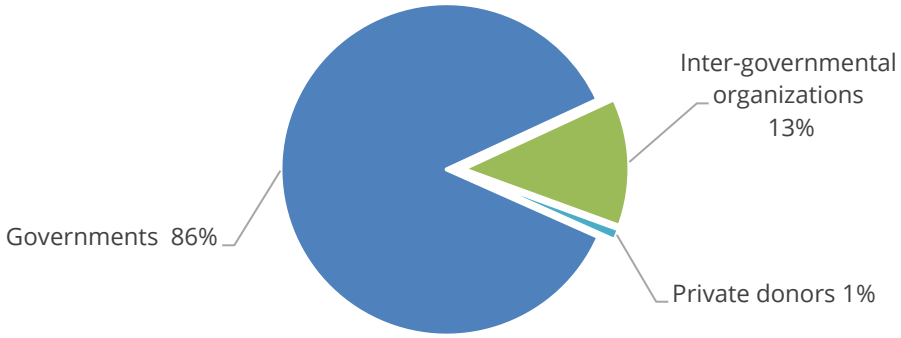


15. 2019 was another record year with total revenue recognized of USD 8,271.6 million, an increase of USD 903.3 million or 12 percent from the revenue of USD 7,368.3 million in 2018.

16. USD 7,970.0 million or 96 percent of total revenue was from donor monetary and in-kind contributions, an increase of USD 735.1 million or 10 percent compared to USD 7,234.9 million in 2018.

17. This increase in contribution revenue in 2019 stems primarily from increased monetary contributions received from most of the largest donors, governments and intergovernmental organizations, including, the United States of America, Germany, the United Kingdom of Great Britain and Northern Ireland, Saudi Arabia, the United Arab Emirates, Japan, Sweden, the United Nations Central Emergency Response Fund and other United Nations funds.

Figure 2. Contributions revenue by donors
(percentages)



18. USD 6,952.8 million or 87 percent of 2019 contributions revenue of USD 7,970.0 million was for WFP's programme category funds. Multilateral contributions, amounting to USD 386.7 million in 2019, are initially recorded under the General Fund and Special Account segment, until they are allocated to specific programmes. Forty-six percent of contribution revenue under the programme category funds was generated in the Regional Bureau for the Middle East, North Africa, Eastern Europe and Central Asia due to the extensive needs of major emergency operations in Yemen and the Syrian Regional Refugee Response. The contribution revenue under the programme category funds was distributed across six regional bureaux as follows:

Figure 3. Contribution revenue distribution by regional bureau
(*percentages*)

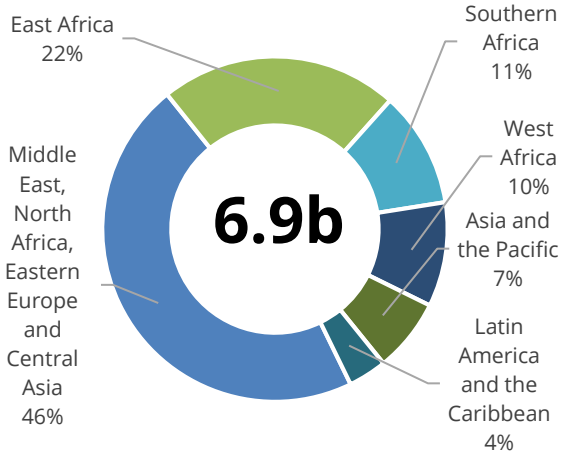
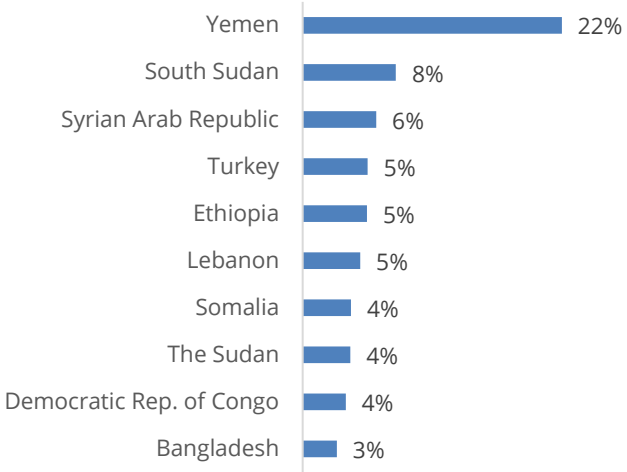


Figure 4. Top 10 countries by revenue distribution



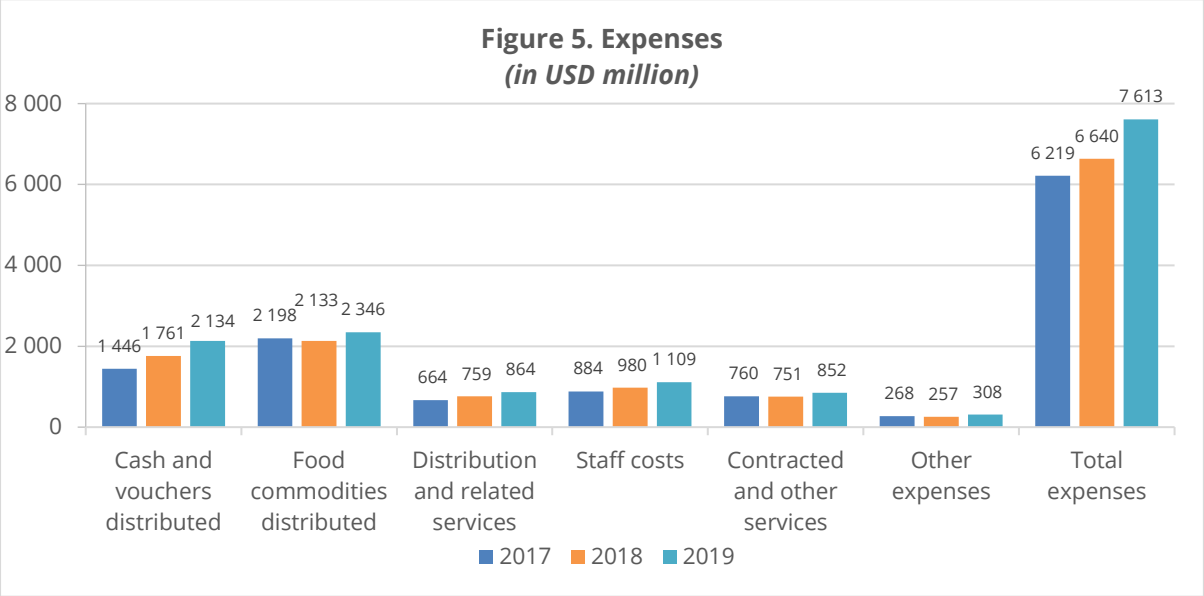
19. Other revenue was USD 301.6 million in 2019, an increase of USD 168.2 million compared to USD 133.4 million in 2018. The elements of other revenue amounting to USD 301.6 million in 2019 comprised:

    a) currency exchange differences – USD 15.0 million gain;

    b) return on investments – USD 78.6 million gain; and

    c) other revenue generated from provision of goods and services – USD 208.0 million.

Expenses



20. In 2019, WFP expenses were USD 7,613.4 million, an increase of USD 973.7 million or 15 percent from USD 6,639.7 million in 2018.

21. Cash-based transfers distributed of USD 2,134.0 million (including USD 235.4 million of commodity voucher transfers), increased by USD 373.5 million or 21 percent compared to USD 1,760.5 million (including 91.0 million of commodity voucher transfers) in 2018. The Syrian Regional Refugee Response emergency (namely, in Turkey, Lebanon and Jordan), Yemen and Somalia were the largest operations deploying the cash-based transfer modalities, amounting to USD 1,326.2 million or 62 percent of total cash-based transfers distributed in 2019. At the same time, Yemen accounts for almost half of the increase in cash-based transfer operations, mainly through commodity voucher transfers, in 2019.

22. Food commodities distributed in 2019 were 4.2 million mt, an increase of 0.3 million mt over 2018, with the corresponding value of USD 2,346.0 million representing a 10 percent increase over 2018. Seventy-three percent of the food commodities distributed in tonnage and 68 percent in value are attributable to WFP's emergency and other large operations in Yemen, the Syrian Arab Republic, Ethiopia, South Sudan, Uganda, the Democratic Republic of the Congo and the Sudan.

23. Distribution and related services increased in 2019 by USD 105.4 million or 14 percent to USD 864.1 million from USD 758.7 million in 2018. The increase is mainly related to the increased food commodity distributions, with most significant cost increases attributable to operations in Yemen and South Sudan, USD 71 million and USD 16 million, respectively.

24. Staff costs increased in 2019 by 13 percent to USD 1,109.4 million. The increase in staff costs is mainly due to an increase in the number of international professionals, national staff and consultants amounting to 1,546, or 9 percent, over 2018.

25. The other expenses category of USD 308.1 million increased by 20 percent from USD 257.3 million in 2018 and is composed of:

a) Supplies, consumables and other running costs – USD 212.6 million;

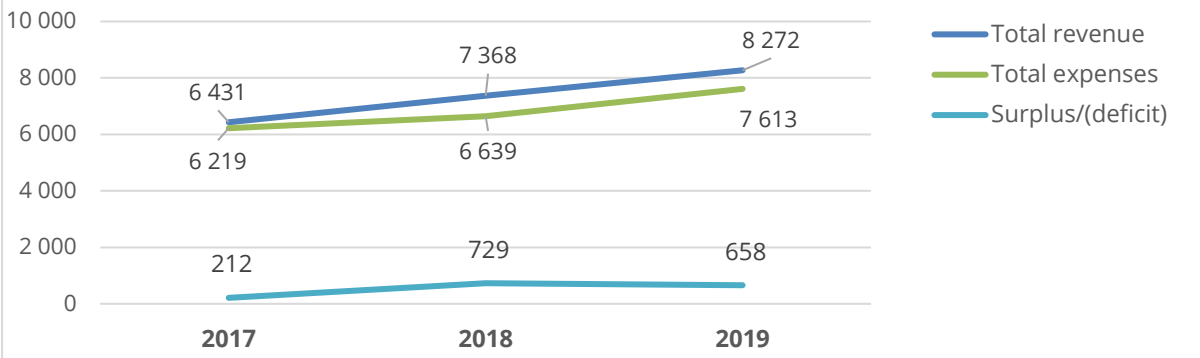
b) Depreciation and amortization costs – USD 45.3 million;

c) Other expenses – USD 48.5 million; and

d) Finance costs – USD 1.7 million.

Surplus

Figure 6. Evolution of the surplus
(USD million)

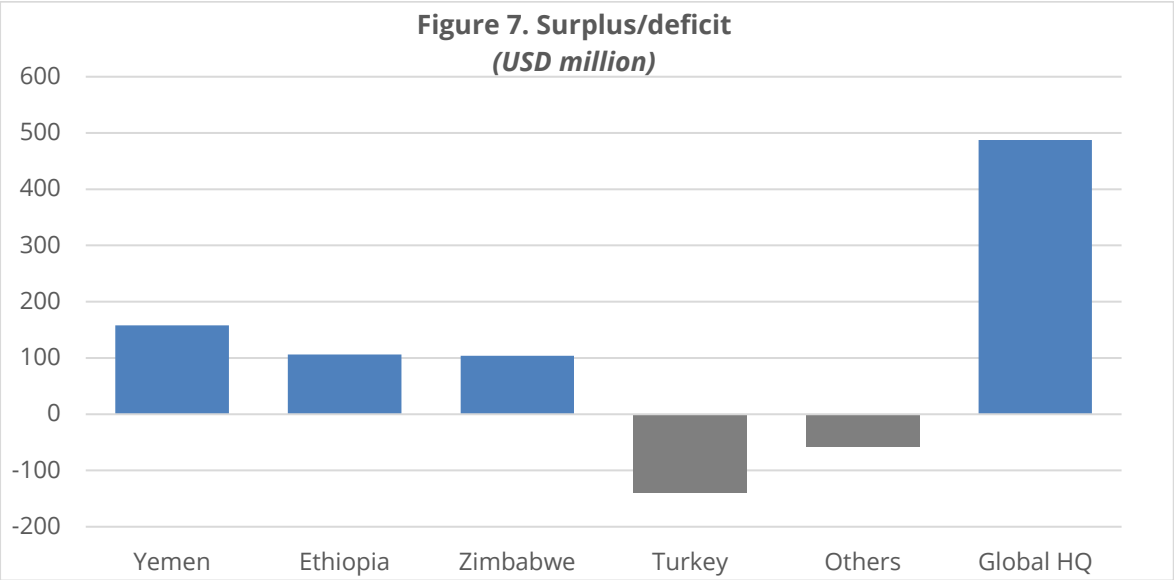


26. In 2019, the surplus of revenue over expenses was USD 658.2 million, a 10 percent decrease compared to a surplus of USD 728.6 million in 2018. The surplus is realized as a result of a continuous revenue growth, and in part is offset by a stronger growth of expenses of 15 percent compared to revenue growth of 12 percent in 2019.

27. 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.

28. The time lag between revenue and expenses recognition remains the main factor for surpluses/deficits in a reporting period. Out of the contribution revenue of USD 7,970.0 million in 2019, approximately 70 percent pertained to grants that have duration beyond 2019.

29. In 2019, over 50 percent of the total surplus of USD 658.2 million is attributed to the L3 emergency operation in Yemen, the operation in Ethiopia and the L2 emergency operation in Zimbabwe. In Yemen, there was significant scale up of operations in 2019 with 41 percent growth in revenue and 81 percent growth in expenses. The main donor almost doubled the support for the operations in Ethiopia, with contribution revenue largely recognized in the second part of the year for expenses in the next reporting periods. In Zimbabwe, additional funding was received in support of growing food security needs in 2020. In Turkey, the deficit is realized as the funds brought forward from the main contribution in 2018 were utilized for the implementation of the cash-based transfer operation of the emergency social safety net. The surplus reported under global headquarters includes multilateral contributions of USD 386.7 million which is recognized initially as revenue in the General Fund and subsequently, allocated to the country offices' CSPs, through the fund balances transfers directly in Statement III Changes in Net Assets.



Financial position

TABLE 1. SUMMARY OF FINANCIAL POSITION AT 31 DECEMBER 2019
(in USD million)

	2019	2018
Cash and short-term investments	2 993.3	2 785.4
Contributions receivable	4 234.7	3 521.8
Inventories	936.4	853.8
Other receivables	319.0	218.0
Long-term investments	763.9	629.3
Property, plant and equipment and intangible assets	187.6	166.7
Total assets	**9 434.9**	**8 175.0**
Deferred revenues	1 482.3	1 279.2
Employee benefits	1 065.6	778.2
Loan	66.6	72.3
Other liabilities	950.4	739.6
Total liabilities	**3 564.9**	**2 869.3**
Net assets	**5 870.0**	**5 305.7**
Fund balances	5 437.8	4 898.4
Reserves	432.2	407.3
Total fund balances and reserves	**5 870.0**	**5 305.7**

Total assets

30. Total assets increased in 2019 by USD 1,259.9 million or 15 percent from USD 8,175.0 million at the end of 2018 to USD 9,434.9 million at the end of 2019. The increase is mainly due to the growth in contributions receivable driven by the growth in operations.

31. Total cash, cash equivalents, and short-term investments of USD 2,993.3 million increased by USD 207.9 million or 7 percent from USD 2,785.4 million in 2018. The increase is mainly due to a 32 percent increase in cash and cash equivalents. WFP's cash, cash equivalents and short-term investments included in the programme category funds segment of USD 2,045.9 million cover three months of operational activity (four months in 2018).

32. Total contributions receivable of USD 4,234.7 million increased by USD 712.9 million or 20 percent from USD 3,521.8 million in 2018. The increase is in the current portion of the contributions receivable and is in line with the growth in contribution revenue.

33. The value of WFP's food commodity inventory at the end of 2019 of USD 919.6 million increased by USD 81.5 million or 10 percent from the 2018 value due to an increase in stocks held of 0.2 million mt or 10 percent from the 2018 stocks (1.6 million mt in 2018 compared to 1.8 million mt in 2019). 60 percent of inventories were held in six locations: Yemen, South Sudan, the Syrian Arab Republic, the Sudan, Ethiopia and Somalia. Using the historical average of commodities distributed, the 1.8 million mt of food commodities in inventory represents five months of operational activity.

Total liabilities

34. Total liabilities increased by USD 695.6 million or 24 percent from USD 2,869.3 million in 2018 to USD 3,564.9 million in 2019, primarily due to the increase in deferred revenue of USD 203.1 million, employee benefits liabilities of USD 287.4 million and other liabilities of USD 210.8 million.

35. Deferred revenue reflects contributions revenue stipulated for future years. Deferred revenue in 2019 increased by USD 203.1 million or 16 percent from USD 1,279.2 million at the end of 2018 to USD 1,482.3 million at the end of 2019. Of the total deferred revenue of USD 1,482.3 million, USD 911.3 million is stipulated for use in 2020, and the remaining balance of USD 571.0 million is stipulated for use from 2021 and beyond.

36. The increase in employee benefit liabilities was USD 287.4 million or 37 percent, of which USD 219.9 million was due to the decrease of discount rates driven by a drop in the market yields.

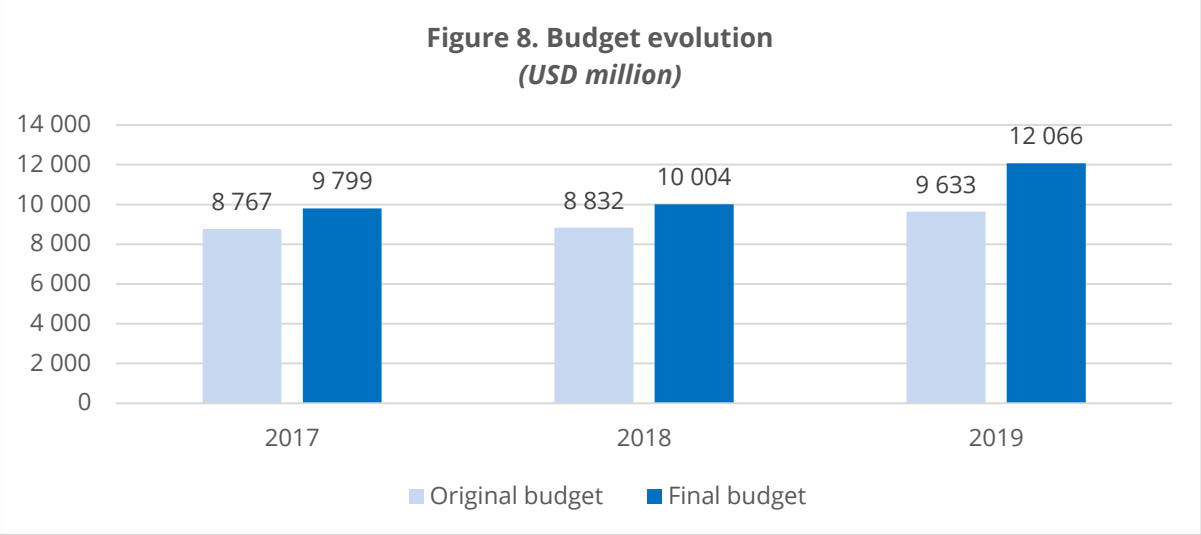
Net assets

37. Net assets represent the difference between WFP's total assets and total liabilities. At 31 December 2019, WFP's net assets totalled USD 5,870.0 million, confirming a healthy overall financial position. Of these net assets (fund balances and reserves), USD 4,947.1 million relate to the programme's projects, representing approximately six months of operational activity (six months in 2018). 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 922.9 million pertains to the General Fund and Special Accounts, reserves and bilateral operations and trust funds.

38. At 31 December 2019, reserves balances totalled USD 432.2 million, an increase of USD 24.9 million or 6 percent compared to the balance held at 31 December 2018. The increase was due to a USD 22.5 million increase in the Immediate Response Account (IRA) and a USD 2.3 million increase in the Programme Support and Administrative Equalization Account.

Budgetary analysis

Basis of the budget



39. The budget figures for CSP and indirect support costs (ISCs) (programme support and administrative (PSA) budget) disclosed in Financial Statement V – Statement of Comparison of Budget and Actual Amounts are derived from the programme of work in the WFP Management Plan (2019–2021) and are broadly needs based. Resources are made available for the CSP costs when contributions are confirmed by donors for approved CSPs and through WFP's advance financing activities. Budgetary authority to incur PSA costs is received through the approval of the management plan.

40. The strategic and programmatic shift set out in the WFP Strategic Plan (2017–2021) 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. CSPs, an integral component of the IRM, are aligned with the WFP Strategic Plan (2017–2021) and the Corporate Results Framework (2017–2021).

41. As of 1 January 2019, all of WFP's country offices, with the exception noted in paragraph 8, had transitioned from the project-based system and were operating under the IRM framework either through a Board-approved CSP, an ICSP, or a transitional ICSP approved by the Executive Director.

Overview of the budgetary requirements in 2019

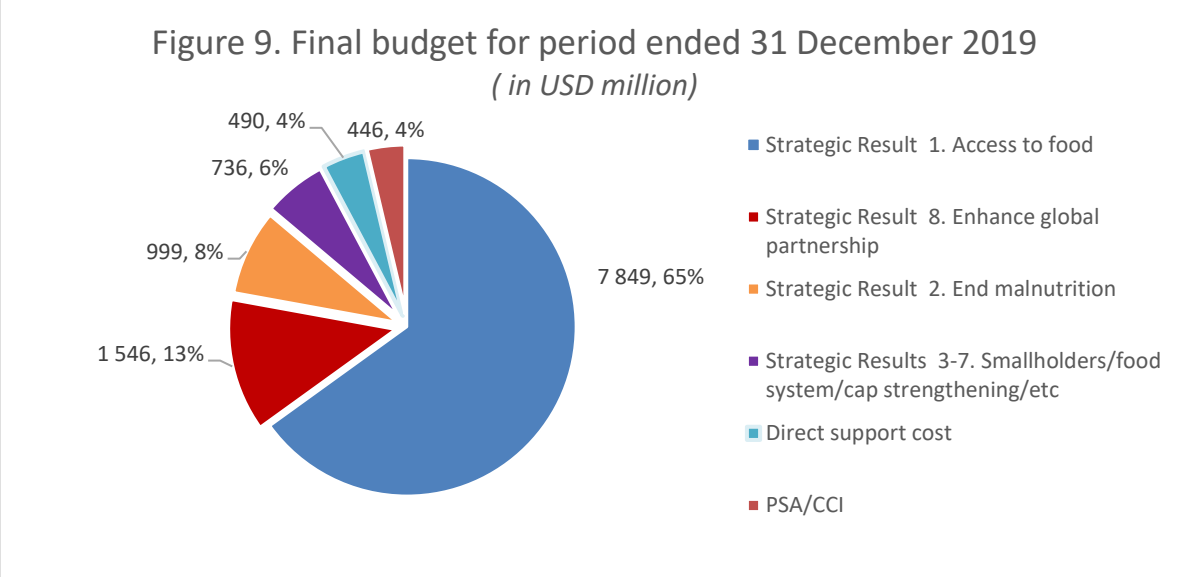
42. The WFP Management Plan (2019–2021), which was approved by the Board in November 2018, presented the 2019 programme of work amounting to USD 9,633.4 million as "original budget". The original budget in 2019 had a 9 percent increase compared to the original budget in 2018, mainly due to the increased operational requirements in WFP's largest emergency operation in Yemen.

43. By the end of 2019 the programme of work was updated to include the unforeseen needs. The final 2019 programme of work was 25 percent higher at USD 12,065.5 million, an increase of USD 2,432.1 million. This is disclosed in the Financial Statement V as "final budget".

44. Nearly 63 percent or USD 1,524.1 million of the USD 2,432.1 million total increase is attributable to four emergency operations and one large operation as detailed below:

- USD 659 million increase in Yemen L3 emergency in response to the large-scale population displacement due to prolonged conflict;

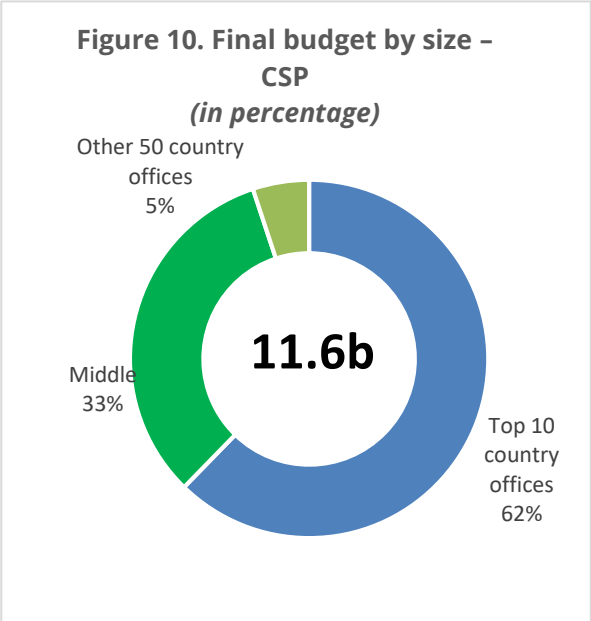
- USD 257 million increase in Mozambique L3 emergency in response to the devastating damages caused by cyclone Idai;
- USD 233 million increase in the Democratic Republic of the Congo L3 emergency due to continued inter-ethnic conflict and Ebola outbreak;
- USD 189 million increase in Somalia to relieve the acute food insecurity caused by the preceding 2018/2019 drought;
- USD 186 million in Turkey L2 emergency for the continued assistance to Syrian refugees.

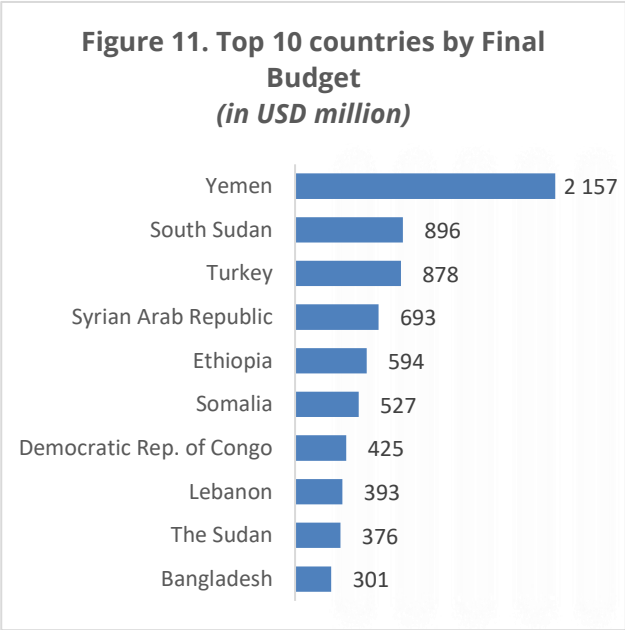


45. Countries affected by protracted conflict required urgent and targeted unconditional food assistance and nutrition programmes, adapted to the magnitude of the conflict and to fluctuations in needs. From the programmatic perspective, WFP activities in support of SDG 2, Strategic Result 1 (Access to food) and Strategic Result 2 (End malnutrition) represented 73 percent or USD 8,847.4 million of the total final budget of USD 12,065.5 million (26 percent increase for the unforeseen needs compared to the 2019 original budget).

46. Further, 13 percent or USD 1,545.9 million of the total final budget was allocated in support of SDG 17, Strategic Result 8 (Enhance global partnership).

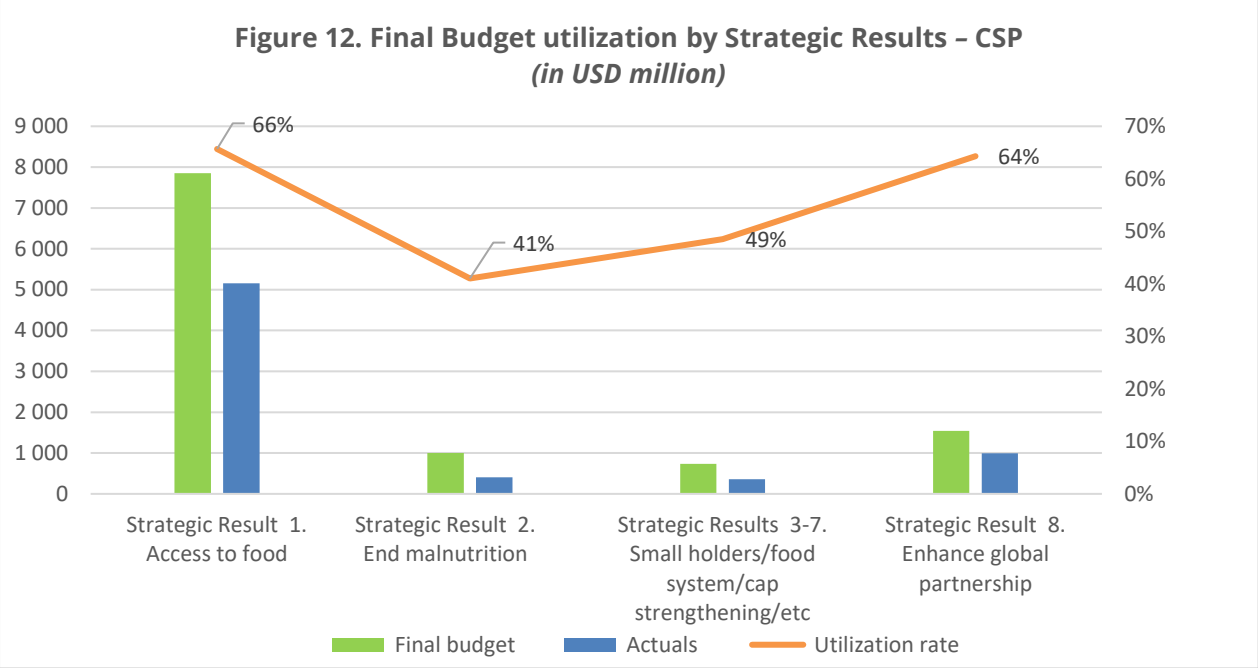
47. Ten WFP operations in 2019, including seven emergencies, accounted for 62 percent of the total final budget.





Utilization of the budget

CSP final budget utilization



48. 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.

49. In 2019, the CSP final budget was USD 11,619.7 million and overall utilization of the CSP final budget was at 62 percent, reflected across the various strategic results as outlined below:

    a) Strategic Result 1 (Everyone has access to food) had a utilization rate of 66 percent. Nearly 97 percent of USD 5,154.6 million actual costs under Strategic Result 1 related to unconditional resource transfers, school meals, assets creation and livelihood support activities. Unconditional resource transfer in Yemen alone amounted to USD 1,152.9 million.

    b) Strategic Result 2 (No one suffers from malnutrition) had a relatively low utilization rate of 41 percent, resulting from both resource and implementation constraints. Malnutrition prevention and nutrition treatment activities represented 92 percent of total actual costs USD 409.6 million under Strategic Result 2.

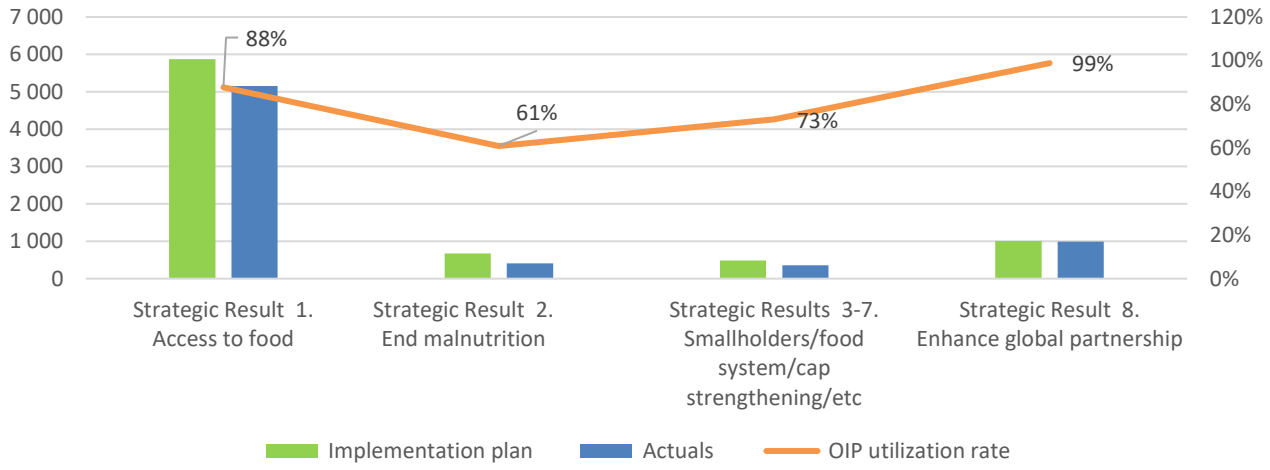
    c) Strategic Result 8 (Sharing of knowledge, expertise and technology, strengthen global partnership support to country efforts to achieve the SDGs) had an overall utilization rate of 64 percent. Service provision and platform services are the primary activity category contributing to Strategic Result 8. WFP was most active in Turkey, Yemen and South Sudan to provide emergency coordination and various services including air operations.

    d) The remaining five strategic results (Strategic Results 3–7), contributing to the sustainable food systems and to countries' capacities to implement SDGs, amounted to 6 percent of the CSP final budget and had an overall utilization rate of 49 percent. Among the remaining five strategic results, Strategic Result 3 (Smallholders have improved food security and nutrition through improved productivity and incomes) and Strategic Result 4 (Food systems are sustainable) accounted for 83 percent of overall actual costs of USD 357.3 million. Asset creation and livelihood support was

the main contributing activity towards these strategic results, with an overall utilization rate of 49 percent.

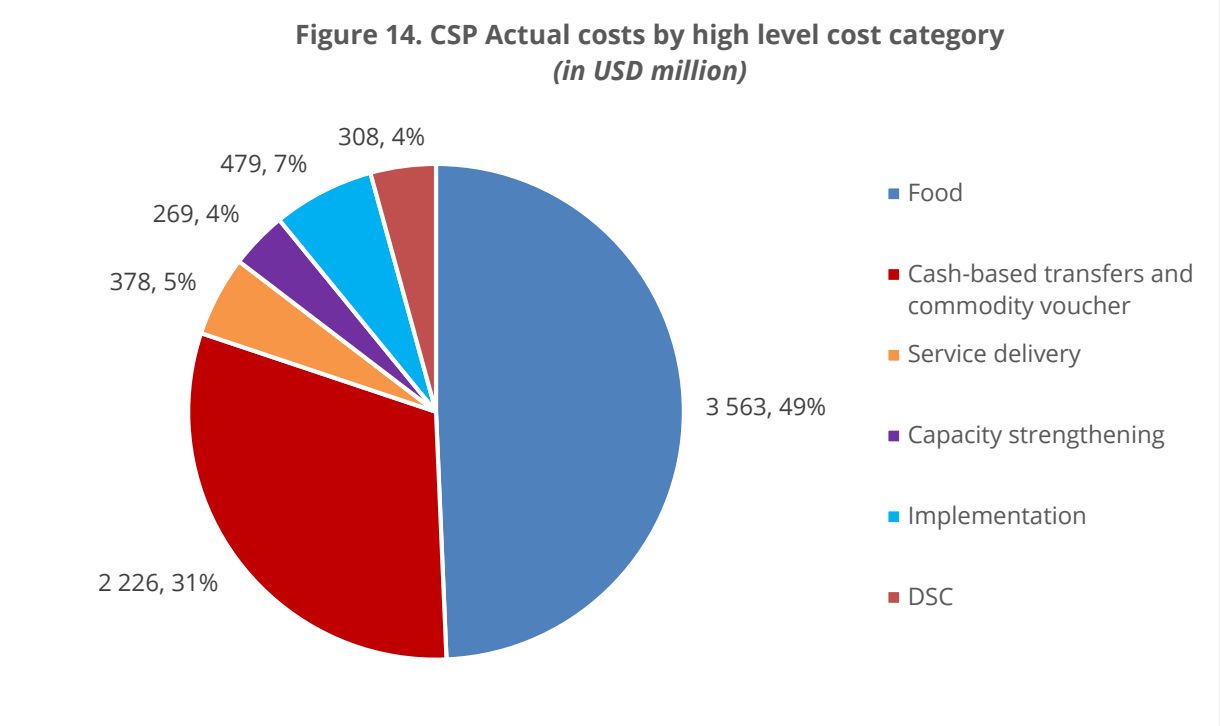
CSP Implementation plan utilization

Figure 13. Implementation plan utilization by Strategic Results – CSP
(in USD million)



50. The CSP implementation plan presented in Statement V of USD 8,421.5 million represents operational needs prioritized to take into account forecasted available resources and operational challenges as at 1 January 2019. WFP achieved an overall utilization rate of 86 percent against the implementation plan. Strategic Result 8 (Enhance global partnership) has a particularly high utilization rate due to the high level of resources received and prompt delivery in 2019. Utilization rates for other strategic results are in line with the overall final budget utilization as explained above.

CSP actual costs analysis by transfer modalities[4]



51. The country portfolio budget structure includes four high-level cost categories: transfer costs; implementation costs; direct support costs; and ISCs. 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 89 percent of total CSP operational and direct support costs in 2019.

52. Out of total USD 6,436.3 million transfer costs, USD 3,563.1 million (49 percent) was for food transfers. Yemen, the Syrian Arab Republic, South Sudan and Ethiopia were the countries with the biggest food delivery, representing 58 percent of the total food transfer cost.

53. Cash-based transfers increased consistently over the past ten years and reached USD 2,226.0 million in 2019. The Syrian Regional Refugee Response and Yemen are the biggest cash-based transfer operations, representing 54 percent of total cash-based transfer cost.

54. Capacity strengthening accounted for USD 268.9 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 378.3 million in 2019, with an increased demand from the humanitarian community for common services and platforms.

55. Implementation costs and direct support costs accounted for 7 percent and 4 percent, respectively, of the CSP actual costs.

[4] In line with the Executive Board approval some countries continued implementing their activities under the previous project-based system, alongside their CSP for a limited period in 2019. The project-based system actual costs in 2019 amounted to USD 100.3 million or 1 percent of total actual costs in 2019. These costs are excluded from analysis due to the comparability issues.

Indirect costs

56. Budgetary authority to incur PSA costs is received through the approval of the management plan. The final PSA budget in 2019 consisted of USD 385.1 million for regular PSA expenditure and USD 60.7 million for critical corporate initiatives. Of the final approved regular PSA budget, USD 384.2 million or 99.8 percent was utilized. Of the final approved critical corporate initiatives budget, USD 38.8 million or 64 percent was utilized in 2019.

Enhancing transparency and accountability

57. 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.

58. To ensure continued compliance with IPSAS, WFP assesses the impact and applies new IPSAS standards and changes accounting policies when changes in IPSAS require. 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.

59. The Executive Management Group meets regularly to discuss policy and strategic issues, including a review of selected IPSAS-based financial highlights, which cover key areas of WFP's financial performance and financial position.

60. WFP's enterprise risk management framework and internal control framework, both of which are aligned with the Committee of Sponsoring Organizations of the Treadway Commission (COSO), are designed to manage and communicate WFP's risk exposure and provide reasonable assurance regarding the achievement of WFP's objectives. The Assistant Executive Director, Resource Management Department and Chief Financial Officer: a) oversees and provides direction to the Enterprise Risk Management function; b) serves as steward for the internal control framework and monitors its implementation through annual assurance statements from global management and oversight recommendation follow-up and reporting; and c) ensures that a clear action plan exists for addressing major risks and internal control issues.

61. WFP has adopted clear policies related to the public disclosure of the results of independent evaluations, audits and inspections. Evaluation reports and the accompanying management responses dating back to 2000 can be found on WFP's public website. Reports of the External Auditor and management responses are available on the Executive Board's public website. Internal audit and inspection reports are posted on WFP's public website in accordance with the Policy for Disclosure of Oversight Reports. In addition, annual updates to the Executive Board on Joint Inspection Unit recommendations are available on the Executive Board's public website.

62. WFP is a leading member of the International Aid Transparency Initiative, a voluntary multi-stakeholder initiative to increase transparency of development cooperation. In line with commitment to IATI transparency commitment, WFP openly publishes on a monthly basis 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 1,100) by scoring three dimensions – timeliness, forward-looking and comprehensiveness.

Treasury risk management

63. 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.

64. 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.

65. Building on the established framework of potential financial risk mitigation policies and processes surrounding cash-based transfer operations, in 2019 WFP continued to expand its focus on promoting end-to-end assurance within cash assistance operations. WFP worked to further refine, enhance and reinforce compliance with the cash-based transfer Business Process Model and the responsibility and accountability framework associated with it. The portfolio of activities focused on an array of key areas such as: oversight, development of analytical tools and guidelines, responsibility matrix as well as dissemination of global lessons learned and best practices, which serve to contribute to the better protection of WFP assets.

66. Further, a significant effort was made in 2019 to expand and prioritize initiatives that aim to reinforce early risk identification within our cash-based transfer programmes, with a particular focus on the due diligence of the financial service providers to be potentially engaged by WFP, with the goal to evaluate their capacity to deliver and ability to effectively support WFP's cash-based transfer operations. Finally, a substantial focus has been put in setting up the tools, templates, guidelines and policies that will be used by the country offices as they work to enhance the reach of cash-based transfer operations and related risk management frameworks.

67. WFP's employee benefit liabilities were USD 1,065.6 million at 31 December 2019. 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 standard staff cost over a 15-year period starting in 2011, with a view towards achieving a full 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 2019, the level of assets set aside (USD 764.9 million) for the funding of the long-term employee benefit liabilities (USD 1,023.5 million) represents a 75 percent funding level. This is a decrease from the 80 percent funding level in 2018 and is primarily due to an increase in the long-term employee benefit liabilities, given a decrease in the discount rates used to valuate these liabilities. Based on the actuarial valuation results of this year, it is projected that the fully funded status will be achieved during 2028 (two years later compared to the projections in 2018 valuation). The asset-liability study undertaken by the Secretariat to evaluate the appropriateness of the current funding policy also confirmed funding projections are in line with previous expectations and proposed minor alternatives to the asset allocation policy and an extension of duration (interest rate sensitivity) to better match projected liability characteristics.

Sustainability

68. WFP's financial statements are prepared on a going-concern basis. In making this determination, WFP has considered the consequences of any potential significant reduction in contributions and whether this would lead to a consequential reduction in the scale of operations and number of people assisted. Having considered WFP's projected activities and the corresponding risks, I am confident that WFP has adequate resources to continue to operate in the medium term.

69. My statement on sustainability is supported by: i) the requirements I put forward in the WFP Management Plan (2020–2022); ii) the Strategic Plan (2017–2021) approved by the Executive Board in 2016; iii) the net assets held at the end of the period and contributions received in 2019; iv) the projected contributions levels for the year 2020; and v) the trend in donor support that has been sustaining WFP's mandate since its inception in 1963.

Administrative matters

70. 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 Annex I to this document.

Responsibility

71. 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 2019.

Statement I Statement of Financial Position at 31 December 2019

Statement II Statement of Financial Performance for the year ended 31 December 2019

Statement III Statement of Changes in Net Assets for the year ended 31 December 2019

Statement IV Statement of Cash Flow for the year ended 31 December 2019

Statement V Statement of Comparison of Budget and Actual Amounts for the year ended 31 December 2019

Notes to the Financial Statements

David M. Beasley

Executive Director Rome, 30 March 2020

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 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[1] 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[2] 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:

   a) Feedback from global management as part of an enhanced annual Executive Director's Assurance Exercise;

   b) The Office of the Inspector General's 2019 Annual Report; and

   c) Other evidence as available and appropriate.

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[1] WFP/EB.2/2018/5-C

[2] WFP/EB.A/2018/5-C*

Significant risk and internal control matters

8. Two significant risk and internal control issues arose in 2019. Based on findings from recent staff surveys, WFP needs to ensure that employees at all levels of the organization are protected from harassment, abuse and discrimination. WFP is therefore investing in **workplace culture and conduct** to promote an ethical, safe and respectful environment for all staff as a top priority in 2020. WFP's initiatives to improve tone-at-the-top and adherence to ethical standards are summarized in the Comprehensive Action Plan prepared by the new Senior Advisor on Workplace Culture.

9. Considering incidents that took place in 2019 and findings from the Office of the Inspector General, **food safety and quality** has also emerged as a priority issue requiring greater strategic direction and guidance. Out of the 22 significant adverse events reported by management in the Executive Director Assurance Exercise, six (27 percent) related to food safety and quality across three regions. In a context where the organization is procuring unprecedented quantities of food to meet the growing needs of beneficiaries, while expanding its supplier base in developing countries and increasing the complexity of food baskets, it is critical that WFP remains vigilant on this issue, for which a special account has been created to ensure appropriate resourcing and attention.

10. The 2018 Statement on Internal Control drew attention to six significant risk and internal control issues. While WFP has been bolstering its capacity for the **management of NGOs**, issues remain related to the capacity and availability of NGOs, due in part to host government restrictions but also unpredictable resources and staff turnover in partner organizations. WFP is mitigating this issue by strengthening capacity and resources in the NGO Partnerships Unit in headquarters, updating corporate guidance and rolling out initiatives such as the United Nations Partner Portal.

11. On **beneficiary management**, WFP has taken considerable action over the course of the last year to continue the rollout and upgrade of SCOPE, enhance capacity in the field, and develop and disseminate new guidance such as the recently issued Beneficiary Information Management Guide. Safeguarding of personal data protection and privacy remains a priority as WFP further digitises its beneficiary interface. Following successful pilots in four country offices, WFP is now rolling out a standardised beneficiary complaints and feedback mechanism.

12. On **talent management and workforce planning**, WFP continues to align organizational structures to current and future needs given the changing global environment and rise of new operating modalities. Challenges raised by management include a limited pool of talent, competition from other agencies, difficulties recruiting female staff for field-based roles, and the often lengthy and complex hiring and reassignment processes. Building on the progress made thus far through initiatives such as organizational alignment reviews and launch of the Future International Talent Pool, a new 'people policy' is expected to be presented at the Executive Board at EB.1/2021.

13. On **monitoring and review systems**, WFP is investing in its data analysis capabilities to improve the use of monitoring findings in operational decisions and to help demonstrate results to stakeholders better. Challenges include recruitment of staff with the right skill sets, as well as reliance on third-party monitors for coverage in some contexts. Action to transition to a risk-based monitoring approach is expected to have a significant positive impact on this issue over the coming year, as are investments in related systems, data integration, and programme monitoring tools aimed at building capacity.

14. While WFP has successfully renewed its emphasis on leadership in emergencies and bolstered its **capacity to scale-up to respond to emergencies**, managing an unprecedented eighteen concurrent emergencies worldwide in 2019, attention is once again directed towards this matter considering the global COVID-19 pandemic. In order to tackle remaining issues around surge capacity, humanitarian access and security constraints, WFP is seeking to build a larger pool of personnel to respond to emergencies; reduce the complexity of emergency-related processes and tools; enhance funding and prioritization mechanisms; and strengthen capacity to respond in highly complex settings.

15. Lastly, on information technology (**IT) system implementation, integration and cybersecurity**, challenges include WFP's ability to adopt new technology aligned with business requirements, fragmentation of systems and platforms, and limited internet connectivity in remote areas. WFP has made substantial investments to strengthen governance structures and arrangements, establish standards for locally developed systems, implement data protection and threat detection, decommission legacy systems, and rearchitect the network environment. By its nature, IT is an area where the organization will need to continuously improve in order to keep up, as digitisation continues to be a top organisational priority.

Statement

16. 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.

17. 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 2019 in line with COSO's 2013 Internal Control – Integrated Framework.

18. 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, 5 May 2020

WORLD FOOD PROGRAMME
STATEMENT I
STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2019
(USD million)

	Note	2019	2018
Assets			
Current assets			
Cash and cash equivalents	2.1	1 471.9	1 116.1
Short-term investments	2.2	1 521.4	1 669.3
Contributions receivable	2.3	3 665.4	3 011.0
Inventories	2.4	936.4	853.8
Other receivables	2.5	319.0	218.0
		7 914.1	**6 868.2**
Non-current assets			
Contributions receivable	2.3	569.3	510.8
Long-term investments	2.6	763.9	629.3
Property, plant and equipment	2.7	180.4	162.2
Intangible assets	2.8	7.2	4.5
		1 520.8	**1 306.8**
Total assets		**9 434.9**	**8 175.0**
Liabilities			
Current liabilities			
Payables and accruals	2.9	936.2	727.8
Deferred revenue	2.10	911.3	783.4
Provisions	2.11	14.2	11.8
Employee benefits	2.12	42.1	41.2
Loan	2.13	5.7	5.7
		1 909.5	**1 569.9**
Non-current liabilities			
Deferred revenue	2.10	571.0	495.8
Employee benefits	2.12	1 023.5	737.0
Loan	2.13	60.9	66.6
		1 655.4	**1 299.4**
Total liabilities		**3 564.9**	**2 869.3**
Net assets		**5 870.0**	**5 305.7**
Fund balances and reserves			
Fund balances	2.15	5 437.8	4 898.4
Reserves	2.15	432.2	407.3
Total fund balances and reserves		**5 870.0**	**5 305.7**

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

David M. Beasley
Executive Director
Rome, 30 March 2020

Manoj Juneja
Assistant Executive Director, RM and
Chief Financial Officer

WORLD FOOD PROGRAMME

STATEMENT II

STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 31 DECEMBER 2019

(USD million)

	Note	2019	2018
Revenue			
Monetary contributions	3.1	7 375.3	6 783.4
In-kind contributions	3.2	594.7	451.5
Currency exchange differences	3.3	15.0	(84.4)
Return on investments	3.4	78.6	44.4
Other revenue	3.5	208.0	173.4
Total revenue		**8 271.6**	**7 368.3**
Expenses			
Cash-based transfers distributed	4.1	2 134.0	1 760.5
Food commodities distributed	4.2	2 346.0	2 132.6
Distribution and related services	4.3	864.1	758.7
Wages, salaries, employee benefits and other staff costs	4.4	1 109.4	979.7
Supplies, consumables and other running costs	4.5	212.6	163.3
Contracted and other services	4.6	851.8	750.9
Finance costs	4.7	1.7	1.8
Depreciation and amortization	4.8	45.3	47.4
Other expenses	4.9	48.5	44.8
Total expenses		**7 613.4**	**6 639.7**
Surplus for the year		**658.2**	**728.6**

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 2019

(USD million)

	Note	Accumulated surplus/fund balances	Surplus (deficit)	Reserves	Total net assets
Total net assets at 31 December 2018		**4 169.8**	**728.6**	**407.3**	**5 305.7**
Allocation of the surplus for 2018		728.6	(728.6)	-	-
Movements in fund balances and reserves in 2019					
Transfer from/to reserves	2.15	(24.9)	-	24.9	-
Net unrealized gains on long-term investments	2.6/2.15	85.4	-	-	85.4
Actuarial (losses) on employee benefit liabilities	2.12	(179.3)	-	-	(179.3)
Surplus for the year		-	658.2	-	658.2
Total movements during the year		**(118.8)**	**658.2**	**24.9**	**564.3**
Total net assets at 31 December 2019		**4 779.6**	**658.2**	**432.2**	**5 870.0**

	Note	Accumulated surplus/fund balances	Surplus (deficit)	Reserves	Total net assets
Total net assets at 31 December 2017		**3 841.8**	**211.7**	**380.4**	**4 433.9**
Allocation of the surplus for 2017		211.7	(211.7)	-	-
Movements in fund balances and reserves in 2018					
Transfer from/to reserves	2.15	(26.9)	-	26.9	-
Net unrealized (losses) on long-term investments	2.15	(34.3)	-	-	(34.3)
Actuarial gains on employee benefit liabilities	2.15	177.5	-	-	177.5
Surplus for the year		-	728.6	-	728.6
Total movements during the year		**116.3**	**728.6**	**26.9**	**871.8**
Total net assets at 31 December 2018		**4 169.8**	**728.6**	**407.3**	**5 305.7**

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 2019
(USD million)

	Note	2019	2018
Cash flows from operating activities:			
Surplus for the year		658.2	728.6
Adjustments to reconcile surplus to net cash flows from operating activities			
Depreciation and amortization	2.7/2.8	45.3	47.4
Unrealized (gain) on short-term investments	2.2	(7.9)	(0.6)
Unrealized (gain) loss on long-term investments	2.6	(5.0)	5.7
(Increase) in amortized value of long-term investments	2.2/2.6	(3.2)	(3.5)
(Decrease) in amortized value of long-term loan	2.13	(0.4)	(0.4)
Interest expense on long-term loan	2.13	2.1	2.2
(Increase) in inventories	2.4	(82.6)	(149.0)
(Increase) decrease in contributions receivable	2.3	(712.9)	380.2
(Increase) in other receivables	2.5	(102.3)	(76.9)
(Increase) in property, plant and equipment (donated in-kind)	2.7	(8.6)	(0.4)
Increase in payables and accruals	2.9	208.4	72.9
Increase (decrease) in deferred revenue	2.10	203.1	(649.0)
Increase in provisions	2.11	2.4	5.5
Increase in employee benefits net of actuarial gain/loss on post-employment benefits	2.12	108.1	77.6
Net cash flows from operating activities		**304.7**	**440.3**
Cash flows from investing activities:			
Decrease (increase) in short-term investments	2.2	163.0	(455.0)
Decrease (increase) in accrued interest receivable	2.5	1.3	(4.6)
(Increase) in long-term investments	2.6	(48.2)	(46.3)
(Increase) in property, plant and equipment	2.7	(53.4)	(79.2)
(Increase) in intangible assets	2.8	(4.2)	(0.5)
Net cash flows from investing activities		**58.5**	**(585.6)**
Cash flows from financing activities:			
Interest paid on loan	2.13	(2.1)	(2.2)
Repayment of annual principal on loan	2.13	(5.3)	(5.3)
Net cash flows from financing activities		**(7.4)**	**(7.5)**
Net increase (decrease) in cash and cash equivalents		**355.8**	**(152.8)**
Cash and cash equivalents at beginning of the year	2.1	**1 116.1**	**1 268.9**
Cash and cash equivalents at end of the year	2.1	**1 471.9**	**1 116.1**

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 2019

(USD million)

	Note 6	Budget amount		Actual on comparable basis	Difference: final budget and actual	Implementation plan
		Original budget	Final budget[2]			
Project costs[3]		**-**	**-**	**100.3**	**(100.3)**	**-**
CSP costs						
Strategic Result 1- Everyone has access to food		6 122.8	7 848.8	5 154.7	2 694.1	5 871.9
Strategic Result 2 - No one suffers from malnutrition		889.0	998.6	409.6	589.0	673.5
Strategic Result 3 - Smallholders have improved food security and nutrition through improved productivity and incomes		223.4	248.7	125.6	123.1	162.4
Strategic Result 4 - Food systems are sustainable		326.6	349.6	171.5	178.1	249.1
Strategic Result 5 - Developing countries have strengthened capacity to implement the SDGs		98.7	133.4	59.0	74.4	75.5
Strategic Result 6 - Policies to support sustainable development are coherent		4.7	3.9	0.8	3.1	2.1
Strategic Result 7 - Developing countries access a range of financial resources for development investment		0.2	0.6	0.3	0.3	0.1
Strategic Result 8 - Sharing of knowledge, expertise and technology, strengthen global partnership support to country efforts to achieve the SDGs		1 139.0	1 545.9	993.9	552.0	1 005.4
Adjusted direct support costs		393.4	490.2	308.3	181.9	381.4
Subtotal CSP costs		**9 197.8**	**11 619.7**	**7 223.7**	**4 396.0**	**8 421.5**
Regular PSA costs		385.1	385.1	384.2	0.9	385.1
Critical corporate initiatives		50.5	60.7	38.8	21.9	50.5
Subtotal indirect costs		**435.6**	**445.8**	**423.0**	**22.8**	**435.6**
Total		**9 633.4**	**12 065.5**	**7 747.0**	**4 318.5**	**8 857.1**

The accompanying notes form an integral part of these financial statements

[1] Prepared on a commitment basis.

[2] The final budget represents approved operational needs as of 31 December of the reporting year. Instead, Implementation plan represents operational needs prioritized taking into account funding forecasts of available resources and operational challenges as at 1 January 2019.

[3] In line with the Board approval some countries continued implementing their activities under the previous project-based system, alongside their CSP for a limited period in 2019.

Notes to the financial statements at 31 December 2019

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 2019, WFP provided assistance in around 83 countries, where its work is overseen through the six regional bureaux.

4. The financial statements include the operations of WFP, while jointly controlled entities are disclosed in note 12.

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, the appropriate International Financial Reporting Standard has been applied.

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

7. 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.

Use of estimates and judgements

8. 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.

9. 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.

Cash and cash equivalents

10. Cash and cash equivalents comprise cash on hand, cash at banks, money market and short-term deposits, including those managed by investment managers.

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

Financial instruments

12. 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.

13. 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.

14. 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.

15. 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.

16. 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.

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

Inventories

18. 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. 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.

19. 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 where they become distributable. In addition, any significant costs of conversion such as milling, or bagging are included. Cost is determined on the weighted average basis.

Contributions receivable

20. Contributions receivable are recognized when confirmed in writing by donors.

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

22. In-kind contributions of services that directly support approved operations and activities, which have budgetary impact, and can be reliably measured, are recognized and valued at fair value. These contributions include use of premises, utilities, transport and personnel.

23. Donated property, plant and equipment and intangible assets are valued at fair market value and recognized as property, plant, and equipment or intangible asset and contribution revenue.

Property, plant and equipment

24. 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. Borrowing costs, if any, are not capitalized. Donated PP&E are valued at fair market value and recognized as property, plant and equipment and contribution revenue. Depreciation is provided for PP&E 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

25. In 2019, WFP changed estimated useful life of armoured vehicles and heavy vehicles from 5 years to 8 years based on experience and operational policies related to their use. As a result of this change the depreciation expense decreased by USD 7.3 million in 2019, as the assets are depreciated over a longer period, and the property, plant and equipment carrying amount increased by the same amount.

26. 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.

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

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

Intangible assets

28. 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.

29. 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
Licenses and rights, copyrights and other intangible assets	3

Employee benefits

30. WFP recognizes the following categories of employee benefits:

- short-term employee benefits due to be settled within 12 months after the end of the accounting period in which an employee renders the related service;
- post-employment benefits;
- other long-term employee benefits; and
- termination benefits.

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

31. 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.

32. 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

33. 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.

34. 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.

Contributions revenue

35. WFP recognizes contributions revenue when confirmed in writing and where the contribution has been stipulated for the current financial reporting year. For contributions stipulated for future years, WFP recognizes an asset (cash or receivable) and a liability (deferred revenue) when the agreement is confirmed in writing. Deferred revenue is reduced, and revenue is recognized only when the contribution year, as stipulated by the donor, starts.

Food commodities and cash-based transfers distributed

36. Food commodities are expensed when distributed directly by WFP or once they are handed over to cooperating partners or service providers for distribution.

37. 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

38. 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.

39. 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) bilateral operations and trust funds. WFP reports on the transactions of each segment during the financial period, and the balances held at the end of the period.

40. Following the approval of the WFP Strategic Plan (2017–2021), the CSPs with the country portfolio budgets applied the new programmatic and financial framework, which necessitated amendments to the WFP General Rules and Financial Regulations. During its 2018 second regular session, the Board approved the proposed amendments of the General Rules and Financial Regulations with an effective date of 1 January 2019.[2]

[2] WFP/EB.2/2018/5-A/1.

41. 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. Programme categories include CSPs, interim country strategic plans (ICSPs), limited emergency operations and transitional interim country strategic plans. CSPs are prepared following sustainable development analysis and include WFP's entire portfolio of humanitarian and development activities in a country.

42. The General Fund is the accounting entity established for recording, under separate accounts, 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.

43. Bilateral operations and 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.

44. 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.

45. 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

46. 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 functional classifications or strategic result into WFP cost categories.

47. 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.

48. 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.

49. The budget in Statement V represents WFP's operational requirements, which includes the implementation plan. This implementation plan represents a prioritized plan of work based on estimated forecast contributions taking into account the fact 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 is detailed in the management plan and 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

	2019	2018
	USD million	
Cash and cash equivalents		
Bank and cash at headquarters	317.9	172.0
Bank and cash at regional bureaux and country offices	108.9	67.3
Money market and deposit accounts at headquarters	587.4	575.0
Cash and cash equivalents held by investment managers	457.7	301.8
Total cash and cash equivalents	**1 471.9**	**1 116.1**

50. 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

	2019	2018
	USD million	
Short-term investments		
Short-term investments	1 514.4	1 662.1
Current portion of long-term investments (note 2.6)	7.0	7.2
Total short-term investments	**1 521.4**	**1 669.3**

51. Short-term investments are divided into two portfolio tranches with distinct investment horizons and specific investment guidelines and restrictions. The risk profile of short-term investments did not materially change in 2019 and remained at very low levels in the context of a market environment of low absolute yields.

52. Short-term investments were valued at USD 1,514.4 million at 31 December 2019 (USD 1,662.1 million at 31 December 2018). Of this amount, USD 740.8 million pertains to bonds issued or guaranteed by governments or government agencies (USD 880.1 million at 31 December 2018); USD 405.6 million pertains to corporate bonds (USD 412.1 million at 31 December 2018) and USD 368.0 million pertains to asset-backed securities (USD 369.9 million at 31 December 2018). 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.

53. At 31 December 2019, 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 3.7 million (USD 12.4 million at 31 December 2018).

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

	2018	Net additions/ (deductions)	Interest received/ amortized	Net realized gains/ (losses)	Net unrealized gains/(losses)	2019
	USD million					
Short-term investments	1 662.1	(201.3)	39.3	6.4	7.9	1 514.4
Current portion of long-term investments	7.2	(0.6)	0.4	-	-	7.0
Total short-term investments	**1 669.3**	**(201.9)**	**39.7**	**6.4**	**7.9**	**1 521.4**

55. During 2019, short-term investments decreased by USD 147.9 million. This decrease includes net unrealized gain of USD 7.9 million presented in the reconciliation of surplus to operating cash flows in the Statement of Cash Flow and amortized interest on the current portion of the long-term investment of USD 0.4 million, also presented in the reconciliation as part of the increase in amortized value of the long-term investment of USD 3.2 million. The remaining balance, net of reclassification from long-term to short-term of USD 6.8 million, amounting to USD 163.0 million is presented in the Statement of Cash Flow under investing activities.

Note 2.3: Contributions receivable

	2019	2018
	USD million	
Composition:		
Current	3 665.4	3 011.0
Non-current	569.3	510.8
Total net contributions receivable	**4 234.7**	**3 521.8**
Monetary contributions receivable	4 051.3	3 432.7
In-kind contributions receivable	302.3	198.4
Total contributions receivable before allowance	**4 353.6**	**3 631.1**
Allowance for reduction in contribution revenue	(109.3)	(99.8)
Allowance for impairment	(9.6)	(9.5)
Total net contributions receivable	**4 234.7**	**3 521.8**

56. Current contributions receivable is for confirmed contributions that are due within 12 months while non-current contributions receivable is those that are due after 12 months from 31 December 2019.

57. Contributions receivable relate to donor contributions for programme categories, bilateral operations, 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 project, activity or country within a specified timeframe.

58. The following table illustrates the composition of contributions receivable by aging:

	2019		2018	
	USD million	*%*	*USD million*	*%*
Aging				
2019	3 849.1	88	-	-
2018	399.3	9	3 200.0	87
2017	76.2	2	275.4	7
2016 and earlier	60.4	1	216.2	6
Subtotal	**4 385.0**	**100**	**3 691.6**	**100**
Revaluation adjustments (non-USD contributions receivable)	(31.4)	-	(60.5)	-
Total contributions receivable before allowance	**4 353.6**	**100**	**3 631.1**	**100**

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

60. 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 project to which the contributions were related. The allowance is based on historical experience.

61. The change in the allowance for reductions in contribution revenue during 2019 is as follows:

	2018	Utilization	Increase/ (decrease)	2019
	USD million			
Total allowance for reduction in contribution revenue	**99.8**	**(42.1)**	**51.6**	**109.3**

62. During 2019, the reductions in contributions receivable amounted to USD 42.1 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 2019, the estimated final allowance required is USD 109.3 million. Accordingly, an increase of USD 51.6 million was recorded as an adjustment to monetary contribution revenue for the period and is reported in the Statement of Financial Performance.

63. 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 more than USD 10,000.

64. The change in the allowance for impairment during 2019 is as follows:

	2018	Utilization	Increase/ (decrease)	2019
	USD million			
Total allowance for impairment	**9.5**	**(0.3)**	**0.4**	**9.6**

65. During 2019, write-offs of USD 0.3 million were recorded as a utilization of the allowance for impairment and reported in the Statement of Financial Position. At 31 December 2019, the estimated final allowance for impairment required is USD 9.6 million. Accordingly, an increase of USD 0.4 million was recorded as an adjustment for the period and is reported in the Statement of Financial Performance.

Note 2.4: Inventories

66. 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.

	2019	2018
	USD million	
Food on hand	634.7	552.9
Food in transit	288.4	289.1
Subtotal food	**923.1**	**842.0**
Less: allowance for impairment – food	(3.5)	(3.9)
Total food	**919.6**	**838.1**
Non-food items	17.5	16.4
Less: allowance for impairment – non-food	(0.7)	(0.7)
Total non-food items	**16.8**	**15.7**
Total inventories	**936.4**	**853.8**

Food reconciliation	2019	2018
	USD million	
Opening inventory	838.1	689.6
Add back: impairment allowance	3.9	3.8
Food purchased	1 582.5	1 460.0
In-kind commodities received	478.7	428.3
Transport and related costs	347.9	372.7
Total inventory available for distribution	**3 251.1**	**2 954.4**
Less: Food distributed	(2 328.0)	(2 112.4)
Less: Allowance for impairment	(3.5)	(3.9)
Total food	**919.6**	**838.1**

67. For 2019, food and non-food items distributed totalled USD 2,346.0 million (USD 2,132.6 million in 2018), as reported in the Statement of Financial Performance. Of this amount, USD 2,328.0 million relates to food commodities and USD 18.0 million relates to non-food items (USD 2,112.4 million and USD 20.2 million, respectively, in 2018).

68. 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.

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

70. 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.

71. Non-food items include prefabricated buildings/warehouses, storage tents, water treatment units, solar power packs, satellite phones, ballistic blankets, tyres, motor vehicles and spare parts.

72. Food commodity stocks at 31 December 2019 were 1.8 million mt, valued at USD 923.1 million (1.6 million mt valued at USD 842.0 million at 31 December 2018).

73. Inventories are valued net of any impairments or obsolescence. 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 0.38 percent of total food and 4.03 percent for non-food items (in 2018, the allowance for food was 0.46 percent and the allowance for non-food items was 4.22 percent). During 2019, USD 0.3 million representing the total value of non-food items impaired are recorded as a utilization of the allowance for impairment in the Statement of Financial Position. As at 31 December 2019, the estimated final allowance for impairment required is USD 4.2 million. Accordingly, a decrease in the allowance for impairment of USD 0.1 million is reported in the Statement of Financial Performance.

74. The change in the allowances for impairment during 2019 is as follows:

	2018	Utilization	Increase/ (decrease)	2019
	USD million			
Allowance for impairment – food	3.9	-	(0.4)	3.5
Allowance for impairment – non-food	0.7	(0.3)	0.3	0.7
Total allowance	**4.6**	(0.3)	(0.1)	4.2

Note 2.5: Other receivables

	2019	2018
	USD million	
Advances to vendors	89.0	69.6
Advances to staff	28.6	28.5
TPA receivables	1.3	6.5
Miscellaneous receivables	232.3	141.7
Total other receivables before allowance	**351.2**	**246.3**
Allowance for impairment	**(32.2)**	**(28.3)**
Total net other receivables	**319.0**	**218.0**

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

76. 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.

77. 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.

78. Miscellaneous receivables include amounts due from clients for services provided, accrued interest receivable and value-added tax receivables where outright tax exemptions have not been obtained from governments.

79. Other receivables are reviewed to determine whether any allowance for impairment is required. As at 31 December 2019, the estimated allowance required is USD 32.2 million, of which USD 29.5 million is for value-added tax receivable and USD 2.7 million is for other receivables (USD 27.2 million for value-added tax receivable and USD 1.1 million for other receivables in 2018).

80. The change in the allowance for impairment during 2019 is as follows:

	2018	Utilization	Increase/ (decrease)	Revaluation adjustment	2019
			USD million		
Total allowance for impairment	**28.3**	**(0.2)**	**3.4**	**0.7**	**32.2**

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

82. The increase in the allowance for impairment of USD 3.4 million was recorded as an expense for the period and is reported in the Statement of Financial Performance.

Note 2.6: Long-term investments

	2019	2018
	USD million	
US Treasury STRIPS	56.9	61.1
Current portion (note 2.2)	(7.0)	(7.2)
Long-term portion, United States Treasury STRIPS	**49.9**	**53.9**
Bonds	321.0	300.8
Equities	393.0	274.6
Total bonds and equities	**714.0**	**575.4**
Total long-term investments	**763.9**	**629.3**

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

84. 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 5.50 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.

85. Changes in market value of the investment in STRIPS are not recognized. At 31 December 2019, the market value of this investment was USD 68.7 million (USD 71.4 million at 31 December 2018).

86. 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.

87. Investments in equities are made through six regional funds which track the composition and performance of the Morgan Stanley Capital International (MSCI) All Country World Index (ACWI), 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 ACWI.

88. The increase in the value of the long-term bond and equity investments of USD 138.6 million resulted from the investment of cash in bonds and equities of amounts charged to funds and projects in relation to the employee benefit liabilities and the increase in the market value of invested assets. The cash transfer of USD 48.5 million is invested in line with the revised WFP asset allocation policy of investing, which aims to achieve that 40 percent of funds set aside to meet employee benefit liabilities are invested in global bonds and 60 percent in global equities. 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.

89. The movement of long-term investments accounts during 2019 is as follows:

	2018	**Additions/ (deductions)**	**Interest received/ amortized**	**Net realized gains/ (losses)**	**Net unrealized gains/ (losses)**	**2019**
			USD million			
Bonds and equities	**575.4**	48.5	7.3	(7.6)	90.4	**714.0**
Investment in STRIPS	**53.9**	(6.8)	2.8	-	-	**49.9**
Total long-term investment	**629.3**	**41.7**	**10.1**	**(7.6)**	**90.4**	**763.9**

90. During 2019, long-term investments increased by USD 134.6 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 18.9 million) which are treated as held for trading financial assets. Accordingly, under IPSAS, the net unrealized gain of USD 85.4 million related to those financial assets treated as available-for-sale are recognized in net assets and presented in the Statement of Changes in Net Assets. The net unrealized gains of USD 1.1 million related to derivative financial instruments and the net unrealized gains of USD 3.9 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 2.8 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 3.2 million. The remaining balance, net of a reclassification from long-term to short-term of USD 6.8 million, amounting to USD 48.2 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 2018	Additions	Disposal/ transfers	At 31 Dec 2019	At 31 Dec 2018	Depreciation expense	Disposal/ transfers	At 31 Dec 2019	At 31 Dec 2019
	USD million								
Buildings									
Permanent	43.1	0.6	(1.4)	42.3	(4.1)	(1.5)	0.2	(5.4)	36.9
Temporary	109.8	13.2	(12.8)	110.2	(78.4)	(12.5)	9.1	(81.8)	28.4
Computer equipment	13.5	2.0	(0.9)	14.6	(11.7)	(1.2)	0.8	(12.1)	2.5
Other equipment	59.1	9.0	(2.4)	65.7	(48.4)	(7.3)	3.2	(52.5)	13.2
Office fixtures and fittings	2.0	0.1	(1.3)	0.8	(0.4)	(0.1)	0.1	(0.4)	0.4
Motor vehicles									
Light	84.5	15.7	(10.3)	89.9	(57.6)	(12.0)	10.0	(59.6)	30.3
Heavy and armoured	101.9	13.0	(0.3)	114.6	(70.9)	(6.0)	0.3	(76.6)	38.0
Leasehold improvements	22.5	13.3	(0.4)	35.4	(18.1)	(3.2)	0.9	(20.4)	15.1
Fixed assets under construction	15.4	0.7	(0.5)	15.6	-	-	-	-	15.6
Total	**451.8**	**67.6**	**(30.3)**	**489.1**	**(289.6)**	**(43.8)**	**24.6**	**(308.8)**	**180.4**

	Cost				Accumulated depreciation				Net carrying amount
	At 31 Dec 2017	Additions	Disposal/ transfers	At 31 Dec 2018	At 31 Dec 2017	Depreciation expense	Disposal/ transfers	At 31 Dec 2018	At 31 Dec 2018
	USD million								
Buildings									
Permanent	25.3	18.8	(1.0)	43.1	(3.9)	(1.2)	1.0	(4.1)	39.0
Temporary	103.1	14.0	(7.3)	109.8	(71.4)	(13.0)	6.0	(78.4)	31.4
Computer equipment	12.4	1.4	(0.3)	13.5	(10.9)	(1.1)	0.3	(11.7)	1.8
Other equipment	54.4	8.8	(4.1)	59.1	(46.1)	(6.2)	3.9	(48.4)	10.7
Office fixtures and fittings	0.6	1.4	-	2.0	(0.3)	(0.1)	-	(0.4)	1.6
Motor vehicles	175.9	28.1	(17.6)	186.4	(121.0)	(22.2)	14.7	(128.5)	57.9
Leasehold improvements	21.7	1.3	(0.5)	22.5	(16.6)	(2.0)	0.5	(18.1)	4.4
Fixed assets under construction	5.2	14.6	(4.4)	15.4	-	-	-	-	15.4
Total	**398.6**	**88.4**	**(35.2)**	**451.8**	**(270.2)**	**(45.8)**	**26.4**	**(289.6)**	**162.2**

91. In 2019, major additions to property, plant and equipment were for buildings, motor vehicles and assets under construction. Net acquisitions (after disposals) for the period ended 31 December 2019 totalled USD 37.3 million (USD 53.2 million at 31 December 2018) of which USD 8.6 million relate to donated in-kind property, plant and equipment (USD 0.4 million at 31 December 2018). 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 43.8 million is reported in the Statement of Financial Performance (USD 45.8 million in 2018).

92. In 2019, WFP changed estimated useful life of armoured vehicles and heavy vehicles from 5 years to 8 years based on experience and operational policies related to their use. As a result of this change the depreciation expense decreased by USD 7.3 million in 2019, as the assets are depreciated over a longer period, and property, plant and equipment carrying amount increased by the same amount.

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

94. Property, plant and equipment are capitalized if their cost is greater or equal to the threshold limit set at USD 5,000. They are depreciated over the asset's estimated useful life using the straight-line method. The threshold level is reviewed periodically.

95. Assets are reviewed annually to determine if there is any impairment in their value. The review that was undertaken in 2019 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 2018	Additions	Disposal/ transfers	At 31 Dec 2019	At 31 Dec 2018	Amortization expense	Disposal/ transfers	At 31 Dec 2019	At 31 Dec 2019
	USD million								
Internally generated software	57.4	2.9	-	60.3	(53.1)	(1.5)	-	(54.6)	5.7
Externally acquired software	2.8	-	(0.1)	2.7	(2.8)	-	(0.1)	(2.7)	-
Licenses and rights	0.7	-	-	0.7	(0.7)	-	-	(0.7)	-
Intangible assets under construction	0.2	1.3	-	1.5	-	-	-	-	1.5
Total intangible assets	**61.1**	**4.2**	**(0.1)**	**65.2**	**(56.6)**	**(1.5)**	**(0.1)**	**(58.0)**	**7.2**

	Cost				Accumulated depreciation				Net carrying amount
	At 31 Dec 2017	Additions	Disposal/ transfers	At 31 Dec 2018	At 31 Dec 2017	Amortization expense	Disposal/ transfers	At 31 Dec 2018	At 31 Dec 2018
	USD million								
Internally generated software	56.5	0.3	0.6	57.4	(51.5)	(1.6)	-	(53.1)	4.3
Externally acquired software	2.8	-	-	2.8	(2.8)	-	-	(2.8)	-
Licenses and rights	0.7	-	-	0.7	(0.7)	-	-	(0.7)	-
Intangible assets under construction	0.6	0.2	(0.6)	0.2	-	-	-	-	0.2
Total intangible assets	**60.6**	**0.5**	**-**	**61.1**	**(55.0)**	**(1.6)**	**-**	**(56.6)**	**4.5**

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

97. Net carrying amount of intangible assets is reported in the Statement of Financial Position while the amortization expense for the year of USD 1.6 million is reported in the Statement of Financial Performance.

Note 2.9: Payables and accruals

	2019	2018
	USD million	
Vendor payables	142.3	138.9
Donor payables	15.9	12.3
Miscellaneous	119.0	71.8
Subtotal payables	**277.2**	**223.0**
Accruals	659.0	504.8
Total payables and accruals	**936.2**	**727.8**

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

99. Payables to donors represent balance of unspent contributions for closed projects pending refund or reprogramming.

100. 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.

101. Miscellaneous payables include amounts due to staff and other United Nations agencies for services received and the fair value of foreign exchange forward contracts.

Note 2.10: Deferred revenue

	2019	2018
	USD million	
Composition		
Current	911.3	783.4
Non-current	571.0	495.8
Total deferred revenue	**1 482.3**	**1 279.2**

102. Deferred revenue represents contributions where revenue recognition has been deferred to future financial periods since the year stipulated by the donor starts after the current financial period.

103. 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.

104. 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 when the contribution year, as stipulated by the donor, starts.

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

	2019	2018
	USD million	
Contribution year		
2024	8.4	-
2023	34.6	1.1
2022	72.6	14.7
2021	455.4	159.8
2020	911.3	320.2
2019	-	783.4
Total deferred revenue	**1 482.3**	**1 279.2**

Note 2.11: Provisions

	2019	2018
	USD million	
Provision for refunds to donors	11.1	9.2
Other provision	3.1	2.6
Total provisions	**14.2**	**11.8**

106. 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 project. The provision is based on historical experience.

107. The change in the provision for refunds to donors during 2019 is as follows:

	2018	Utilization	Increase/(decrease)	2019
	USD million			
Provision for refunds to donors	9.2	(5.4)	7.3	11.1

108. During 2019, refunds made to donors totalled USD 5.4 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 2019, the estimated final provision required is USD 11.1 million. Accordingly, an increase of USD 7.3 million was recorded as an adjustment to monetary contribution revenue for the period and is reported in the Statement of Financial Performance.

109. 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.

110. The change in the provision for legal claims during 2019 is as follows:

	2018	Utilization	Increase/(decrease)	2019
	USD million			
Provision for legal claims	2.6	-	0.5	3.1

Note 2.12: Employee benefits

	2019	2018
	USD million	
Composition		
Current	42.1	41.2
Non-current	1 023.5	737.0
Total employee benefits liabilities	**1 065.6**	**778.2**

	2019			2018
	Actuarial valuation	WFP valuation	Total	
	USD million			
Short-term employee benefits	4.4	37.7	42.1	41.2
Post-employment benefits	935.9	1.5	937.4	659.4
Other long-term employee benefits	80.8	5.3	86.1	77.6
Total employee benefits liabilities	**1 021.1**	**44.5**	**1 065.6**	**778.2**

2.12.1 Short-term employee benefits

111. 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 were estimated by professional actuaries and accrued as short-term employee benefit liabilities.

2.12.2 Post-employment benefits

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

113. 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.

114. 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 general service category in headquarters. MICS is provided to national professional officers and general service staff members in country offices and regional bureaux. The 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.

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

116. 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

117. 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

118. Employee benefit liabilities are measured by professional actuaries or calculated by WFP. At 31 December 2019, total employee benefit liabilities amounted to USD 1,065.6 million, of which USD 1,021.1 million were calculated by the actuaries and USD 44.5 million were calculated by WFP (USD 733.2 million and USD 45.0 million, respectively, at 31 December 2018).

119. Of the total employee benefit liabilities of USD 1,065.6 million, the amount of USD 716.7 million has been charged against relevant funds and projects (USD 601.8 million at 31 December 2018). The balance of liabilities in the amount of USD 348.9 million has been allocated against the General Fund (USD 176.4 million at 31 December 2018).

120. 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.

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

121. 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.

122. Post-employment benefits and other separation-related benefits liabilities which are calculated by actuaries totalled USD 1 016.7 million at 31 December 2019 (USD 729.9 million in 2018), of which USD 690.0 million pertains to staff members who are in the professional category and general service in headquarters (USD 533.5 million in 2018) and USD 326.7 million pertains to the benefits for national professional officers and general service staff members in country offices and regional bureaux (USD 196.4 million in 2018).

123. The annual expense for post-employment benefits liabilities as determined by the actuaries does not include amortization of actuarial gains/(losses). The full amount of actuarial gains/(losses) for post-employment benefits is recognized in the Statement of Changes in Net Assets. The actuarial gains/(losses) for other separation-related benefits continue to be recognized as an expense in the Statement of Financial Performance for the year in which they arise.

2.12.5.1 Actuarial assumptions and methods

124. 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 2019 valuation, the assumptions and methods used are described in the following table which also indicates the assumptions and methods used for the 2018 valuation

125. The assumptions and methods adopted for the 2019 actuarial valuation resulted in an increase in the post-employment and other separation-related benefits net liabilities in the total amount of USD 286.8 million (a decrease of USD 104.7 million in 2018).

126. 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.

127. 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 2019.

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. From 2019 valuation, separate discount rates are used for each of the plans as follows: **International professional and headquarters General Service**: BMIP – 2.1 percent; OSRB –3.0 percent; SPS – 0.7 percent and Staff Compensation Plan (SCP) 3.5 percent (aggregated rate of 3.2 percent for all International professional and headquarters General Service staff plans in 2018) **National professional officers and General Service in country offices/regional bureaux:** MICS – 3.7 percent; OSRB – 3.1 percent; SCP – 3.6 percent (aggregated rate of 4.8 percent for all National Staff plans in 2018 valuation)
Medical cost increases (ASMP only)	BMIP – 4.1 percent for 2020, decreasing steadily to 3.7 percent for 2028 and beyond (4.6 percent per year during 2019, decreasing 0.1 percent every two years to 4.0 percent in 2030, and then decreasing 0.1 percent each year to 3.7 percent for 2033 and beyond in 2018 valuation) MICS – 8.6 percent for 2020, decreasing by 0.2 percent per year to 4.0 percent in 2043 and beyond (9.4 percent from 2019, decreasing by 0.3 percent each year to 6.7 percent in 2028, then decreasing by 0.2 percent each year to 4.9 percent in 2037, and then decreasing by 0.1 percent each year until it reaches 4.0 percent in 2046 and beyond in 2018 valuation)
Annual salary scale	3.0 percent plus merit component (same in 2018 valuation)
Annual cost of living increases/general inflation	From 2019 valuation, separate general inflation rates are used for each of the plans as follows: **International professional and headquarters General Service**: BMIP – 1.9 percent; OSRB – 2.2 percent; SPS – 1.8 percent and SCP – 2.2 percent (aggregated rate of 1.9 percent for all International professional and headquarters General Service staff plans in 2018) **National professional officers and general service in country offices/regional bureaux:** MICS – 2.2 percent; OSRB – 2.2 percent; SCP – 2.2 percent (aggregated rate of 2.2 percent for all National Staff plans in 2018 valuation)
Future exchange rates	United Nations operation rates of exchange at 31 December 2019
Mortality rates	Mortality rates match the ones used in 31 December 2019 valuation of the UNJSPF
Disability rates	Disability rates match the ones used in 31 December 2019 valuation of the UNJSPF
Withdrawal rates	Based on a study of WFP's withdrawal rates from 2013 to 2018 (same in 2018 valuation)
Retirement rates	Based on a study of WFP's withdrawal rates from 2013 to 2018 (same in 2018 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. Other separation-related payment schemes: For accrued leave, projected unit credit with an attribution period from the entry on duty date to separation. 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.

128. 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 2018	**625.1**	**72.1**	**20.0**	**12.7**	**729.9**
Service cost for 2019	42.3	7.5	1.7	0.6	52.1
Interest cost for 2019	22.9	2.3	0.6	0.4	26.2
Actual gross benefit payments for 2019	(8.3)	(5.6)	(1.5)	(1.0)	(16.4)
Participant contributions	1.9	-	-	-	1.9
Plan amendments	39.2	-	-	-	39.2
Exchange rate movements	(7.0)	-	(0.5)	-	(7.5)
Other actuarial losses	174.5	4.5	4.9	7.4	191.3
Defined benefit obligation at 31 December 2019	**890.6**	**80.8**	**25.2**	**20.1**	**1 016.7**

2.12.5.3 Annual expense for calendar year 2019

	After-service medical plans	Other separation-related benefits	Separation Payments Scheme	Compensation Plan Reserve Fund	Total
			USD million		
Service cost	42.3	7.5	1.7	0.6	52.1
Interest cost	22.9	2.3	0.6	0.4	26.2
Actuarial loss	-	4.5	-	-	4.5
Past service cost	39.2	-	-	-	39.2
Subtotal expense	**104.4**	**14.3**	**2.3**	**1.0**	**122.0**

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	656.7	80.8	25.2	4.6	767.3
Active	233.9	-	-	15.5	249.4
Total	**890.6**	**80.8**	**25.2**	**20.1**	**1 016.7**
Loss on defined benefit obligation	167.5	4.5	4.4	7.4	183.8

2.12.6 Employee benefits liability – sensitivity analysis

129. The principle 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%	1 165.4	88.0	27.6	24.4	1 305.4
Current discount rate assumption	890.6	80.8	25.2	20.1	1 016.7
Current discount rate assumption plus 1%	693.6	74.5	23.2	17.0	808.3

2.12.6.1 After-service medical plans – sensitivity analysis

130. 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.

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

		Long-term medical inflation per year		
Exchange rate	**Discount rate**	**2.7%**	**3.7%**	**4.7%**
			USD million	
1.016 USD per EUR	3.1%	340.6	424.9	537.6
1.116 USD per EUR	3.1%	362.0	451.6	571.3
1.216 USD per EUR	3.1%	383.3	478.2	605.1
1.016 USD per EUR	2.1%	427.6	542.4	697.9
1.116 USD per EUR	2.1%	454.5	576.4	741.7
1.216 USD per EUR	2.1%	481.3	610.4	785.5
1.016 USD per EUR	1.1%	547.2	706.1	924.5
1.116 USD per EUR	1.1%	581.6	750.4	982.6
1.216 USD per EUR	1.1%	615.9	794.8	1 040.6

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

	Long-term medical inflation per year		
Discount rate	**3.0%**	**4.0%**	**5.0%**
		USD million	
4.7%	189.7	242.0	312.4
3.7%	242.4	314.2	411.7
2.7%	315.3	415.0	552.7

133. 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 2020

134. The expected contribution of WFP in 2020 to the defined benefits plans is USD 19.7 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 2020	6.4	10.4	2.2	0.7	19.7

2.12.8 United Nations Joint Staff Pension Fund

135. 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 Pension Fund will be sufficient to meet its liabilities.

136. 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 percent 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.

137. The latest actuarial valuation for the Fund was completed as of 31 December 2017, and the valuation as of 31 December 2019 is currently being performed. A roll forward of the participation data as of 31 December 2017 to 31 December 2018 was used by the Fund for its 2018 financial statements.

138. The actuarial valuation as of 31 December 2017 resulted in a funded ratio of actuarial assets to actuarial liabilities, assuming no future pension adjustments, of 139.2 percent. The funded ratio was 102.7 percent when the current system of pension adjustments was taken into account.

139. After assessing the actuarial sufficiency of the Fund, the consulting actuary concluded that there was no requirement, as of 31 December 2017, 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 Fund. 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.

140. 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 (2016, 2017 and 2018) amounted to USD 7,131.56 million, of which 4 percent was contributed by WFP.

141. During 2019, WFP's contributions paid to the Fund amounted to USD 119.5 million (USD 106.5 million in 2018). Expected contributions due in 2020 are USD 125.9 million.

142. 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 UNJSPF 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.

143. 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

144. 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

	2019	2018
	USD million	
Current portion of loan	5.7	5.7
Non-current portion of loan	60.9	66.6
Total loan	**66.6**	**72.3**

145. 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.

146. 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. Current portion of long-term loan includes an annual principal amount of USD 5.3 million and an amortization cost of USD 0.4 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.

147. The loan is reflected at amortized cost using the effective interest rate of 2.44 percent. At 31 December 2019, total amortized cost was USD 66.6 million (USD 72.3 million at 31 December 2018) with an amount due within one year of USD 5.7 million and a long-term portion of USD 60.9 million (USD 5.7 million and USD 66.6 million, respectively in 2018).

148. Interest expense during 2019 totalled USD 1.7 million (USD 1.8 million at 31 December 2018) as reflected in the Statement of Financial Performance, of which USD 2.1 million represents the annual interest paid in May 2019 and USD (0.4) million represents the amortized cost resulting from the recognition of the long-term loan at its net present value.

149. In the Statement of Cash Flow, interest paid during the year in the amount of USD 2.1 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

150. 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.

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

	2019	2018
	USD million	
Financial assets at fair value through surplus or deficit	1 515.6	1 662.0
Held-to-maturity investments	56.9	61.1
Loans and receivables	5 729.3	4 754.7
Available-for-sale financial assets	713.0	575.5
Subtotal	**8 014.8**	**7 053.3**
Non-financial assets	1 420.1	1 121.7
Total	**9 434.9**	**8 175.0**

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

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

154. The following table presents the WFP assets that are measured at fair value at 31 December 2019 and 2018, respectively.

	2019				2018			
	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	-	1 515.6	-	1 515.6	-	1 656.5	5.5	1 662.0
Available-for-sale financial assets	389.1	323.9	-	713.0	250.4	325.1	-	575.5
Total	**389.1**	**1 839.5**	**-**	**2 228.6**	**250.4**	**1 981.6**	**5.5**	**2 237.5**

155. 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). Inputs for the asset that are not based on observable market data (that is, unobservable inputs) (Level 3).

156. 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.

157. The following table presents the changes in Level 3 financial instruments for the years ended 31 December 2019 and 2018, respectively.

	2019			2018		
	Financial assets at fair value through surplus or deficit	**Available-for-sale financial assets**	**Total**	**Financial assets at fair value through surplus or deficit**	**Available-for-sale financial assets**	**Total**
	USD million			***USD million***		
Opening balance	5.5	-	5.5	-	1.1	1.1
Gains (losses) recognized in Statement of Changes in Net Assets	-	-	-	-	(0.1)	(0.1)
Purchases	-	-	-	5.5	-	5.5
Capital change	(5.5)	-	(5.5)	-	-	-
Transfer	-	-	-	-	(1.0)	(1.0)
Closing balance	-	-	-	**5.5**	**-**	**5.5**

158. During 2019, there was no transfer between fair value levels for financial assets.

2.14.2 Credit risk

159. 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+.

160. Credit risk and liquidity risk associated with cash and cash equivalents is 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.

161. Contributions receivable comprise primarily amounts due from sovereign nations. 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

162. WFP is exposed to interest rate risk through short-term investments and long-term bonds. At 31 December 2019, the effective interest rates of these two investment portfolios were 1.89 percent and 1.47 percent, respectively (2.85 percent and 2.59 percent, respectively, in 2018). A measurement of interest rate sensitivity indicates that the effective duration is 0.80 years for the short-term investments and 11.04 years for the long-term bonds (0.69 years and 6.84 years, respectively, in December 2018). The increase in the long-term bond duration during 2019 was as a result of the implementation of recommendations from the recent asset-liability study. Fixed income derivatives are used by external investment managers to manage interest rate risk under strict investment guidelines.

2.14.4 Foreign currency risk

163. At 31 December 2019, 92 percent of cash, cash equivalent and investments are denominated in the US dollar base currency and 8 percent are denominated in euros and other currencies (same as at 31 December 2018). Non-US dollar holdings have the primary objective of supporting operating activities. In addition, 62 percent of contributions receivable is denominated in the US dollar base currency, 20 percent is denominated in euros, 6 percent in Canadian dollars, 6 percent in pounds sterling and 6 percent is denominated in other currencies (55 percent in the US dollar base currency, 25 percent in euros, 7 percent Swedish Krona, and 13 percent in other currencies at 31 December 2018).

164. 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 2019, 12 contracts were settled at a realized loss of USD 4.8 million (12 contracts were settled during the year ended 31 December 2018 at a realized gain of USD 1.1 million). In addition, a new hedging strategy was implemented for 2020, in which WFP entered into 12 foreign exchange forward contracts to purchase a total of euro 8.8 million over 12 months at a fixed exchange rate. At 31 December 2019, the 12 contracts have a notional value of USD 78.0 million and an unrealized gain of USD 0.2 million using the forward rate at 31 December 2019. 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

165. 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 of the sensitivity analyses provided below have been prepared on the basis that all variables are held constant, other than that specifically mentioned.

166. 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 16.2 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 35.6 million unrealized loss (gain).

167. 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 0.04 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 0.1 million unrealized gain (loss).

168. Equity price sensitivity – The equity investments track the MSCI ACWI, a recognized index of stocks of all world markets. If equity prices were to rise (fall) by 1 percent proportionally across the six regional equity funds, the impact to the Statement of Changes in Net Assets is a USD 3.9 million unrealized gain (loss).

169. Foreign Exchange forwards sensitivity – For the remaining 12 PSA hedge forward contracts, if the USD/EUR rate were to rise (fall) by 1 percent, the impact to the Statement of Financial Performance is a USD 0.8 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 0.2 million unrealized loss (gain).

Note 2.15: Fund balances and reserves

170. 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.

	2019				
	Programme category funds	Bilateral operations and trust funds	General Fund and Special Accounts		Total
	(fund balance)	(fund balance)	(fund balance)	Reserves	
Opening balance at 1 January 2019	**4 396.2**	**161.4**	**340.8**	**407.3**	**5 305.7**
Surplus (deficit) for the year	**171.4**	**(16.4)**	**503.2**	**-**	**658.2**
Movements in fund balances and reserves in 2019					
Advances to projects	172.0	1.3	-	(173.3)	**-**
Repayments by projects	(150.0)	-	-	150.0	**-**
Other transfer from/to reserves	-	-	(48.2)	48.2	**-**
Transfer between funds	357.5	4.0	(361.5)	-	**-**
Actuarial losses on employee benefit liabilities	-	-	(179.3)	-	**(179.3)**
Net unrealized gains on long-term investments	-	-	85.4	-	**85.4**
Total movements during the year	**379.5**	**5.3**	**(503.6)**	**24.9**	**(93.9)**
Closing balance at 31 December 2019	**4 947.1**	**150.3**	**340.4**	**432.2**	**5 870.0**

	2018				
	Programme category funds	Bilateral operations and trust funds	General Fund and Special Accounts		Total
	(fund balance)	(fund balance)	(fund balance)	Reserves	
Opening balance at 1 January 2018	**3 692.8**	**184.4**	**176.3**	**380.4**	**4 433.9**
Surplus (deficit) for the year	**347.1**	**(49.4)**	**430.9**	**-**	**728.6**
Movements in fund balances and reserves in 2018					
Advances to projects	144.3	-	-	(144.3)	**-**
Repayments by projects	(68.3)	-	-	68.3	**-**
Other transfer from/to reserves	-	-	(102.9)	102.9	**-**
Transfer between funds	280.3	26.4	(306.7)	-	**-**
Actuarial gains on employee benefit liabilities	-	-	177.5	-	**177.5**
Net unrealized losses on long-term investments	-	-	(34.3)	-	**(34.3)**
Total movements during the year	**356.2**	**26.5**	**(266.4)**	**26.9**	**143.2**
Closing balance at 31 December 2018	**4 396.2**	**161.4**	**340.8**	**407.3**	**5 305.7**

171. Transfer from/to reserves includes advances made from the IRA reserve to projects and repayments by projects with details explained in 2.15.3, replenishment of reserves and other allocations approved by the Executive Board.

172. There are cash contributions provided by donors, which, at the time of confirmation, have not been designated to a specific programme category or bilateral project. These contributions have been designated as multilateral and unallocated funds and are reported under the General Fund. When these contributions are allocated to specific projects, the resulting expenses are reflected in the appropriate programme category or bilateral project funds.

173. Reserves are established by the Board as facilities for funding and/or financing specific activities under specific circumstances. During 2019, WFP had 4 active reserves: i) operational reserve; ii) Global Commodity Management Facility reserve; iii) IRA; and the iv) PSA equalization account (PSAEA). The following table presents WFP's reserves.

	2019				
	Operational reserve	**Global Commodity Management Facility**	**IRA**	**PSAEA**	**Total**
Note	**2.15.1**	**2.15.2**	**2.15.3**	**2.15.4**	
Opening balance at 1 January 2019	**95.2**	**6.0**	**59.0**	**247.1**	**407.3**
Advances to projects	-	-	(173.3)	-	**(173.3)**
Repayments by projects	-	-	150.0	-	**150.0**
Approved Board allocations	-	-	-	(77.3)	**(77.3)**
Repayment of unspent Board allocations	-	-	-	0.1	**0.1**
Replenishments	-	-	45.8	-	**45.8**
Surplus of ISC revenue over PSA expense	-	-	-	79.6	**79.6**
Total movements during the year	**-**	**-**	**22.5**	**2.4**	**24.9**
Closing balance at 31 December 2019	**95.2**	**6.0**	**81.5**	**249.5**	**432.2**

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

2.15.1 Operational reserve

175. 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).

176. The balance of the operational reserve at 31 December 2019 is USD 95.2 million.

2.15.2 Global Commodity Management Facility reserve

177. The Global Commodity Management Facility reserve account was established in 2014 as a result of a comprehensive review of the Working Capital Financing Facility to back internal lending under the Global Commodity Management Facility (Decision 2014/EB.A/8).

178. The balance of the Global Commodity Management Facility reserve at 31 December 2019 is USD 6.0 million.

2.15.3 Immediate Response Account

179. 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.

180. In 2019, the IRA received USD 45.8 million in replenishments.

181. Advances made to projects totalled USD 173.3 million and repayments by projects amounted to USD 150.0 million.

182. In 2019, the IRA received USD 195.8 million in replenishments and repayments of advances. The target IRA level is USD 200.0 million as established by the Executive Board Decision 2014/EB.2/4.

183. Outstanding advances to projects made by the IRA at 31 December 2019 totalled USD 113.4 million (USD 99.5 million in 2018).

2.15.4 Programme Support and Administrative Budget Equalization Account

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

185. USD 69.3 million was allocated from the PSA equalization account for critical corporate initiatives based on the WFP Management Plan (2019–2021) (Decision WFP/EB.2/2018/13), and USD 8.0 million was transferred to the Wellness Special Account based on the WFP Management Plan (2018–2020) (Decision WFP/EB.2/2017/11).

186. Unspent balances totalling USD 0.1 million pertaining to allocations approved by the Board from the PSAEA in previous periods were returned to the PSAEA in 2019 pursuant to financial regulation 9.9.

187. The excess of ISC revenue over PSA expenses totalling USD 79.6 million was transferred to the PSAEA in 2019 (USD 99.3 million surplus in 2018).

188. The PSAEA balance at 31 December 2019 is USD 249.5 million.

Note 3: Revenue

		2019	2018
		USD million	
3.1	**Monetary contributions**		
	Contributions for direct costs	6 952.0	6 405.6
	ISC contributions	479.3	439.6
	Subtotal	**7 431.3**	**6 845.2**
	Less:		
	Refunds, reprogrammes and reductions in contribution revenue	(56.0)	(61.8)
	Total monetary contributions	**7 375.3**	**6 783.4**
3.2	**In-kind contributions**		
	Commodities in-kind contributions	565.5	413.7
	Services and non-food items in-kind contributions	34.6	41.0
	Subtotal	**600.1**	**454.7**
	Add (deduct):		
	Increase (decrease) in contribution revenue	(5.4)	(3.2)
	Total in-kind contributions	**594.7**	**451.5**
3.3	**Currency exchange differences**	**15.0**	**(84.4)**
3.4	**Return on investments**		
	Net realized gains (losses) on investments	0.5	(10.0)
	Net unrealized gains (losses) on investments	12.4	(4.2)
	Interest earned	65.7	58.6
	Total return on investments	**78.6**	**44.4**
3.5	**Other revenue**		
	Revenue generated from provision of goods and services	183.0	155.4
	Miscellaneous revenue	25.0	18.0
	Total other revenue	**208.0**	**173.4**
	Total revenue	**8 271.6**	**7 368.3**

189. 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.

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

191. During 2019, other revenue amounted to USD 208.0 million of which USD 183.0 million was generated from the provision of goods and services (USD 155.4 million at 31 December 2018) and USD 25.0 million from miscellaneous revenue (USD 18.0 million at 31 December 2018). Revenue generated from the provision of goods and services included mainly air operations, provisions of goods and services by the United Nations Humanitarian Response Depot and other services. Miscellaneous revenue included proceeds from sale of damaged commodities and other assets.

Note 4: Expenses

		2019	2018
		USD million	
4.1	**Cash-based transfers distributed**		
	Cash and voucher transfers	1 898.6	1 669.5
	Commodity voucher transfers	235.4	91.0
	Cash-based transfers distributed	**2 134.0**	**1 760.5**
4.2	**Food commodities distributed**	**2 346.0**	**2 132.6**
4.3	**Distribution and related services**	**864.1**	**758.7**
4.4	**Wages, salaries, employee benefits and other staff costs**		
	International and national staff	802.7	709.5
	Consultants	163.1	137.6
	United Nations volunteers	2.7	2.6
	Temporary staff	110.0	96.9
	Other personnel costs	30.9	33.1
	Total wages, salaries, employee benefits and other staff costs	**1 109.4**	**979.7**
4.5	**Supplies, consumables and other running costs**		
	Telecommunications and IT	15.9	17.4
	Equipment	112.1	73.8
	Office supplies and consumables	43.5	30.7
	Utilities	10.9	7.6
	Vehicle maintenance and running costs	30.2	33.8
	Total supplies, consumables and other running costs	**212.6**	**163.3**
4.6	**Contracted and other services**		
	Air operations	260.6	294.1
	Other contracted services	460.7	358.2
	Telecommunications/IT related services	46.0	28.3
	Security and other services	32.1	28.2
	Leases	52.4	42.1
	Total contracted and other services	**851.8**	**750.9**
4.7	**Finance costs**	**1.7**	**1.8**
4.8	**Depreciation and amortization**	**45.3**	**47.4**
4.9	**Other expenses**		
	Maintenance services	11.1	7.8
	Insurance	7.8	2.7
	Bank charges/investment manager and custodian fees	3.6	4.2
	Impairment and write-offs	4.2	13.1
	Other	21.8	17.0
	Total other expenses	**48.5**	**44.8**
	Total expenses	**7 613.4**	**6 639.7**

192. 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 24.6 million (USD 14.4 million in 2018) (note 9).

193. Given WFP's accounting policy to expense when food is handed over to the cooperating partners, at 31 December 2019, USD 61.2 million (82,341 mt) of food held by cooperating partners was yet to be distributed to beneficiaries (USD 57.9 million (86,040 mt) at 31 December 2018).

194. Distribution and related services represent cost of moving commodities in-country up to and including final distribution.

195. Wages, salaries, employee benefits and other staff costs are for WFP staff, consultants and service contract holders and include employee and consultant travel, training and staff workshops, and incentives.

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

Note 5: Statement of Cash Flow

197. 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

198. 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.

199. 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.

200. Budget amounts have been presented on a functional classification basis in accordance with the WFP Management Plan (2019–2021), which presents a breakdown of the budget by year.

201. 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.

202. Explanations of material differences between the original budget and final budget, final budget and the actual amounts, and the implementation plan and the actual amounts are presented under the financial and budget analysis section of the Executive Director's statement.

203. 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.

204. 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.

205. 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, bilateral operations and 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.

206. Presentation differences are due to differences in the format and classification schemes adopted for the presentation of the Statement of Cash Flow and the 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.

207. 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 2019 is presented below:

	Operating	**Investing**	**Financing**	**Total**
		USD million		
Actual amount on comparable basis (Statement V)	**(7 747.0)**	**-**	**-**	**(7 747.0)**
Basis differences	(185.9)	58.5	(7.4)	**(134.8)**
Presentation differences	8 335.8	-	-	**8 335.8**
Entity differences	(98.2)	-	-	**(98.2)**
Actual amount in the Statement of Cash Flow (Statement IV)	**304.7**	**58.5**	**(7.4)**	**355.8**

Note 7: Segment reporting

Note 7.1: Statement of Financial Position by segment

	2019					2018
	Programme category funds	General Fund and Special Accounts	Bilateral operations and trust funds	Inter-segment transactions	Total	
	USD million					
Assets						
Current assets						
Cash, cash equivalents and short-term investments	2 045.9	672.1	275.3	-	**2 993.3**	2 785.4
Contributions receivable	3 290.6	327.8	47.0	-	**3 665.4**	3 011.0
Inventories	844.0	91.4	1.0	-	**936.4**	853.8
Other receivables	282.3	564.9	2.6	(530.8)	**319.0**	218.0
	6 462.8	**1 656.2**	**325.9**	**(530.8)**	**7 914.1**	**6 868.2**
Non-current assets						
Contributions receivable	344.3	209.5	15.5	-	**569.3**	510.8
Long-term investments	-	763.9	-	-	**763.9**	629.3
Property, plant and equipment	121.5	57.3	1.6	-	**180.4**	162.2
Intangible assets	0.1	7.1	-	-	**7.2**	4.5
	465.9	**1 037.8**	**17.1**	**-**	**1 520.8**	**1 306.8**
Total assets	**6 928.7**	**2 694.0**	**343.0**	**(530.8)**	**9 434.9**	**8 175.0**
Liabilities						
Current liabilities						
Payables and accruals	1 068.2	254.8	144.0	(530.8)	**936.2**	727.8
Deferred revenue	559.8	321.8	29.7	-	**911.3**	783.4
Provisions	9.3	3.1	1.8	-	**14.2**	11.8
Employee benefits	-	42.1	-	-	**42.1**	41.2
Loan	-	5.7	-	-	**5.7**	5.7
	1 637.3	**627.5**	**175.5**	**(530.8)**	**1 909.5**	**1 569.9**
Non-current liabilities						
Deferred revenue	344.3	209.5	17.2	-	**571.0**	495.8
Employee benefits	-	1 023.5	-	-	**1 023.5**	737.0
Loan	-	60.9	-	-	**60.9**	66.6
	344.3	**1 293.9**	**17.2**	**-**	**1 655.4**	**1 299.4**
Total liabilities	**1 981.6**	**1 921.4**	**192.7**	**(530.8)**	**3 564.9**	**2 869.3**
Net assets	**4 947.1**	**772.6**	**150.3**	**-**	**5 870.0**	**5 305.7**
Fund balances and reserves						
Fund balances	4 947.1	340.4	150.3	-	**5 437.8**	4 898.4
Reserves	-	432.2	-	-	**432.2**	407.3
Total fund balances and reserves, 31 December 2019	**4 947.1**	**772.6**	**150.3**	**-**	**5 870.0**	**5 305.7**
Total fund balances and reserves, 31 December 2018	**4 396.2**	**748.1**	**161.4**	**-**	**5 305.7**	

Note 7.2: Statement of Financial Performance by segment

	2019					2018
	Programme category funds	**General Fund and Special Accounts**	**Bilateral operations and trust funds**	**Inter-segment transactions**	**Total**	
	USD million					
Revenue						
Monetary contributions	6 396.2	903.6	75.5	-	**7 375.3**	6 783.4
In-kind contributions	556.6	36.0	2.1	-	**594.7**	451.5
Currency exchange differences	(21.4)	36.5	(0.1)	-	**15.0**	(84.4)
Return on investments	0.5	77.6	0.5	-	**78.6**	44.4
Other revenue	213.6	1 152.2	3.8	(1 161.6)	**208.0**	173.4
Total revenue	**7 145.5**	**2 205.9**	**81.8**	**(1 161.6)**	**8 271.6**	**7 368.3**
Expenses						
Cash-based transfers distributed	2 133.9	-	0.1	-	**2 134.0**	1 760.5
Food commodities distributed	2 324.0	971.2	2.1	(951.3)	**2 346.0**	2 132.6
Distribution and related services	875.9	15.6	1.7	(29.1)	**864.1**	758.7
Wages, salaries, employee benefits and other staff costs	641.5	421.5	63.9	(17.5)	**1 109.4**	979.7
Supplies, consumables and other running costs	185.8	55.1	2.8	(31.1)	**212.6**	163.3
Contracted and other services	721.5	169.1	21.3	(60.1)	**851.8**	750.9
Finance costs	-	1.7	-	-	**1.7**	1.8
Depreciation and amortization	28.9	16.1	0.3	-	**45.3**	47.4
Other expenses	62.6	52.4	6.0	(72.5)	**48.5**	44.8
Total expenses	**6 974.1**	**1 702.7**	**98.2**	**(1 161.6)**	**7 613.4**	**6 639.7**
Surplus (deficit) for the year, 2019	**171.4**	**503.2**	**(16.4)**	**-**	**658.2**	**728.6**
Surplus (deficit) for the year, 2018	**430.9**	**347.1**	**(49.4)**	**-**	**728.6**	

208. 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.

	2019	2018
	USD million	
Cash and cash equivalents	1 471.9	1 116.1
Short-term investments	1 521.4	1 669.3
Total cash and cash equivalents and short-term investments	**2 993.3**	**2 785.4**

209. 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.

210. Fund balances under programme category funds and bilateral operations 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

	2019	2018
	USD million	
Obligations for property leases:		
Within 1 year	40.0	46.1
Later than 1 year and not later than 5 years	48.5	53.3
Beyond 5 years	6.0	9.4
Total property leases obligations	**94.5**	**108.8**

211. At 31 December 2019, property lease obligations for the WFP headquarters building in Rome represent 21 percent of the total obligations under the within 1-year category and 34 percent under the later than 1 year and not later than 5 years category (18 percent and 48 percent, respectively, at 31 December 2018). 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

212. At 31 December 2019, WFP had commitments for the acquisition of food commodities, transportation, services, non-food items, and capital commitments contracted but not delivered as follows:

	2019	2018
	USD million	
Food commodities	359.4	320.8
Transportation – Food commodities	128.2	97.0
Services	255.6	193.9
Non-food items	51.5	66.8
Capital commitments	14.2	11.8
Total open commitments	**808.9**	**690.3**

213. 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

214. There are no material contingent liabilities arising from legal actions and claims that are likely to result in a significant liability to WFP.

215. There are two material contingent assets in progress, while another contingent asset, a claim against a food commodity supplier, reported in 2018 was closed in 2019. All these cases are described below.

216. 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 2.8 million at 31 December 2019).

217. 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 January 2010, the arbitral tribunal issued a default award in favour of WFP on all claims, for approximately USD 5.6 million, plus interest and costs. Following the required waiver by the United Nations and the 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 final.

218. In December 2012, the two employees were found guilty and subsequently sentenced to 25 years of imprisonment. In 2016, the defendants' convictions were finalized.

219. Enforcement of the court decision against the restrained assets is under way now that the criminal proceedings have concluded.

220. In 2018, WFP detected that a supplier had delivered defective SuperCereal products to WFP programmes in numerous country offices. The defective products were accepted by WFP on the basis of the clean accompanying certificates of quality and quantity issued at the site of production by the WFP appointed inspection company. Following complaints from beneficiaries, an investigation was carried out which led to a series of joint inspections and samplings for independent laboratory analysis. The resulting certificates of analysis

confirmed that the products were off-specifications. The supplier accepted their liability arising from the supply of the off-specifications products and financially settled the matter in 2019.

221. In March 2019, an incident of food poisoning occurred in Uganda following the consumption of WFP-supplied SuperCereal, affecting WFP's beneficiaries and causing the deaths of five people. The incident triggered the immediate recall of the product and an investigation in liaison with the Ministry of Health of Uganda, WHO and the Centers for Disease Control and Prevention. The findings of the investigation showed a correlation between the reported diseases and the SuperCereal product provided by one of WFP's suppliers. WFP put all stock originating from the identified supplier source on hold and arranged for their testing. Extensive research made it possible to identify the cause of the poisoning and confirm its presence in the various levels of stock worldwide. According to a food safety and quality audit of the manufacturer's facility, the contamination originated from toxic seeds that entered the production stream through the raw materials. Disposal of affected stock held by WFP was recommended. In February 2020, WFP served notices of commencement of arbitration against the supplier in relation to the thirteen individual contracts.

Note 9: Losses, *ex-gratia* payments and write-offs

222. 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."

223. The following table details the *ex-gratia* payments and losses of cash, food commodities and other assets.

	2019	**2018**
	USD million	
Ex-gratia payments	0.5	-
Contributions receivable	0.3	0.5
Food commodity losses	24.6	14.4
Non-food item losses	0.3	0.6
Other assets and cash losses	0.2	0.9
	mt	
Commodity losses (quantity)	45 098	22 163

224. The *ex-gratia* payments mainly pertain to critical issues affecting WFP personnel. In 2019, most of the *ex-gratia payments* were made to the families of the WFP staff members, victims of the Ethiopian airline crash. Contributions receivable relates to the write-off of receivables from donors. The other assets and cash losses related mainly to write-offs of other receivables from customers and service providers.

225. 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 2019, USD 15.1 million was recovered from the third parties responsible for the food commodity losses (USD 5.9 million in 2018). The non-food item losses are related mainly to warehouse losses.

226. Fraud substantiated by the Office of Inspections and Investigations in 2019 comprised entitlement, vendor and partner fraud involving WFP staff and third parties valued at USD 7 604 146, of which USD 7,148,121 was recovered, and presumptive fraud, related to ongoing investigations where amounts can be reasonably estimated, valued at USD 2,290,139 (in 2018 fraud was valued at USD 747,286 and presumptive fraud at USD 581,351).

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, 2019	6	6	1.0	0.6	0.3	1.9	0.2
Key management personnel, 2018	8	6	1.1	0.7	0.3	2.1	0.2

227. Key management personnel are the Executive Director, Deputy Executive Director, Assistant Executive Directors and Chief of Staff 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, 2019	40	32	4.8	2.1	1.4	8.3	0.8
Other senior management, 2018	38	33	4.8	2.1	1.3	8.2	1.1

228. 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.

229. 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.

230. 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.

231. 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.

232. During 2019, compensation provided to close members of the family of key management personnel and other senior management amounted to USD 0.1 million and USD 0.6 million, respectively (USD 0.5 million for family members of other senior management only in 2018).

233. Advances are those made against entitlements in accordance with staff rules and regulations and are widely available to all WFP staff.

Note 11: Events after reporting date

234. WFP's reporting date is 31 December 2019. 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.

Note 12: Interest in other entities

International Computing Centre

235. The ICC was established in January 1971 pursuant to Resolution 2741 (XXV) of the United Nations General Assembly. 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 2019, 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

236. 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.

237. 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 2019, the accumulated surplus held under an ARC trust fund totalled USD 16.1 million.

ANNEX

	Name	Address
WFP	World Food Programme	Via Cesare Giulio Viola 68/70 Parco de' Medici 00148 Rome, Italy
General Counsel and Director, Legal Office	Bartolomeo Migone	Via Cesare Giulio Viola 68/70 Parco de' Medici 00148 Rome, Italy
Actuaries	AON Consulting, Inc.	200 East Randolph Chicago, IL 60601 United States of America
Principal Bankers	Citibank N.A.	Via Mercanti, 12 20121 Milan, Italy
	Standard Chartered Plc	1 Basinghall Avenue London, EC2V 5DD United Kingdom
External Auditor	First President of the Cour des Comptes (France)	13 rue Cambon 75001 Paris, France

Acronyms

ARC	African Risk Capacity
ASMP	after-service medical plan
BMIP	Basic Medical Insurance Plan
COSO	Committee of Sponsoring Organizations of the Treadway Commission
CSP	country strategic plan
FAO	Food and Agriculture Organization of the United Nations
ICC	International Computing Centre
ICSP	interim country strategic plan
IPSAS	International Public Sector Accounting Standards
IRA	Immediate Response Account
IRM	Integrated Road Map
ISA	International Standards on Auditing
ISC	indirect support cost
IT	Information Technology
MICS	Medical Insurance Coverage Scheme
MSCI	Morgan Stanley Capital International
NGO	non-governmental organization
PSA	programme support and administrative (budget)
PSAEA	PSA Equalization Account
SCP	Staff Compensation Plan
SDG	Sustainable Development Goal
SPS	Separation Payment Scheme
STRIPS	United States Treasury Separate Trading of Registered Interest and Principal of Securities
TPA	third-party agreements
UNDP	United Nations Development Programme
UNJSPF	United Nations Joint Staff Pension Fund