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Internal Audit of Trust Fund Management in WFP

Office of the Inspector General
Internal Audit Report AR/25/23



World Food
Programme

December 2025

Contents

I.	Executive summary	3
II.	Background and audit approach	5
III.	Results of the audit	9
	Governance	9
	Observation 1. Purpose and approval process; roles and delegation of authorities	10
	Risk management	13
	Observation 2. Assessment and mitigation of trust fund level risks	13
	Trust fund management, management oversight, systems and reporting	14
	Observation 3. Trust Fund management, management oversight and reporting	15
	Annex A – Agreed actions plan	18
	Annex B – List of tables	19
	Annex C – Acronyms used in the report	19
	Annex D – Agreed actions terminology	20
	Annex E – Audit rating system	22

I. Executive summary

Background

1. As part of its annual workplan, the Office of Internal Audit conducted an audit of WFP's Trust Fund Management, covering the period from 1 January 2024 to 30 June 2025. The audit focused on governance, risk management, programmatic and financial management, systems and tools, and reporting.
2. As per the WFP audited annual financial statement in 2024, contribution revenue to trust funds totalled USD 174 million or 2 percent of WFP's total annual contribution revenue of USD 9,795.2 million. Expenditure totalled USD 99 million.
3. Trust funds are administered by the Chief Financial Officer Division, and their management involves cross-functional coordination, with responsibilities and accountabilities across global headquarters.

Audit conclusions and key results

4. Based on the results of the audit, the Office of Internal Audit reached an overall conclusion of **some improvement needed**. The assessed governance arrangements, risk management and controls were generally established and functioning well but needed improvement to provide reasonable assurance that the objectives of the audited entity/area should be achieved. Issues identified by the audit were unlikely to significantly affect the achievement of the objectives of the audited entity/area. Management action is recommended to ensure that identified risks are adequately mitigated.
5. In response to organizational and financial challenges, WFP undertook a structural review in 2023, leading to the adoption of a "one integrated global headquarters" model in October 2024, becoming operational on 1 May 2025, which aimed at enhancing support to country offices and streamlining services through global hubs. Following a pause in a donor's foreign development assistance and declining funding projections, WFP initiated cost-efficiency measures; and, by April 2025, due to a projected 40 percent funding reduction, WFP announced plans to reduce its global workforce by up to 30 percent. The results of this audit should be read in the context of these organizational measures.
6. Trust funds account for extra-budgetary resources, which are key to their owners and spending units. In 2025, the Chief Financial Officer Division started a review of the trust fund establishment and management process. This included an update of the related circular and directives, which, at the time of audit reporting, were yet to be issued. The following activities were centralized under the Chief Financial Officer Division for efficiency and consistency across all trust funds: the preparation of financial reports for donors; the preparation and sharing of snapshots to the heads of units and trust fund management teams; and an informal due diligence process when trust funds are established.
7. Recent digital initiatives have resulted in the development of dashboards to improve visibility and track the financial status/progress of trust funds for the benefit of managers; while the ongoing corporate initiative designed to link funding to organizational outcomes aims to improve the visibility of trust fund contributions to WFP priorities by 2026. The review of a selected sample of trust funds did not highlight any issue with the indirect support cost calculation to achieve full cost recovery.

Actions agreed

8. The audit report contains three observations with one high and three medium-priority actions, related to governance, risk management, management and oversight, and reporting.
9. Some trust funds are long established and, with revisions typically taking place to increase budget ceilings, their scope has evolved, resulting in original terms and conditions no longer being applicable. The trust fund technical review and endorsement process (a pre-requisite for approval) takes place at the final stage of the first agreement negotiation or, mostly, post factum, with limited value and increased bureaucracy. There is an opportunity to re-assess the approval process for extra-budgetary initiatives; streamline the trust fund technical review; and establish validity and consistency verification checks. These aspects need to be addressed as a matter of high priority.
10. Managers changed multiple times during a trust fund life cycle without the required communication, which could impact tracking and information-sharing. Trust fund managers are supported by varying structures whose delegations were not formalized. There is an opportunity to clarify delegations of authority and monitoring roles, and to avoid duplications.
11. Risk assessment and management at trust-fund level was inconsistent, mainly focusing on financial risks. Operational risks were rarely assessed. There was no regular risk update, besides the budget revision. There is an opportunity to clarify requirements, timeframe and reliance on grant/project-level assessments.
12. There were inconsistencies in programmatic and financial monitoring. Key performance indicators were not systematically defined and tracked. Progress tracking was mostly financial. There are opportunities to enhance monitoring of performance and internal reporting on the status and progress of trust funds and to strengthen trust fund managers' visibility over reallocations of expenditure made at the country office level.
13. Management has agreed to address the three reported observations and implement the agreed actions by their respective due dates.

Thank you!

14. The Office of Internal Audit would like to thank managers and staff for their assistance and cooperation during the audit.

II. Background and audit approach

Background

15. WFP manages its financial resources through two main streams: budgetary and extra-budgetary resources.

16. Budgetary resources fund programmatic activities within a country portfolio budget structure, which consolidates all operations under each country strategic plan and links planning, budgeting and implementation to results.

17. WFP also relies on extra-budgetary resources – primarily trust funds and special accounts – to finance specific activities outside approved country budgets. These mechanisms, established under the authority of the Executive Director, allow WFP to respond flexibly to donor priorities while maintaining compliance with its financial regulations.

Trust funds

18. In WFP, a trust fund is a financial mechanism to account for extra-budgetary contributions provided by donors for specific purposes consistent with WFP's purposes and policies.

19. Trust funds are established by the Executive Director and are overseen by headquarters or regional bureaux (now in global headquarters and therefore referred to in this report as regional offices). Trust funds are dedicated to institutional initiatives, joint activities or donor-specific projects that cannot be funded through multilateral contributions. Since 2019, they no longer exist at country office level.¹ Trust funds have a defined ceiling, duration and scope of activities.

20. In the 2024 audited annual accounts, the revenue recognized from trust funds was USD 174 million (2 percent of WFP's total contribution revenue), while expenditure totalled USD 99 million. As of 30 September 2025, 69 trust funds were active.

21. The trust fund portfolio is concentrated around a few large, thematic areas and a few major spending entities. In 2024 and 2025, as of the audit planning phase, country offices were the largest spending entities with expenditure exceeding 48 percent (with multiple trust fund allocations per country office, ranging from 7 to 13)² followed by the Programme, Policy and Guidance Division at 29 percent; and the Supply Chain and Delivery Division at 7 percent. Regional Offices collectively managed substantial portions at 8 percent.

22. Climate and food systems-related trust funds represented more than 50 percent of the top 10 trust fund expenditure. Other critical areas such as Nutrition and School Meals had substantial yet comparatively lower spending. Large thematic trust funds often involve multiple sub-allocations to country offices and partners.

¹ As "activities relating to those trust funds will be integrated in the Country Strategic Plan" extract from WFP's Guidance note – Handling of Previously categorized "country specific trust fund" in the Country Strategic Plan Framework (Feb 2019). Further, in the proposed directive, a trust fund should not be established to "pass through" contributions earmarked for specific programmes defined in the Country Strategic Plan Framework.

² Expenditure can refer to contributions received in previous periods.

Special accounts (for contextual purpose)

23. While the present report only focusses on trust fund management, it is important to consider and contrast those to special accounts for contextual purpose.

24. Special accounts are established for specific activities or services that support WFP operations but fall outside regular programmatic activities, with funding from external contributions, payments for services rendered, cost recovery mechanisms and WFP's own resources.

25. Across the Management Plan for 2023–2025, special accounts had a significantly larger share of projected income than trust funds (USD 1,163.4 million and USD 420.4 million respectively), reflecting the strategic role of special accounts in sustaining core services and cost recovery compared to the more variable, donor-driven nature of trust funds.

26. Special accounts and trust funds operate under the same Financial Regulation 5.1, adhere to full cost recovery principles and require reporting to the Executive Board.

27. In 2025, the Chief Financial Officer (CFO) started a review of the cost recovery framework, with a circular and a directive issued in June and July 2025.³ During the audit reporting phase, an initiative to review WFP full cost recovery model was launched under the joint leadership of the CFO Division and the Partnerships and Innovation Department.

WFP's organizational redesign and funding context

28. In 2023, WFP conducted a review of its organizational structure. Following this exercise, in October 2024, WFP announced it was adopting a “one integrated global headquarters” model. The model aimed to ensure better support to country offices, consolidating the delivery of key enabling services via a network of global hubs. In February 2025, and in response to the 90-day pause in United States foreign development assistance,⁴ WFP implemented cost-efficiency measures in view of projected donor forecasting and the overall widening resource gap.

29. In March 2025, WFP issued a Management Accountability Framework, aimed at enhancing accountability, authority, performance and results across country offices, regional levels and global operations. The framework outlines functional roles and responsibilities at various levels, including country directors, regional directors and global functions. It establishes a support structure with a defined chain of command and explicit accountability, aimed at ensuring flexibility and operational efficiency.⁵

30. In April 2025, WFP's funding projection for 2025 was set at USD 6.4 billion, a 40 percent reduction compared to 2024. As a result, senior management communicated the need for a 25-30 percent reduction in the worldwide workforce, potentially impacting up to 6,000 roles across all geographies, divisions and levels in the organization.

31. The results of this audit, and specifically the agreed action plans, should be read in the context of the organizational changes ongoing in WFP at the time of audit reporting.

³ Executive Director's Circular OED2025/006 Full cost recovery and cost accounting and Directive CFO2025/008 Full cost recovery - contributions.

⁴ See: <https://www.whitehouse.gov/presidential-actions/2025/01/reevaluating-and-realigning-united-states-foreign-aid/>

⁵ WFP Management Accountability Framework, March 2025.

Objectives, scope and methodology of the audit

32. The audit's objective is to provide independent and objective assurance on the effectiveness of internal controls, governance and risk management processes supporting trust fund management in WFP. This audit contributes to the broader objective of issuing an annual assurance statement to the Executive Director regarding the adequacy and effectiveness of governance, risk management and internal control systems across WFP.

33. In defining the audit scope, the Office of Internal Audit considered (i) the coverage of two of its previous products: a Proactive Integrity Review on Foreign Exchange Fraud Risk in Field operations⁶ and an advisory assignment on donor reporting;⁷ and (ii) the scoping for an upcoming internal audit of WFP Contribution Management.

34. The audit covered the period from 1 January 2024 to 30 June 2025 and reviewed transactions and events pertaining to other periods where necessary.⁸

35. The areas in scope, as identified in the audit engagement plan and based on a risk-based assessment, include the following processes and audit objectives:

Table 1 – **Process areas and audit objectives in the audit scope**

Process areas	Audit objectives
Governance	Strategy and alignment with WFP objectives and the intended use of trust funds, roles and responsibilities and delegation of authorities.
Risk Management	Risk identification and management, and implementation of mitigating measures.
Management and oversight	Programmatic and financial management, and oversight and performance monitoring, including key performance indicators, budget management and the trust fund closure process.
Systems and reporting	Systems and tools for trust fund accounting, monitoring and reporting.

36. The audit assessed trust fund management in WFP against established criteria to determine compliance, efficiency and effectiveness. These criteria were drawn from the following sources, as applicable:

- WFP strategies, policies, procedures and guidelines, including: WFP manuals, directives and circulars; standard operating procedures; and internal controls and risk management frameworks; and
- Agreements and donor requirements, including: bilateral agreements and conditions outlined in funding agreements or grants.

37. The audit used a comprehensive methodology that included interviews with key WFP personnel, reviewing relevant documentation, requesting walkthroughs, mapping key processes, performing data analysis, testing transactions, root cause analysis and verifying compliance with applicable policies and procedures.

⁶ September 2024.

⁷ May 2025.

⁸ With issuance planned for 2026.

38. A new Executive Director circular and Chief Financial Officer directives on trust funds and special accounts, initially expected to be issued by the end of 2025, were under finalization at the time of audit reporting. The audit considered how the new guidance could potentially address the findings identified during the review.

39. The audit was conducted in accordance with the *Global Internal Audit Standards (GIAS)* issued by the Institute of Internal Auditors, ensuring consistency, quality and adherence to internationally recognized professional practices.

40. The draft report was shared on 3 December 2025 and final comments received on 22 December 2025.

III. Results of the audit

Audit work and conclusions

41. Three observations resulted from the audit, relating to governance, risk management, and management, oversight, and reporting. Other audit issues assessed as low priority were discussed directly with the office and are not reflected in the report.

Governance

42. In WFP, trust funds are established to fund activities directly overseen at headquarters or regional offices⁹ and *"to accept one donor contribution or as a project expected to be funded by more than one donor"* to enhance WFP's organizational capacity and effectiveness and its ability to work in thematic areas.¹⁰

43. As of September 2025, WFP had 69 trust funds, an increase of 38 percent since 2020.

44. The authority to establish trust funds sits with the Executive Director and can be delegated under certain conditions.¹¹ Operational or geographical ownership of activities managed in a trust fund and the initial budget ceiling – i.e. the estimated highest level of accumulated contributions over the course of the trust fund's lifetime – drive the delegated authority.

45. Trust fund management responsibilities lie with the appointed functional role (an officer position as well as a unit/service or division), while the CFO Division supports and is responsible for its administration.

46. Following the Executive Director's mandate to define a framework and ensure the application of the full cost recovery principle, in 2025, the CFO Division started to review existing relevant trust fund management guidance. At the time of audit reporting, the new circular and directive, at an advanced stage of development, were yet to be issued. The draft directive introduces the role of the Partnerships and Innovation Department in processing the request to establish trust funds.

47. The audit examined trust fund governance and management practices, reviewing the strategy, guidance and controls in place to ensure the definition, establishment and revision of trust funds in line with their intended purpose and use. It also reviewed roles, responsibilities and delegation of authorities, for efficiency, visibility and consistent implementation.

⁹ Financial regulation 5.1

¹⁰ OED 2020/021 Approval and management of trust funds in WFP.

¹¹ "The Executive Director will continue being responsible for the compliance to the full cost recovery principle and will have the authority to set the applicable Indirect Support Costs (ISC) rate for resources credited to Trust Funds "OED2020/021.

Observation 1. Purpose and approval process; roles and delegation of authorities

Purpose, scope and revision of trust funds

48. A trust fund is, by definition, used to account for a single donor's contribution or a project that will receive contributions by multiple donors. These funds channel extrabudgetary resources that are earmarked for specific objectives or activities. There is no separate, upfront validation of the concept or fundraising initiative, nor to assess its alignment with WFP priorities.¹² Internally, trust funds therefore are also intended as a fundraising mechanism. However, the donor agreements reviewed referred only to programmatic activities to be carried out, without mentioning the related trust fund, which remains an internal administrative tool.¹³

49. The number of trust funds has grown over recent years with some in the same thematic areas and topics. This growth in extra-budgetary resources managed through trust funds carries an inherent risk of expanding earmarked funding, potentially at the expense of budgetary resources.

50. Some trust funds were set up for specific contributions and activities, and the initial scope later expanded to include additional activities. Often, this did not result in a new or revised trust fund, as budget revisions typically happen to increase the duration or budget ceilings. There were instances where provisions initially defined in a trust fund (such as governance structures, objectives, performance indicators, reporting requirements) were no longer relevant or applied.

51. Some trust funds are long established, with several dating back two decades, and their duration extended because of new contributions or to allow for fund utilization. Budget ceilings increased multiple times in most sampled trust funds, with instances of insufficient strategic oversight. There was no consideration of the maximum cumulative contributions allowed over the trust fund's timeframe, nor a review for alignment with adequate resourcing or consumption levels. In some cases, ceilings were initially set significantly higher than anticipated donor contributions, and availability was used to accommodate other contributions and activities; in other cases, revisions were delayed despite high utilization levels.

52. There is no structured process to regularly review the validity of trust funds, including for potential activities to mainstreamed. One regional trust fund was never used because the contributions received were allocated and managed under the corporate trust fund, without the regional team's awareness. In the current guidance, a now discontinued WFP senior committee was charged with reviewing trust funds twice a year and reporting to the Executive Director on status, objectives, outputs and expenditure to ensure that the trust funds met established criteria. Further, the guidance does not include defined templates, frequency and minimum content. After this committee's dissolution, responsibility for overseeing both new and existing trust funds shifted to a new committee, the Global Budget Committee,¹⁴ the management oversight role remaining vague in the draft guidance.

¹² In 2006, the Executive Director Circular (ED2006/007) established a comprehensive system for mobilizing and managing extra-budgetary resources to replace fragmented practices and ensure strategic coherence and accountability, and alignment with organizational priorities. This circular was superseded by the 2016 and 2020 Executive Directive circulars that focused on "Approval and Management of Trust Funds" (OED2016/006 and OED2020/021, currently valid).

¹³ When mentioning trust funds, they mostly related to reporting formats.

¹⁴ A corporate governance body responsible for reviewing and monitoring WFP's overall resource allocation and budgetary performance.

Approval process

53. The establishment and revision of a trust fund above USD three million (foreseen to be lowered to USD one million in the draft circular) require an electronic programme review process (through the e-PRP platform¹⁵) of the trust fund package (which includes the draft decision memorandum, the endorsed investment case where applicable, the draft legal agreement and the budget). This review provides for technical and implementation guidance; endorsement for higher-level clearance and approval; and documentation alignment with technical and quality standards and the agreed strategic direction.¹⁶

54. In the sampled trust funds, the technical review took place late in the process, either at an advanced stage of negotiation – the directive requires the draft donor legal agreement as part of the trust fund package – or mostly post factum, including several cases where agreements had already been signed, funds received and activities started. While most comments in the review process acknowledged the project, some technical questions were not addressed, presumably because of the advanced stage of the process. The value added of the technical review process in terms of its timing and logical sequence is unclear, and several stakeholders referred to it as “increased bureaucracy”.

Roles and responsibilities

55. The trust fund manager is identified in the establishment or revision decision memo. Changes in trust fund scope, organizational and staffing structures and vacancies resulted in changes to the trust fund manager role, often not formalized or communicated as required.¹⁷ Such gaps could impact communication and financial report sharing.

56. Trust fund managers varied across and within the sample reviewed, i.e. by unit, title and grade – e.g. from division directors to senior officers, and in one case, the manager was not a WFP official as required, although the role was accountable to the Executive Director. There were different additional roles for operational management of trust fund-related activities, and some divisions were redefining their own trust fund management support structures. These roles were typically not formalized through specific delegations as required by the relevant Executive Director Circular.¹⁸

57. While the trust fund manager is tasked with performance monitoring, for both financial and implementation aspects, the Corporate Planning, Budgeting and Reporting Service (CFOB) oversees the trust fund's financial performance. There is an opportunity to clarify any potential duplication or overlap in activities. It is noted that the draft guidance intends to consider performance holistically, i.e. programmatic and financial.

¹⁵ The e-PRP is an online platform and workflow used by WFP to review, validate and approve programme documents and plans. It ensures that all programme proposals, revisions and related documentation undergo a structured, transparent and standardized review process before implementation.

¹⁶ Executive Director's Circular "Revised programme review and approval process" OED2022/027.

¹⁷ To approval authority as required by the Executive Director Circular OED2020/021 or to the Corporate Planning, Budgeting and Reporting Service within the CFO Division for tracking in corporate tools (DOTs is WFP's data engine that pulls information from multiple, siloed systems across WFP into one platform, making it easier for staff to access the right information at the right time – without having to become data or technology experts).

¹⁸ Executive Director Circular OED2020/02.

Delegation of authorities

58. Delegation of authorities for the creation and review of trust funds up to USD 3 million reflects the operational responsibility of contribution/associated projects and regional coverage.¹⁹ While the inherent duplication risk will be mitigated under WFP's staffing structure reorganization²⁰ the regional director delegation would benefit from clarification in line with the new role and responsibilities compared to other functional roles. Delegation of authorities for trust fund amendments is based on the incremental contribution value foreseen. This may result in higher levels of delegation and a more robust approval process for renewal/budget increase versus set-up.

Underlying cause(s):

Organizational direction, structure and authority	Unclear direction for planning, delivery or reporting
<i>Process and planning</i>	Inadequate process or programme design Rules and processes, including for decision making, not established or unclear Unclear roles and responsibilities
<i>Oversight and performance</i>	Insufficient oversight from global headquarters / local management

Agreed Actions [High priority]

The Chief Financial Officer Division, in collaboration with the Partnership and Innovation Department and other stakeholders as relevant, will:

- (i) Review the process for validation of the strategy, conceptualization and negotiation of extra-budgetary initiatives, and the logical sequence with the establishment of trust funds as the appropriate accounting tool to ensure coherence and alignment of fundraising efforts with WFP priorities. Further, reassess the supporting technical review process for efficiency and streamlining.
- (ii) Identify roles, responsibilities and controls to ensure that after a trust fund is established, contributions align to the trust fund's purpose, terms and conditions.
- (iii) Clarify roles, responsibilities and operating modalities, including information and reporting flows, for a periodic review of the WFP trust fund portfolio to ensure its validity and optimize it.

Timeline for implementation

30 September 2026

¹⁹ A programme review process is also not required.

²⁰ With the regional units reporting to global headquarters functional units.

Agreed Actions [Medium priority]

The Chief Financial Officer Division, in consultation with other departments and divisions as relevant, will:

- (i) Define controls to enforce the formalization, communication and potential review of changes to the trust fund manager role and related delegations, and clarify monitoring roles and responsibilities among the various stakeholders at the trust fund level.
- (ii) Review and update the delegation of authority for approving trust funds to align with the new regional organizational structure, considering the results from the approval process review.

Timeline for implementation

30 September 2026

Risk management

59. Risk management at trust fund level aims to identify the risks and mitigation measures, including monitoring and evaluation measures.²¹

60. The audit reviewed the identification of risks and mitigating measures at the trust fund level, and the process for regular updating and follow up.

Observation 2. Assessment and mitigation of trust fund level risks

61. The current trust fund approval decision memo template requires to outline risks and risk mitigation measures in the trust fund implementation.

62. From the review done, risk assessments are inconsistent across trust funds, and often limited to financial risks (e.g. interest, exchange rates). As part of the project review process, in which the Risk Management Division participates, the few comments on risks referred to financial risks management. This may be rooted in the nature of trust funds as an accounting tool.

63. Operational risks, e.g. impacting activity implementation or achievements of the objectives, are rarely documented at the trust fund level; in some cases, there is a reliance on project-level or grant-level risk assessments.

64. Risk updates typically occur during budget revisions, and not as part of ongoing management. Given the long duration of trust funds, and the evolution of their scope and additional contributions over the years, risks may not be captured in a timely or comprehensive manner.

65. In the sample reviewed, organizational and technical challenges resulted in under-utilization. A comprehensive risk assessment may have helped to highlight and mitigate these challenges in a timely fashion.

²¹ As per the Decision Memorandum "trust fund agreement for approval by the Executive Director" template.

Underlying cause:

Process and planning	Rules and processes, including for decision making, not established or unclear
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Agreed Actions [Medium priority]

The Chief Financial Officer Division, in collaboration with the Risk Management Division and leveraging the review of trust fund approval process, will ensure that the trust fund owners and managers articulate risk assessment and mitigating actions at the time of the trust fund establishment or budget revision request.

Timeline for implementation

30 September 2026

Trust fund management, management oversight, systems and reporting

66. Trust fund managers are accountable for monitoring the implementation of activities and utilization of funds, internal and external reporting, and information-sharing.

67. CFOB provides technical and administrative support in budgetary administration and enables financial oversight, standardization and accountability across the trust fund life cycle, especially through its monitoring resource utilization and coordinating amendment and closure processes.

68. As reflected in the draft trust fund management circular and directive, CFOB started to centralize key trust fund process steps, strengthening governance and management oversight. This included improved financial tracking through enhancements to the corporate DOTS dashboards and an informal due diligence process for compliance with applicable rules for establishing trust funds.

69. Country offices that receive allocations from corporate trust funds are considered fully responsible for managing the grants and ensuring compliance with donor conditions and restrictions.

70. The CFO Division recently developed two tools for trust fund financial monitoring and reporting:

- A snapshot for heads of departments, issued monthly to department heads, divisional directors and departmental budget focal points and providing a consolidated view of funding availability and utilization by source.
- The end-user report designed to provide trust fund managers and finance officers with detailed financial information at the grant level.

71. In early 2025, WFP developed a corporate tool for end-to-end performance management through a resources-to-results approach, which links budgets and activities to measurable outcomes through a structured performance cycle. The tool was intended for departmental objectives and results.

72. During the audit reporting, the CFO Division indicated having initiated the enhancement of trust fund monitoring tools, to complement the current ones and replace the end-user report.

73. The audit examined trust fund programmatic and financial management practices, assessing processes and controls for: (i) alignment of programmatic and financial trust fund requirements to contribution agreements; (ii) monitoring of programmatic implementation, and identification and communication of achievements and exceptions to stakeholders; and (iii) timely and correct utilization of funds, ensuring full cost recovery.

74. The audit also assessed the systems and tools supporting trust fund accounting, monitoring and reporting, focusing on their ability to provide visibility and oversight across organization levels.

Observation 3. Trust Fund management, management oversight and reporting

Programmatic monitoring and reporting

75. Programmatic monitoring of trust funds was not systematic across the sample reviewed.

76. Key performance indicators (KPIs) were not always established to monitor trust fund achievements; and where they were, tracking was not systematic. Current operational guidance²² requires the definition of key deliverables indicative of the trust fund's intended linkage to one contribution or project. The scope of several trust funds evolved over their duration, impacting the applicability of initially defined trust fund indicators. (Refer to [Observation 1](#))

77. Management oversight primarily focused on financial progress through data maintained in spreadsheets. Structured programmatic / project forecasts for full implementation of trust fund activities were not consistently available.

78. Trust fund internal reporting for visibility and oversight of relevant senior management requires standardization and clear requirements; the draft directive introduced periodic reporting on utilization status of all trust funds to the Partnership and Innovation Department to fulfil its responsibilities vis-à-vis donors; yet the draft requires strengthening its operationalization. The dashboard for the heads of department is only financial and was not considered sufficient by some stakeholders.

79. Trust fund managers did not report on funds status and progress regarding outcomes to their respective department heads, as required by the circular. When carried out, performance monitoring through KPIs typically remained with the trust fund manager.

80. Activity progress and results were reported in narrative donor reports, which mostly focused on contributions and were not designed for internal trust fund performance monitoring. This practice limited senior management's ability to monitor programmatic achievements effectively, with a risk of disconnect between trust fund-level and agreement-level objectives.

81. The resources-to-results tool currently is not under consideration for trust fund monitoring, because trust funds activities are not directly linked to departmental activities or KPIs. Yet, by design, the tool could allow the identification of trust funds activities and KPIs within divisional and departmental ones, which would strengthen monitoring of the trust fund achievements in line with WFP priorities.

²² Decision Memo template.

Financial monitoring and reporting

82. Several trust funds showed significant under-utilization and prolonged idle balances, often persisting for years. This was rooted in delayed programming, operational challenges, slow donor negotiations on the use of unspent balances and unclear accountability between headquarters and regional office teams, compounded by WFP's ongoing reorganization.

83. Forecasting methodologies for project utilization and remaining available resources for management plans relied on estimates and historical trends rather than validated donor agreements or pipeline data. This resulted in material variances, sometimes tenfold.²³ Actual resource utilization was not adequately incorporated into revised plans, with a risk that resource planning decisions are based on outdated or inaccurate assumptions. By design, the resources-to-results tool could allow up-to-date views of plans and resources alongside progress against target results.

84. The management and closure of inactive or expired trust funds experienced e.g. delays in fund transfers; unclear reallocation instructions for regional level trust funds; incomplete documentation; and insufficient monitoring of donor communication obligations or pending extension approval from donors. In one case, the trust fund was dormant for 12 months (with no transactions in the period, but there were remaining Indirect Support Costs balances) and managers agreed that future contributions be absorbed into another similar trust fund.

85. Trust fund managers had limited visibility over reallocations of expenditure made at the country office level. In sampled trust funds, the country offices allocated costs prioritizing grants with shorter expiry dates within the same trust fund, corrected erroneous entries (Including temporary entries pertaining to other funds)²⁴ and allocated shared support costs based on locally defined criteria.

86. While the trust fund finance managers performed monthly financial tracking for funds consumption at field level, they were not informed or consulted on country office expenditure reallocations, nor is there a standardized financial check to prevent cross-allocations. This can limit centralized oversight and adequate financial controls, with a potential risk of incorrect or under-utilization of funds.

87. The end-user report was not widely disseminated, and trust fund management teams relied on spreadsheets for monitoring funds allocation to country offices and for financial management, particularly for complex allocations, projections and simulations. The recent developments in trust fund monitoring tools to meet operational needs will benefit from the collaboration with trust fund managers.

Underlying cause(s):

<i>Policies and procedures</i>	Absence or inadequate corporate policies/guidelines
<i>Resources – People</i>	Absence of/insufficient staff training
<i>Tools, systems and digitization</i>	Inappropriate implementation or integration of tools and systems

²³ For example, USD 21.8 million versus USD 221.9 million as forecast and actual opening balance for 2024 respectively.

²⁴ Including one instance where the reversal of inaccurately charged costs started after the audit highlighted the issue.

Agreed Actions [Medium priority]

The Chief Financial Officer Division will:

- (i) In consultation with other heads of departments as needed, provide guidance and training for defining and tracking trust fund achievements and/or KPIs, leveraging the resources-to-results tool.
- (ii) In consultation with the trust fund managers and stakeholders, enhance the trust fund reports to strengthen financial monitoring; and provide comprehensive training to stakeholders on trust fund financial management requirements.

Timeline for implementation

30 September 2026

Annex A – Agreed actions plan

The following table shows the categorization, ownership and due dates agreed with the audit client for all the observations raised during the audit. This data is used for macro analysis of audit findings and monitoring the implementation of agreed actions.

The agreed actions plan is primarily at the division level.

#	Observation	Process Area	Owner	Priority	Due date for implementation
1	Purpose and approval process; roles and delegation of authorities	Strategic planning and performance,	Chief Financial Officer Division	High	30 September 2026
		Management oversight and risk management	Chief Financial Officer Division	Medium	30 September 2026
2	Assessment and mitigation of trust fund level risks	Management oversight and risk management	Chief Financial Officer Division	Medium	30 September 2026
3	Management, oversight and reporting	Management Oversight & Risk Management	Chief Financial Officer Division	Medium	30 September 2026

Annex B – List of tables

Table 1 - Process areas in the audit scope	7
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Annex C – Acronyms used in the report

CFO	Chief Financial Officer
CFOB	Corporate Planning, Budgeting and Reporting Service
DOTS	WFP's Corporate Data Management platform
GIAS	Global Internal Audit Standards
KPI	Key Performance Indicators
OED	Office of Executive Director
USD	United States Dollar
WFP	World Food Programme

Annex D – Agreed actions terminology

List of root causes

Category	Root Causes
Organizational direction, structure and authority	Unclear direction for planning, delivery, or reporting
	Insufficient authority and/or accountability
	Strategic and operational plans not developed, approved, or not SMART
Policies and procedures	Absence or inadequate corporate policies/guidelines
	Absence or inadequacy of local policies/guidelines
Process and planning	Inadequate process or programme design
	Rules and processes, including for decision making, not established or unclear
	Unclear roles and responsibilities
	Insufficient planning
	Inadequate risk management
	Insufficient coordination - internal or external
Oversight and performance	Insufficient oversight from global headquarters / local management
	Insufficient oversight over third parties
	Oversight plans not risk-informed
	Performance measures and outcomes inadequately measured/established
Resources – People	Insufficient staffing levels
	Insufficient skills and/or competencies
	Absence of/insufficient staff training
	Inadequate succession and workforce planning
	Inadequate hiring, retention, and/or compensation practices
	Inadequate supervision and/or performance appraisal processes
Resources – Funds	Inadequate funds mobilization
	Insufficient financial / cost management
Resources – Third parties	Insufficient third-party capacity (NGO, government, financial service providers, vendor, etc.)
	Insufficient due diligence of third parties
	Insufficient training/capacity building of cooperating partners' staff
Tools, systems and digitization	Absence or late adoption of tools and systems
	Inappropriate implementation or integration of tools and systems
Culture, conduct and ethics	Deficient workplace environment
	Insufficient enforcement of leadership and/or ethical behaviours
External factors - beyond the control of WFP	Conflict, security & access
	Political – governmental situation
	Funding context and shortfalls
	Donor requirements
	UN or sector-wide reform
Unintentional human error	
Management override of controls	

Priority of agreed actions

Audit observations are categorized according to the priority of agreed actions, which serve as a guide to management in addressing the issues in a timely manner. The following categories of priorities are used:

Priority	Definition
High	Prompt action is required to ensure that WFP is not exposed to high/pervasive risks; failure to take action could result in critical or major consequences for the organization or for the audited entity.
Medium	Action is required to ensure that WFP is not exposed to significant risks; failure to take action could result in adverse consequences for the audited entity.
Low	Action is recommended and should result in more effective governance arrangements, risk management, or controls, including better value for money.

Low-priority recommendations, if any, are dealt with by the audit team directly with management. Therefore, low-priority actions are not included in this report.

Typically, audit observations can be viewed on two levels: (1) observations that are specific to an office, unit, or division; and (2) observations that may relate to a broader policy, process, or corporate decision and may have a broad impact.²⁵

The Office of Internal Audit tracks all medium and high-risk observations. Implementation of agreed actions is verified through the corporate system for the monitoring of the implementation of oversight recommendations. The purpose of this monitoring system is to ensure management actions are effectively implemented within the agreed timeframe to manage and mitigate the associated risks identified, thereby contributing to the improvement of WFP's operations.

The Office of Internal Audit monitors agreed actions from the date of the issuance of the report with regular reporting to senior management, the Independent Oversight Advisory Committee, and the Executive Board. Should action not be initiated within a reasonable timeframe, and in line with the due date as indicated by Management, the Office of Internal Audit will issue a memorandum to management informing them of the unmitigated risk due to the absence of management action after review. The overdue management action will then be closed in the audit database, and such closure confirmed to the entity in charge of the oversight.

When using this option, the Office of Internal Audit continues to ensure that the office in charge of the supervision of the unit that owns the actions is informed. Transparency on accepting the risk is essential, and the Risk Management Division is copied on such communication, with the right to comment and escalate should they consider the risk accepted is outside acceptable corporate levels. The Office of Internal Audit informs senior management, the Independent Oversight Advisory Committee, and the Executive Board of actions closed without mitigating the risk on a regular basis.

²⁵ An audit observation of high risk to the audited entity may be of low risk to WFP as a whole; conversely, an observation of critical importance to WFP may have a low impact on a specific entity, but have a high impact globally.

Annex E – Audit rating system

The internal audit services of UNDP, UNFPA, UNOPS, and WFP adopted harmonized audit rating definitions, as described below:

Rating	Definition
Effective / satisfactory	The assessed governance arrangements, risk management and controls were adequately established and functioning well, to provide reasonable assurance that issues identified by the audit were unlikely to affect the achievement of the objectives of the audited entity/area.
Some improvement needed	<p>The assessed governance arrangements, risk management and controls were generally established and functioning well but needed improvement to provide reasonable assurance that the objective of the audited entity/area should be achieved.</p> <p>Issue(s) identified by the audit were unlikely to significantly affect the achievement of the objectives of the audited entity/area.</p> <p>Management action is recommended to ensure that identified risks are adequately mitigated.</p>
Major improvement needed	<p>The assessed governance arrangements, risk management and controls were generally established and functioning, but need major improvement to provide reasonable assurance that the objectives of the audited entity/area should be achieved.</p> <p>Issues identified by the audit could negatively affect the achievement of the objectives of the audited entity/area.</p> <p>Prompt management action is required to ensure that identified risks are adequately mitigated.</p>
Ineffective / unsatisfactory	<p>The assessed governance arrangements, risk management and controls were not adequately established and not functioning well to provide reasonable assurance that the objectives of the audited entity/area should be achieved.</p> <p>Issues identified by the audit could seriously compromise the achievement of the objectives of the audited entity/area.</p> <p>Urgent management action is required to ensure that the identified risks are adequately mitigated.</p>