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Agenda Item 6

WFP/EB.A/2016/6-G/1

Resource, Financial and Budgetary Matters

**For consideration**

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

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## **Report of the External Auditor on WFP Aviation**

### **Draft decision\***

The Board takes note of “Report of the External Auditor on WFP Aviation” (WFP/EB.A/2016/6-G/1) and the management response in WFP/EB.A/2016/6-G/1/Add.1, and encourages further action on the recommendations, taking into account considerations raised by the Board during its discussion.

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\* 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.

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**Focal point:**

Mr S. Hongray  
Director of External Audit  
tel.: 066513-2392

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**Comptroller and Auditor General of India (CAG) provides an external audit service to the World Food Programme (WFP).**

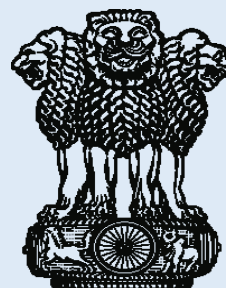
**CAG's audit aims to provide independent assurance to the World Food Programme and to add value to WFP's management by making constructive recommendations.**

**For further information please contact:**

**Mr. Stephen Hongray  
Director of External Audit  
World Food Programme  
Via Cesare Giulio Viola, 68/70  
00148 Rome, Italy.  
Tel: 0039-06-6513-2392  
Email: [stephen.hongray@wfp.org](mailto:stephen.hongray@wfp.org)**

*External Audit Report*

*Performance Audit Report  
on WFP Aviation*



**सत्यमेव जयते**

*COMPTROLLER AND AUDITOR GENERAL OF INDIA*

## Executive Summary

This report presents the results of the Comptroller and Auditor General of India's audit of the World Food Programme (WFP) with regard to WFP Aviation's operations. The main objective of the audit was to ascertain whether WFP Aviation's operations were managed in an economical, efficient and effective manner and also in compliance with the guidelines and manuals governing it.

Aviation is one of the logistical tools identified, alongside surface logistics services, for ensuring that food is moved to reach the poorest and most vulnerable quickly, efficiently and accountably. When roads are impassable or infrastructure is destroyed, WFP turns to the skies to quickly bring humanitarian cargo and aid workers to cut-off communities in the most inaccessible places on the planet. Whether the cause is flood or earthquake, cyclone or war, WFP Aviation operates on the front lines of hunger. With an average fleet size of 58 aircraft in 13 countries, the United Nations Humanitarian Air Service (UNHAS) is the primary means of air transport for the global humanitarian community. Over 1,290 humanitarian organizations rely on UNHAS to access beneficiaries in some of the world's most inaccessible locations. In 2014, UNHAS transported approximately 380,051 passengers to some of the world's most remote and challenging areas, carried out 2,637 medical and security evacuations and transported 3,931 mt of light humanitarian cargo. It also provided air services in support of the humanitarian community's response to the Ebola virus disease outbreak affecting Guinea, Liberia and Sierra Leone.

We observed shortfalls in the conduct of quality and safety reviews of WFP Aviation's operations and in the review of quality of service provided by contracted Air Operator Certificate (AOC) holders.

The oversight of WFP Aviation's operations to ensure safe and efficient operations is carried out through a number of quality and safety reviews by the Quality Assurance Unit and Aviation Safety Unit (ASU) of WFP Aviation. We observed that there were shortfalls in conduct of annual Aviation Field Office Quality Assessment.

WFP Aviation is committed to establish customer service centres and conduct twice yearly customer surveys to promote better customer service. We observed that these measures need to be strengthened. To safeguard the interests of the organization while entering into contract with AOC holders, it is important that remedial clauses are embedded in the contract. We, however, found that remedial clauses were absent in the agreements.

Training of ASU officers is a critical function through which they keep up to date with latest developments in the aviation industry. It is important that all officers attend the trainings due and an update of such training information is maintained.

## INTRODUCTION

### Strategic Objectives

1. The WFP, the world's largest humanitarian agency addressing hunger worldwide, was jointly established by the United Nations and the Food and Agriculture Organization of the United Nations. The mission of WFP is to end global hunger.
2. The Strategic Plan (2014–2017) provides the framework for WFP's operations and role in achieving a world with zero hunger. It lays out the following objectives for the organization:
  - Save lives and protect livelihoods in emergencies;
  - Support or restore food security and nutrition and establish or rebuild livelihoods in fragile settings and following emergencies;
  - Reduce risk and enable people, communities and countries to meet their own food and nutrition needs, and
  - Reduce undernutrition and break the intergenerational cycle of hunger.

### WFP Aviation: An Overview

3. WFP Aviation is one of the logistical tools identified, alongside surface logistics services, for ensuring that food is moved to reach the poorest and most vulnerable quickly, efficiently and accountably. When roads are impassable or infrastructure is destroyed, WFP turns to the skies to quickly bring humanitarian cargo and aid workers to cut-off communities in the most inaccessible places on the planet. Whether the cause is flood or earthquake, cyclone or war, WFP Aviation operates on the front lines of hunger.
4. WFP has provided aviation services since the 1980s, initially to transport food and non-food items and open humanitarian corridors in Angola, Ethiopia, Somalia and Sudan. With an increasing demand to support other humanitarian personnel, WFP initiated passenger services in 1992 using small aircraft to transport humanitarian staff in and out of remote areas in conflict zones.
5. In 2003 the United Nations High-Level Committee on Management requested WFP to manage air services for all United Nations agencies and other organizations involved in humanitarian operations. In response, WFP established the UNHAS – a common service to provide access to vulnerable and fragile communities. UNHAS provides safe and reliable

access to vulnerable communities through the efficient provision of air transport services for the entire humanitarian community during emergencies or protracted operations.

6. Over the years, WFP Aviation has developed a comprehensive service provision portfolio. While UNHAS makes up 80 percent of WFP Aviation's core activities, other services provided include: (i) air support to WFP logistics operations to carry out airlifts and airdrops for food delivery for emergency operations; (ii) third-party services to provide long-term charter of aircraft exclusively to support agencies such as the United Nations Department of Safety and Security and the Office of the United Nations High Commissioner for Refugees; (iii) air freight services to charter aircraft for a single or a series of flights strictly for the air transportation of cargo of United Nations agencies, non-governmental organizations (NGOs) and/or donors, and (iv) executive passenger service to provide air transportation of VIP passengers.

7. With an average fleet size of 58 aircraft in 13 countries,<sup>1</sup> UNHAS has become the primary means of air transport for the global humanitarian community. In 2014, UNHAS transported approximately 380,051 passengers to some of the world's most remote and challenging areas, carried out 2,637 medical and security evacuations and transported 3,931 mt of light humanitarian cargo. It also provided air services in support of the humanitarian community's response to the Ebola virus disease outbreak affecting Guinea, Liberia and Sierra Leone.

### **Audit Objectives**

8. The objective of the audit was to ascertain whether WFP Aviation's operations were managed in an economical, efficient and effective manner and also in compliance with the guidelines and manuals governing it.

### **Audit Scope**

9. Our audit involved analysis of documents and records of WFP Aviation at WFP Headquarters (HQ) in Rome, the selected two regional bureaux (RBs) and in six Aviation Field Operations (AFOs) under six country offices (COs) (**Annexure – I**). The audit was conducted between September and November 2015. Our audit focused primarily on the period from January 2013 to June 2015.

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<sup>1</sup> *Afghanistan, Central African Republic, Chad, Democratic Republic of the Congo, Ethiopia, Mali, Mauritania, the Niger, Somalia/Kenya, South Sudan, Sudan, Philippines and Yemen.*

**Audit Criteria**

10. The performance of WFP Aviation was evaluated against its own strategic objectives and specific policies/rules/regulations/directives framed by it for managing WFP Aviation. We also relied on manuals and standards such as the Air Transport Manual, the Transport Manual, United Nations Aviation Standards, the Aviation Safety Manual, Standard Administrative and Operating Procedures of selected WFP AFOs and the General Regulations, General Rules, Financial Regulations and Financial Rules of WFP.

**Audit Methodology**

11. We discussed the audit objectives, scope and methodology with management at HQ, the COs and RBs during entry conference(s). We issued questionnaires to the field offices visited, scrutinized and analyzed documents and records and held interviews with concerned officials. We also discussed our audit findings with management during exit conference(s).

**Acknowledgement**

12. We thank WFP management for the cooperation and assistance extended to us at all stages of the audit.

**AUDIT FINDINGS****Selecting the Right Aircraft**

13. Once it has been decided whether helicopters or fixed-wing aircraft or a mix of both are to be used, the Aviation Service (OSLA) decides on the types of aircraft to be chartered.

14. As regards selecting the fixed-wing passenger aircraft, Section 2.3.4 of the Air Transport Manual (ATM) provides, inter alia, that 'Depending on type, regional passenger aircraft can carry any number of passengers from six to over four hundred but if they are not used at full capacity, they may be too expensive to operate. Therefore, from the start of the operation, the number of passengers expected to travel with the WFP AFO passenger service should be estimated. Potential clients should be encouraged to predict their expected usage as accurately as possible. This should allow OSLA to charter the most convenient and cost-efficient type of fixed-wing passenger aircraft'.

15. Analysis of the data revealed that during the 30-month period of audit, approximately 93 percent of total hours flown by the chartered aircraft were used by passenger transport flights. 70 percent of total hours flown were by fixed-wing passenger aircraft.

16. The study revealed that the average seat occupancy of fixed-wing passenger aircraft ranged from 1.95 passengers per sortie to 32.88 passengers per sortie. The average seat occupancy percentage varied from 40 to 50 percent, indicating that 50–60 percent of seating capacity of all fixed-wing aircraft was left unutilized.

17. Management stated that on occasions the air operations have to reduce the passenger payload in order to accommodate additional cargo payload. They added that there was a trade-off between cargo and passengers flown, with lower seat occupancy being compensated by higher cargo off take.

18. We are of the view that if the payload of passenger aircraft includes passengers as well as cargo, it may be clearly spelt out in the ATM, so that a real-time assessment of seat occupancy ratios may be carried out in the spirit of the criteria laid down in the ATM.

### **Recommendation 1**

WFP may review the relevant provision of the ATM to include the payload factor instead of number of passengers in selecting the passenger aircraft.

19. While accepting the recommendation, management stated that reference to ‘seating capacity’ in the ATM is used generically to describe aircraft meant for passenger transport and agreed that using the term “payload” or “available seat” in the ATM may give a better interpretation to the purpose for which most contracted aircraft are used – for both passenger and cargo transport.

### **Contract Management**

20. Air transport contracting is the responsibility of the Supply Chain Division. There are two distinct forms of air transport contracting – Air Freight Service Agreements and Aircraft Charter Agreements (ACAs). Air Freight Service Agreements contract cargo space on aircraft. On the other hand, ACAs charter aircraft to provide air transport services and to accomplish specific tasks in a specific environment during a specified period of time.

21. The Director, Supply Chain Division has the authority to arrange for ACAs. All ACAs shall be initiated and concluded by the Supply Chain Division. However, the Director, Supply Chain Division has delegated the authority to arrange air freight service agreements to country offices, subject to confirmation from OSLA that air freight is the most appropriate transport for the shipment in question.



### **Absence of remedial clauses in contracts**

22. Incorporation of appropriate remedial clauses in contract agreements is necessary for safeguarding the interests of the organization seeking provision of goods and/or services from contractors. For example, the United Nation's procurement manual prescribes incorporation of remedial clauses for all contracts. As an organization tasked with the responsibility of contracting with AOC holders for provision of aircraft for the purpose of humanitarian passenger as well as cargo services in emergency situations, it is desirable for WFP Aviation to ensure that remedial clauses for securing an advance amount, bid security, performance security, liquidated damages, provisions of goods and services from other sources at the risk and cost of the supplier in the event of their failure to fulfil contractual obligations, etc., are embedded in the agreements for provision of aircraft.

23. We observed that such remedial clauses were absent in the ACAs signed with various AOC holders.

24. Management stated that referencing to the best practices of the international air charter market, current WFP Aviation agreements are negotiated with a view to controlling cost and enabling its ability to respond to demands in a timely fashion. However, they would also consider adopting safeguard clauses after internal consultations.

#### **Recommendation 2**

WFP Aviation may consider reviewing the provisions of ATM pertaining to contract management to incorporate safeguard clauses for protecting its interests when signing air charter agreements.

25. Management accepted the recommendation and stated that the contractual clauses would be reviewed in coordination with the Legal Office.

### **Extension of Contract**

26. ACAs can be extended up to a total maximum duration of two years. This can be waived by the Director, Supply Chain Division if a market study demonstrates that a new request for offer would mean an increase in price. However, it is not permitted to extend ACAs under terms and conditions which are different from the original ones.

27. We observed that an ACA (signed in April 2007) for provision of aircraft for 12 months for Somalia and East Africa region was extended for the sixth time in December 2012 for the period 1 January to 31 December 2013. While the continued extensions not only exceeded the total maximum length of two years, the fifth extension for the period 1 January to 31 December 2012 was agreed for a price higher than the original contract price.

28. Management stated that because they were concerned about the issue of repeated extensions, the cap of extension to a total maximum length of two years was provided in the ATM which was approved in October 2012. They added that out of 58 contracts, and relevant extensions, which were active during the period of the audit (January 2013 to June 2015), this was the only case of an 'extension' beyond two years.

## **Monitoring and Oversight**

### **Oversight of WFP Aviation's own activities**

29. Oversight of WFP Aviation's operations to ensure safe and efficient performance is carried out through a number of quality and safety reviews by the Quality Assurance Unit (QAU) and ASU of WFP Aviation. The ATM prescribes three reviews on various aspects of WFP Aviation's functioning and one quarterly review on the quality of the service provided by contracted AOC holders. The reviews on WFP Aviation's own operations are: (i) the AFO Quality Assessment which involves at least one full assessment of each AFO per year; (ii) the OSLA HQ Unit Quality Review which involves one full assessment for each OSLA HQ Unit every year, and (iii) the OSLA Quality Management System Management Review which is required to be conducted once a year by quality assurance (QA)-experienced officers from outside the Aviation Service. An annual operation-wise safety assessment designated the Aviation Field Operation Safety Assurance (AFOSA) is required to be conducted by the ASU.

30. We observed the following:

- (i) there were shortfalls in conduct of annual AFO Quality Assessment; and there was absence of annual OSLA HQ Unit quality review and the annual Aviation Service Quality Management System Management Review.
- (ii) the annual AFOSA assessment in respect of the Somalia AFO was not conducted during 2013 and 2014. The AFOSA assessment has been conducted during October 2015.

31. Management stated that while not each AFO and HQ unit was evaluated every year as stated in the ATM, normative guidance, monitoring and internal controls were constantly in place. It was also stated that AFO monitoring was ensured by better coordinating field evaluations between the ASU and the QA Unit to ensure synergy and complementarity for specific areas that required assessment to be covered during the other unit's visit.

32. We are of the view that there is a need for regular review of the various aspects of WFP Aviation's functioning as prescribed in the ATM.

**Recommendation 3**

WFP Aviation may ensure regular review of the Quality Management System (QMS) and carry out other prescribed QA reviews as a result of the regular QMS review. Similarly, the annual AFO safety assurance review may be carried out as prescribed.

33. While accepting the recommendation, management stated that the frequency of QA reviews would be set up based on the new framework of the corporate monitoring system and the ATM would be updated accordingly.

**Oversight of quality of the service provided by contracted AOC Holders**

34. Review of the quality of service provided by contracted AOC holders is to be ensured through a quarterly assessment called the Carrier Contract Performance Evaluation (CCPE) of each contracted AOC holder.

35. We observed a shortfall in the conduct of these quarterly assessments during the years 2013 and 2014. Out of the required 117 reviews, 19 reviews in 2013 and 42 in 2014 were not conducted. We also observed that in some instances, the CCPE reviews appeared to have been conducted in a trivial manner. For example, the report for the period January to March 2013 in respect of the operator of aircraft LZ-CAR operating in Sudan indicated a uniform rating of two on all the parameters. Similarly, reports for operators of aircraft 5Y-IHO (Somalia) and 5Y-BVP (the Niger) for the period April to June 2014 and January to March 2015 respectively indicated a uniform rating of one on all parameters.

36. Management stated that the CCPE is one of the means through which contracted operators may be assessed. Other detailed activities such as ASU evaluations (Base Operator Risk Evaluation, Field Operator Risk Evaluation and Aircraft Risk Evaluation), QA evaluations, field visits, etc., were utilised.

37. We are of the view that each type of assessment prescribed in the ATM and other manuals focuses on different aspects and is performed at different stages in the process. While not denying their complementarity, they may not be substitutes for each other.

**Recommendation 4**

WFP Aviation may ensure regular review of contracted AOC holders through CCPEs and bring out the review reports in an objective, discernible and actionable manner.

38. While accepting the recommendation, management stated that the shortfall with regard to CCPEs would be addressed and it would review the current CCPE form to require more information in order to qualify better the grades awarded.

## Customer Service

39. In order to pursue a more ‘Customer-Oriented’ culture in its day-to-day activities in the wake of its transformation from predominantly transporting humanitarian cargo to mainly providing passenger air transport services, WFP Aviation, as part of its Strategic Plan for 2013 to 2015, committed to take the following steps to improve its customer service:

- Continue to set up Customer Service Centres (CSCs) in all field operations and promote a ‘customer-friendly’ business ethos;
- Conduct twice-yearly customer surveys to assist WFP Aviation in measuring customer satisfaction and use feedback to improve the service;
- Promote a ‘customer-oriented’ culture across field operations through trainings and other tools.

40. We observed that CSCs were yet to be established in nine of the fourteen AFOs and there were shortfalls of nine and five twice-yearly customer surveys during 2013 and 2014 respectively.

41. Management stated that while it is true that CSC sub-units may be absent in small operations due to staffing levels, their physical non-existence cannot be said to mean lack of a customer service culture in those operations. Besides, customer service activities are embedded in the booking structure, e.g., through e-mail addresses, customer service focal points, etc.

42. We are of the view that having dedicated CSCs staffed with trained personnel will be more effective for meeting the needs and desires of its customers. While it may be impractical to establish CSCs in small and short-duration operations, it will be rewarding to have CSCs in bigger and stable operations.

### **Recommendation 5**

WFP Aviation may review the setting up of CSCs in field operations and ensure that the twice-yearly customer surveys are conducted regularly.

43. While accepting the recommendation, management stated that periodic customer surveys would be ensured to further strengthen the customer service concept. Additionally, AFOs would be reassessed to determine operations where separate customer service centres would be set up and distinguish them from others where such centres would form an integral part of booking offices.

### **Training of Aviation Safety Unit Staff**

44. The ASU is required to prepare its own annual training plan. In Section 1.3.10.1 of the 2009 Aviation Safety Manual (ASM) it is stated that “it is of critical importance for the success of ASU work that the qualified specialists that have been contracted by WFP have a clear understanding of the WFP Aviation and Aviation Safety system and that they keep up-to-date with the last regulatory and technical developments of the dynamic aviation industry”. Further, as per Section 3.4.3.1 of the 2015 ASU Manual, an annual training plan is to be developed for all ASU staff taking into account their current competencies, roles, responsibilities and planned ASU activities.

45. We observed that seven out of the fourteen ASU officers were yet to attend even the initial recurrence training programme. In 2013 and 2014, four and three officers did not attend courses that were ‘required’ for their positions.

46. Management stated that it took due care of its capacity development, though inadvertently it might be lacking some components. They added that for some staff who had joined ASU before 2011, training records pertaining to the initial recurrence training could not be located.

#### **Recommendation 6**

The Aviation Safety Unit may ensure that all ASU officers attend the required training programmes.

47. Management, while acknowledging the recommendation, stated that the required training programme would be carried out and information in respect of staff training would be consolidated and updated regularly.

**Annexure I****RBs and COs visited**

1.	East and Central Africa, Nairobi (RBN)
2.	Kenya
3.	Somalia
4.	Southern Africa, Johannesburg (RBJ)
5.	Democratic Republic of the Congo
6.	Sudan (covered by the Regional Bureau for the Middle East, North Africa, Eastern Europe and Central Asia – RBC)
7.	Chad (covered by the Regional Bureau for West Africa – RBD)
8.	The Niger (RBD)

**Acronyms Used in the Document**

ACA	Aircraft Charter Agreement
AFO	Aviation Field Operation
AFOSA	Aviation Field Operations Safety Assurance
AOC	Air Operator Certificate
ASM	Aviation Safety Manual
ASU	Aviation Safety Unit
ATM	Air Transport Manual
CAG	Comptroller and Auditor General of India
CCPE	Carrier Contract Performance Evaluation
CO	country office
CSC	Customer Service Centre
HQ	WFP Headquarters
OSLA	Aviation Service
QAU	Quality Assurance Unit
QMS	Quality Management System
RB	regional bureau
UNHAS	United Nations Humanitarian Air Service