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INFORMATION NOTES

REPORT OF THE EXTERNAL AUDITOR

Review of the World Food Programme's Air Operations



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REPORT OF THE EXTERNAL AUDITOR ON THE REVIEW OF THE WORLD FOOD PROGRAMME'S AIR OPERATIONS

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EXECUTIVE SUMMARY

1. The delivery of food aid is central to the World Food Programme's mandate and strategic priorities. Air services represent a vital element in the delivery of food aid in crisis situations and in supporting emergency, relief and recovery operations where alternative means of transport are inadequate or impractical.
2. WFP's air services provide transportation for both food and passengers, and assist wider United Nations and diplomatic humanitarian missions. The operation of air services presents major business and financial risks to the organisation. Strong operational, financial and risk management, including the management of air safety, is important to ensure effectiveness of the air services and the achievement of good value for donors' funds. My staff therefore carried out a high-level review of this important activity, concentrating on financial management issues and developments since the Kosovo air accident in 1999.
3. The audit review found inconsistent and ad-hoc application of controls in relation to the different air operations; and identified operational, financial and safety risks in the way air operations were being managed. In response to a request from the High Level Committee on Management, WFP has been considering the expansion of its air services to manage all United Nations humanitarian air operations. This entails taking on four air operations that are currently managed by the United Nations High Commissioner for Refugees, and any new humanitarian operations which the United Nations or its agencies may require in the future. Managing such an expansion requires reliable organisational controls to be in place, to secure sound financial management and to ensure the safety of operations. At the time of audit such an infrastructure was not yet in place.
4. Based on the findings of the audit review, I have recommended that WFP should:
 - improve the budgetary control of air operations generally, to ensure the adequacy and availability of funding for individual operations; and to ensure the accuracy and reliability of financial information to support effective budget management, through an appropriate standardised form of financial recording for all air operations;
 - review the policy and practice on charging to improve cost recovery and cash flow in air operations;
 - draw up comprehensive agreements with third parties to clearly identify the respective financial liabilities of all parties involved before expanding air operations to the wider humanitarian community;
 - take prompt action to implement the recommendations of the reports issued by the International Civil Aviation Organization, ICAO, in 2000 and 2001 for the improved safety management of air operations, in order to fulfil the Programme's commitment to improving air safety controls;
 - adopt comprehensive aviation standards, operating procedures and compliance arrangements, commensurate with ICAO standards;
 - review its staffing and budget provision for air operations against the requirements indicated by the ICAO recommendations;
 - establish systematic risk assessment procedures for air operations;
 - carry out a central review of Memorandums of Understanding with government authorities to confirm or update their continuing validity; and
 - strengthen internal systems for data collection and incident reporting.



INTRODUCTION

5. The World Food Programme uses air operations for the delivery of food aid, particularly in meeting refugee and other emergency food needs which are central to the Programme's mandate and strategic priorities; and involving the transport of significant quantities of basic commodities to beneficiaries around the globe. In addition, WFP extends passenger and limited cargo air transportation services to other members of the humanitarian community.
6. Transport by air represents a costly but vital element in the logistics of food aid delivery, particularly in securing rapid response to crises in emergency relief and special operations; and in supporting protracted relief and recovery operations where alternative means of transport may be insufficient, hazardous or impractical. During 2002-2003, air operations cost more than \$55 million and involved 92,000 flying hours in the transport of more than 200,000 passengers and over 200,000 tonnes of cargo.
7. Strong operational, financial and risk management, including the management of air safety, is important to the successful achievement of the Programme's objectives and to ensure effectiveness and best value in air operations. My staff therefore carried out a high-level review of this important element of WFP's activities, through examination at headquarters and as part of a series of extensive country visits during the biennium, concentrating on financial management issues relating to air operations. The review was carried out by visiting three major air operations in Afghanistan, the Sudan and Angola; and conducting interviews with senior staff in headquarters associated with the management of air operations. The review covered:
 - organisation and planning;
 - the financial management of air operations; and
 - operational management.
8. The procurement of air services - which represents a further influence on the value achieved for the funds spent on air operations - has been the subject of an audit by the Programme's Office of Internal Audit. This audit was conducted as part of the Office's internal audit programme for 2003 and included review of the contracting process; payments; reporting and co-ordination with Country Offices; and follow up on developments in relation to the recommendations made by the International Civil Aviation Organization after the Kosovo aircraft accident. Internal audit findings were not available to me at the time of finalising my report but my staff will take account of them, and report to the Executive Board as appropriate, in due course.

ORGANISATION AND PLANNING

9. During the 2002-2003 biennium, the World Food Programme managed humanitarian air operations in 12 locations across seven countries and with fleets varying in size from one to 15 aircraft, supporting food delivery programmes in countries with some of the least developed infrastructure, to assist far larger emergency relief operations in some of the least accessible parts of the world.



10. The air operations managed by WFP include the movement of cargo - primarily food aid deliveries - and passenger flights for staff of the World Food Programme and other humanitarian agencies. The air cargo services are essential to WFP's work: in most locations forming a separate programme, usually conducted as a special operation; in one instance (in Angola, for the delivery of food) forming an integral part of the Protracted Relief and Recovery Programme; and in Southern Sudan (Operation Lifeline Sudan) being run as a trust fund. Table 1 shows the countries and programmes in which WFP carried out air operations during the 2002-2003 biennium.

TABLE 1:WFP AIR OPERATIONS DURING 2002–2003			
Project Ref.	Description	Programme	Duration
10061.0	West Africa (Passenger)	Special Operation in support of regional PRRO	7.10.02 – 6.10.03, extended to 6.10.04 by project 10061.1
10163.0	Afghanistan	Special Operation	1.04.02 – 30.06.03, extended to 31.12.04
10146.0	Angola (Passenger)	Special Operation	1.01.02 – 31.12.03, extended to 31.12.04 by project 10146.1
10054.0	Angola (Food)	Protracted Relief and Recovery Operation	July 02 – Dec 03, extended to 31.12.05 by project 10054.2
10149.0	Angola (Non food)	Special Operation	1.1.02 – 31.12.03, extended to 31.12.04 by project 10054.1
n/a	Operation Lifeline Sudan	Trust Fund	Continuous
10181.0	Sudan (Passenger)	Special Operation	1.4.02 – 31.3.03, extended to 31.3.04 by project 10181.1
10272.0	Iraq	Special Operation	25.03.03 – 25.09.03, extended to 14.7.04
10248.0	D R Congo (East)	Special Operation	10.11.02 – 30.07.03
10117.0	D R Congo (North)	Special Operation	14.9.01 – 30.06.03
10090.0	D R Congo (Humanitarian)	Special Operation	13.6.01 – 31.12.02
10173.0	Burundi	Special Operation	1.4.02 - 31.12.03
<i>Source: WFP – SAP</i>			

11. Air operations are planned, costed and implemented by individual Country Offices, supported in terms of advice and expertise from WFP's Rome Headquarters, the Office of Transport, Response and Preparedness (OTP), under an organisational structure approved by the Executive Director in 2003. Under this structure, administrative reporting responsibilities of the various operations are to individual Country Directors; with operational reporting lines to OTP through a single Aviation Section comprising air transport and safety units. Annex 1 refers.
12. In visits to the field, my staff noted a clear understanding in Regional Bureaux and Country Offices that individual country directors were solely responsible and accountable for all operational activity within the national borders of their assigned countries. In practice, therefore, authority and decision-making in the management of air operations is highly decentralised.



Lokichoggio, Kenya - Operation Lifeline Sudan provides airlifts and air drops of food to remote locations within southern Sudan in a region under rebel control. The northern region of Sudan, under the control of the Sudan government, is serviced from Khartoum.

The air operation is managed from Lokichoggio, at the edge of the Kenyan/Sudanese border, away from the Kenya Country Office in Nairobi. Operating with chartered companies from South Africa in Sudan from a Kenya base adds complication in line management reporting responsibilities. My staff found that WFP leaves all operational considerations to the air operator without seeking official reports, for example in relation to accident or incidents. Further, at the time of their visit in April 2003, my staff found no record of involvement with the national civil aviation authorities or with the contractors, although the situation has since improved. My staff were informed that the Memorandum of Understanding covering use of the airstrip in Loki was held in Nairobi; and that contract and insurance arrangements were controlled from Rome. Such arrangements do not support effective management at the local level.

13. As part of the process of defining aims and objectives of a food aid operation in its initial planning phases, the Country Director and country team assess the possible means and mix of transport to achieve the operation's goal. The decision as to which means are the most appropriate will depend on a number of factors, for example the environment in which the programme is to operate; the number and location of beneficiaries; the type of commodity included in the food basket; the volume of food aid to be delivered/distributed; the urgency of the delivery (bearing in mind seasonal and emergency factors); and the existing delivery infrastructure available to WFP. Where air transport is considered the most appropriate means of delivery, these factors are considered by the programme office under advice from the Aviation Section of OTP in Rome, to determine the type and number of aircraft required.
14. Once the need for a project has been defined at country level, proposals are examined by internal project review boards within the country. The review committee at country level is chaired by the Country Director, supported by other international professional staff including logistics and procurement staff, senior programme officers and the Deputy Director or senior administrative personnel. The programme office presents a proposal, seeking local approval before submitting the proposal to a regional project review board, consisting of the Regional Director, Regional Programme Officer, logistics staff, and Finance Officer. This regional committee considers the project proposals designed by the Country Office, taking into account the strategic priorities and availability of funding in the region. After this process, the project proposal is submitted to WFP's Executive Board in Rome, for consideration and final approval. Following Board approval, the Secretariat can begin pursuing funding and implementation of the project.
15. Air operations are funded in several different ways. They may be financed through direct appeals for specific costs to donors, leading to the approval and creation of Special Operations; they may be funded from within established emergency or protracted relief programmes; or they may be funded by full recovery of costs from direct charging of users of the aircraft.
16. WFP contracts with a number of aircraft service operators to provide fixed term leases of aircraft and staff, normally with a guaranteed minimum number of flying hours specified in the contract. This means that the aircraft operator is assured of a minimum fixed price for the duration of the contract. The contractor provides the aircraft, pilots and support staff; and WFP recruits management and operations staff directly to manage the operation.



17. The main aircraft contracts are also supported by additional short term call-off contracts for air services, to help relieve pressure at busy times and provide flexibility to react to demand, although some additional costs to the programme are incurred in implementing them. WFP currently has contractors working in multiple locations, with different contractors providing specific types of aircraft to meet operational requirements. Given the way in which air operations have been funded, organised and managed, WFP has not been able to commit to a larger and more unified procurement process to achieve economies of scale across its global operations as a whole.

FINANCIAL MANAGEMENT OF AIR OPERATIONS

18. My staff analysed the data available in the World Food Programme's WINGS system to determine the financial position of the various air operations, particularly with regard to the sufficiency of funding. Table 2 provides an analysis of the funding requirement identified by WFP for specific operations as presented for approval against the actual amounts pledged and received for each of the programmes.

TABLE 2: AIR SERVICE OPERATIONS – COMPARISON OF BUDGETS WITH ACTUAL FUNDS RECEIVED

Project	Description	Operation Budget \$ 000	Pledged \$ 000	Receipts \$ 000	Shortfall \$ 000	Shortfall per cent (rounded)
10061	West Africa (Passenger)	1,173	625	380	793	68 %
10061	West Africa (Regional)	2,001	840	1,932	69	3 %
10163	Afghanistan	24,034	26,237	17,701	6,333	26 %
10146	Angola (Passenger)	5,735	4,555	4,233	1,502	26 %
10054	Angola (Food)	*	*	*	*	
10149	Angola (Non food)	3,207	2,353	2,110	1,097	34 %
10181	Sudan passenger (Loki)	970	1,040	789	181	19 %
10181	Sudan Khartoum	987	1,031	672	315	32 %
10272	Iraq	18,866	14,342	11,403	7,463	40 %
10248	DRC (East)	1,459	1,459	1,354	105	7 %
10117	DRC (North)	1,984	1,432	1,384	600	30 %
10090	DRC (Humanitarian)	1,967	264	235	1,732	88 %
10173	Burundi	1,926	1,248	1,614	312	16 %
10061	West Africa (Regional)	3,045	767	258	2,787	92 %

Operation Budget = budget prepared at country level and subsequently approved by the Executive Board.

Pledged = amounts pledged by donors for the operation.

Receipts = pledges received plus, where appropriate, receipts from direct charging of users.

Shortfall = the difference between Operation Budget and receipts at 26 March 2004 (date report finalised).

All figures rounded to nearest \$000.

* Angola Protracted Relief and Recovery Operation (10054.0) – no analysis available from SAP system

Source: WFP SAP data as at 26 Mar 2004 & pledged amounts from RMS



19. The analysis shows that each of the air services exhibits a funding shortfall, ranging from 3 to 92 per cent of the requirement for each of the operations at 26 March 2004.

In their review of the funding received for the active air operations, my staff noted that on average the special operations had a funding shortfall of approximately 35 per cent against predicted needs at any point in time. This shortfall poses a problem to WFP's ability to deliver the required level of assistance to the humanitarian programmes in an efficient, economic and safe manner.

20. My staff looked at the timing as well as the sufficiency of air operations' funding. There is inevitably a delay between pledges of funding and the corresponding cash receipts. Table 3 shows the elapsed funding time for the Afghanistan operation between the recording of pledges and their respective cash receipts. My staff calculated that for air operations as a whole there is on average a delay of three months from pledge to the receipt of funds.

TABLE 3: TIMING OF INCOME COMPARED WITH PLEDGES - EXAMPLE

Donor	Pledges and Receipts during 2002-03							
	1 st Quarter 2002	2 nd Quarter 2002	3 rd Quarter 2002	4 th Quarter 2002	1 st Quarter 2003	2 nd Quarter Apr-03	3 rd Quarter Sep-03	4 th Quarter Dec-03
EU	1,936,317	1,576,440						
EU		983,284		792,864				
EU		2,428,147			2,045,929			
Germany		451,264	492,126					
UK	1,428,571	1,426,703						
UK			74,769					Not received
UK			420,659				420,693	
USA	300,000			300,000				
USA			2,400,000	2,230,155				
USA		1,500,000	1,500,000					
USA		5,362	5,362					
USA			10,330*					
			* pledge and receipt					

Timeline for project 10163 – Afghanistan
Source: WFP data.

21. In other WFP activities, there is some scope to manage under-funding by adjusting the number of beneficiaries or the size of the food basket to meet budget constraints without jeopardising the overall operation. Air services do not have this same flexibility and WFP are examining how to overcome time delays in funding as part of a business process review.



22. The opportunities for revising or adjusting air services are limited within the variables of the individual operation: primarily in the number of aircraft utilised in the operation, affecting the scale of the service provided, or in reduction of non-flying costs. Given the level of fixed costs which have to be met in contracts for aircraft, under-funding of air operations can have a direct affect on WFP staff resources, which represent the only non-flying variable cost in most operations. This may be detrimental to the efficiency and effectiveness of management and air safety controls.
23. In instances of funding shortfalls, management have to decide whether to revise the planned level of the air service in an operation or redirect funding from other sources to manage the shortfall. In programmes where air transport is an integral part of the relief operation, Country Directors have the opportunity to allocate available funds as they deem necessary. Where the air transport is a separate special operation, restrictions on the re-distribution of funding can have a detrimental effect on the success of the associated relief programmes.
24. The WINGS accounting system does not allow the overdrawing of funds against approved budgets and my staff found that in most cases funding was in effect redirected at Country Office level. For example, the funds of an existing protracted relief and recovery operation may be used to fund air operations on the expectation that the funds will be reimbursed when received. This pragmatic practice of cross funding may ensure effective food aid intervention and support operational commitments; but also gives rise to inaccurate financial records, which may mislead the users of management information and introduce inaccuracies in subsequent donor reporting.
25. WFP staff were unable to determine the full extent of this cross funding, since in many cases, Angola being the exception, no records were maintained of the amounts of funding utilised from other sources.

Angola: The Country Office was entering data accurately for each operation in WINGS and maintaining separate management records. External audit review of the WINGS data confirmed that the Angola air operation was receiving funding from the country's Protracted Relief and Recovery Operation amounting to approximately 25 per cent of the costs of the air operation. This cross subsidization resulted in an understatement of the costs recorded for the Special Operation and ultimately a misstatement in the disclosure of expenditures incurred by programme type in the financial statements.

26. In reviewing the financial management of ongoing air operations, my staff found that the WINGS system was not being used to directly or comprehensively record the details of financial transactions in relation to income and expenditure. During their field visits, they found that a variety of separate software programmes were being used by the different country offices to monitor and control their respective air operations. This practice reflects not merely the insularity and independence of the country offices but may also present a risk to the consistent application of management controls in WFP as a whole.
27. Audit review at country offices also highlighted the use of a variety of systems for recording financial information. These ranged from paper records to specialised computer packages, operated outside WINGS, to record the financial transactions associated with aircraft operations. The use of different systems can pose risks. For instance, my staff found that the recording of income from cost sharing and ticket sales was poorly managed and documented in some offices. As these transactions occur within the field offices and sub-offices and are all cash based, there is a financial risk to WFP if adequate internal controls are not in place to ensure the completeness of recording and accounting for funds received.



My staff found that the Kenya Country Office received approximately \$500,000 per month in income from charges for flight operations from Lokichoggio, levied on other United Nations agencies and Non-Governmental Organisations. The sales invoices and receipts for the air operation were being recorded and processed outside the WINGS system in an Excel spreadsheet.

This presents a control weakness in the recording and management of income, since there was an absence of appropriate controls over data input, processing and security. The controls for an effective audit trail in Excel are not the same as those in WINGS. There was, therefore, a relatively high risk that income could be incomplete due to lack of control over the prime accounting records at the distributed airstrips. No reconciliations were being carried out to agree income received and amounts banked to the bank statements.

In Afghanistan, cash receipts of \$50-\$100 per passenger were being collected at a variety of locations, either at the WFP main air operations office in Islamabad, or in Kabul, or at one of the sub-offices serviced by the operation within Afghanistan. In 2002-03 more than 80,000 passengers were carried.

Audit examination identified very poor controls over the receipt of money: for example in some cases no tickets were issued; there were significant delays in banking receipts; and no attempt was made to reconcile receipts against passenger numbers.

My staff noted that there was no financial operations manual setting out the relevant financial procedures to ensure effective control; there was no established procedure for debt recovery; nor was there a proper reconciliation procedure in cases where organisations paid lump sums in advance.

28. The use of varying, non-standardised, local practices may indicate either that the WINGS system should be adapted to meet the needs of the air operations, or that an alternative single software system should be considered, to avoid the existing piecemeal approach to data recording at individual locations.

Recommendation 1. I recommend that WFP improve the budgetary control of air operations generally, to ensure the adequacy and availability of funding for individual operations; and to ensure the accuracy and reliability of financial information to support effective budget management, through an appropriate standardised form of financial recording for all air operations.

29. The air operations visited as part of the audit review all applied a form of 'pay before you fly' policy for the recovery of costs from third parties. In respect of the Operation Lifeline Sudan service, full costs were being recovered; in Afghanistan and Angola, fixed fees were charged for reservation of seats to avoid inefficiencies from utilising planes with no passengers. Notwithstanding this policy, my staff's review of financial records - where they existed - revealed some large amounts of outstanding debt.
30. For example, the Operation Lifeline Sudan service, operating on a budget of \$17 million, had recorded more than \$1.2 million in outstanding debts as at 30 June 2003 when the audit team visited, of which \$0.5 million related to non-UN organisations. This situation had arisen despite an operational requirement for users to pay in advance. The information available from WFP was not sufficient to readily allow a comprehensive aged debtor analysis to be performed for audit purposes, although the debts accrued since the customer had last paid an advance were as set out at Table 4.



TABLE 4: AGED DEBTORS IN OPERATION LIFELINE SUDAN

	US \$	
Less than 3months old	(1,108,123)	88 %
Between 3 and 12 months	(69,884)	5 %
More than 12 months old	(39,369)	3 %
	(1,217,376)	
Unknown	(47,879)	4 %
	(1,265,255)	100 %

Source: External Audit data collected during field visit.

31. If debtors are left un-managed, there is a clear risk to the liquidity of individual air operations. In such circumstances, WFP's cash resources will be required to finance this internal debt, in addition to supporting the operation of air services on an ongoing basis.

Recommendation 2. I recommend that WFP reviews the effectiveness of the present policy and practice on charging, to improve cost recovery and cash flow in air operations and minimise the risk of debts adversely affecting the services provided.

32. As one of the largest humanitarian agencies with an extensive global presence, WFP has become the lead agency in many countries, with responsibility for the provision of air services to the wider humanitarian community operating in those countries. WFP has agreed with the United Nations centrally over the assumption of primary responsibility for the provision of air services to the UN humanitarian community as a whole. The expansion of air operations to the wider United Nations community gives rise to increased risks as well as opportunities; and places increased importance on the need for effective financial management, and sound financial and other controls.
33. At present there are four air operations run by another UN Humanitarian agency (UNHCR) that WFP will take over: in West Africa, Tanzania, the Democratic Republic of Congo and northern Kenya. A further operation is being arranged in Chad. It is envisaged that the management of air operations on behalf of other UN agencies will be based on technical agreements including provisions for service specifications and costs.
34. Costs will be predetermined based on hourly flight rates and will cover all safety and operational management expenses. Where aircraft support more than one project, flying hours will be recorded and the respective users charged accordingly. These agreements are yet to drawn up between WFP and other parties. To operate such a system will require a comprehensive and reliable information system and infrastructure to be in place, to ensure the accurate recording and attribution of costs. No such system exists at present.

Recommendation 3. I recommend that prior to undertaking additional activities in the management of air operations, WFP draws up clear and comprehensive agreements with the third parties involved, in particular to clearly identify the respective financial liabilities of all parties involved.

OPERATIONAL MANAGEMENT

35. The management of air operations is the responsibility of the respective Country Directors, whose prime responsibility and concern is carrying out their own humanitarian mandates. The service provision, number and type of aircraft are determined at country office level and are based on the assumptions underlying the project proposal; the location and number of beneficiaries; and the environment in which the aircraft will operate.



36. Table 5 indicates the volume of passengers and cargo carried by the air operations in the biennium.

Table 5: OPERATIONAL ACTIVITY IN 2002–2003						
		2002			2003	
Country	Passengers	Cargo (kg)	Flying Hours	Passengers	Cargo (kg)	Flying Hours
AFGHANISTAN	57,586	38,126	6,444	23,351	392,179	1,562
ANGOLA	26,132	75,659,000	16,722	19,777	24,864,867	9,404
BURUNDI	12,650	92,320	929	8,311	43,000	587
DRC	*	*	271	*	*	*
GUINEA	4,840	14,900	858	2,840	5,950	883
IRAQ	*	*	*	5,617	1,946,177	2,330
SIERRA LEONE	3,259	37,300	571	*	*	*
SOMALIA	7,070	747	2,116	6,001	63,880	2,170
SUDAN	21,857	58,653,000	26,855	16,502	42,150,210	20,672
Grand Total	133,394	134,495,393	54,766	82,399	69,466,263	37,608

* = data not available

Source: Based on data from OTL, Unit, Rome

37. In their visits to the field, my staff were unable to adduce sufficient data at any location to form an opinion on how utilisation varied over time by the number of aircraft and capacity available. However, audit review of the operations indicated that the country offices' assessments of numbers and type of aircraft appeared to be reasonable from the standpoint that the available aircraft were flying close to their full cargo capacity. As an illustration, the utilisation rates for aircraft flying out of Lokichoggio into the Sudan are set out at Table 6.



TABLE 6: UTILIZATION RATES OF AIRCRAFT USED IN SUDAN, 2002

Aircraft type	Caravans	Buffalo	Twin Otter	C130's	Dakota	Totals
Number of aircraft	5	2	1	2	1	11
Flights per year	1,115	796	300	1,513	356	4,080
Passengers per year	9,327	1,167	2,893	0	3,186	16,573
Cargo (metric tonnes) per year	628	6,142	298	25,018	1,035	33,121

Average passengers	8.37	1.47	9.64	0.00	8.95
Passenger capacity	9	36	16	0	33
Utilisation	93%	4%	60%	0%	27%

Average cargo (MT)	0.56	7.72	0.99	16.54	2.91
Cargo capacity (MT)	0.8	7.5	1.1	16.2	3.2
Utilisation	70%	103%	90%	102%	91%

38. The environment in which the WFP operates its air services presents management with a range of significant business and financial risks to manage, not least in relation to safety. In November 1999, the Kosovo air crash cost 24 lives in human terms and cost millions of dollars in compensation, financed by a settlement package involving several parties, to which WFP contributed a portion by transfers from the Programme's financial reserves. Since then, WFP's air operations have experienced a number of air accidents, though none involving fatalities.
39. As the Kosovo accident demonstrates, the very nature of air operations involves considerable reputational and financial risks which the Programme needs to manage if operational objectives are to be achieved and donor confidence maintained. Failure to adequately manage operational risks, including air safety issues, will have a direct effect on the financial management of air operations and on the Programme as a whole. My staff therefore examined the way in which WFP has approached air safety considerations and sought to learn lessons arising from the independent review processes which followed the Kosovo accident.
40. An investigation into the accident was carried out by the Inspector General of Civil Aviation, France. The subsequent report of the Bureau Enquêtes-Accidents concluded that the causes of the accident included the following contributory factors:
- teamwork which lacked procedural discipline;
 - the aircraft being kept on track and then forgotten by a military controller;
 - the air service operator's critical situation as a new company highly dependent on the lease contract, which favoured a failure to respect procedures;



- crew fatigue; and
 - undertaking a flight with an unserviceable or disconnected GPWS.
41. A subsequent review of the safety of WFP's air transport operations by the International Civil Aviation Organization (ICAO) in November 2000 noted that the WFP operations are conducted in an environment where risks are higher than would normally be experienced in most commercial aviation operations. The ICAO report recommended a number of procedural and organisational changes to strengthen the controls over air safety, including:
- the establishment of a specialised aviation safety function;
 - adoption of an air transport manual;
 - the development of an air operator database at WFP headquarters to validate the credentials and speed the approval of the different operators; and
 - review of insurance coverage for air operations, to ensure adequate financial coverage.
42. In February 2001, the Executive Director confirmed WFP's commitment to improving the safety of its air operations. However, the examination carried out by my staff in field visits and at headquarters confirmed that, at the time of audit, only limited action had been taken to address the ICAO recommendations, which are set out in more detail at Annex 2 to this report. In particular, recommendations relating to adequate insurance coverage for air operations and for the effective management of contractors had not been addressed.
43. Given the nature of air service operations, WFP need to achieve systematic risk analysis to evaluate the risks associated with the Programme's potential liability if insurance cover should prove to be inadequate. My staff were unable to adduce evidence of whether an assessment had been performed of the viability of the insurance cover provided. My staff found that management were not formally assessing and documenting whether insurance cover provided by contractors was sufficient and reliable to cover liabilities and transfer risks from WFP to the contractor.
44. In 2003, following an approach from the United Nations High Level Committee on Management for the WFP to oversee all humanitarian air operations, the Programme's Transport Preparedness and Response Division carried out an internal review of the progress made since 2001. In June 2003, the Division reported to the Executive Director that WFP did not yet have an effective aviation management system or a safety culture in place, since recommendations made by ICAO had not been implemented.

Recommendation 4. I recommend that WFP take more effective and prompt action to ensure implementation of the recommendations of the ICAO report for the improved safety management of air operations: specifically to ensure that it addresses issues concerning the contracting of appropriately qualified aircraft providers and the establishment of adequate insurance or liability cover arrangements.

45. In August 2001, ICAO followed up their November 2000 report by conducting a review of the nine carriers being used by WFP. This review concluded that all nine carriers failed, by a greater or lesser degree, to reach the minimum standards required by ICAO. After the ICAO review, WFP continued to use the nine aircraft operators, until the initiation of new contracts. WFP staff began to review the standards of each of the new operators by visiting the offices of each contractor within a year after the ICAO review. WFP have informed my staff that they have now instituted a safety surveillance programme which monitors the implementation of improvements. Nevertheless, at the time of finalising my report, all nine carriers were still providing services under contract to the Programme.



46. Although commercial operators should comply with the rules and regulations of their state regulatory authority and, through these, with the ICAO standards, differences in national regulations and practices might exist that could potentially generate different standards of compliance. To avoid that possibility, WFP air transport staff, in collaboration with the United Nations Department of Peacekeeping Operations (DPKO), prepared draft Aviation Standards (AVSTADS) for the air services of both organisations. These standards have not been formally adopted by WFP and are seen by field operators as guidance rather than mandatory requirements.

Recommendation 5. I recommend that as a matter of priority, WFP should adopt coherent, comprehensive aviation standards and operating procedures commensurate with ICAO standards; and put in place appropriate arrangements to ensure compliance with the standards on a continuing basis.

47. In relation to staffing, the Management Plan approved by the Executive Board in October 2003 gave WFP a mandate to improve staff capacity at regional level. This was implemented by a recent exercise carried out by the Programme's Human Resources Division to introduce competency profiles for staff posts. However, this review did not acknowledge the specialist skills required for certain posts, such as aviation officers, grouping such posts within the generic profile for logistics officers. There may be some risk that, by staffing specialist posts to satisfy a generic competency profile, the requirements for technical skills and experience in such positions might not be met.

48. Information available to my staff indicated that meeting the ICAO recommendations for current operations may require a minimum of eight extra aviation specialists. The latest PSA budget, approved by the Executive Board in October 2003, includes financing for only one additional post. This is significantly less than the budget proposal for \$426,000 to finance four posts in Rome; and a further \$450,600 to finance three regional aviation safety officers, which in itself was less than ICAO's recommended minimum.

Recommendation 6. I recommend that WFP review the existing staffing and related budget provision for air operations against the requirements indicated by the ICAO recommendations, to ensure that the Programme benefits from appropriate levels of technical skills to deliver safe management of air operations.

49. My staff found no evidence of any systematic risk analysis being undertaken prior to or during operations. The specific risks faced by WFP in each location are not catalogued at the onset of (or during) an operation; and therefore specific controls are not identified or put in place to mitigate these risks. Without a complete and relevant catalogue of operational risks undertaken by suitably qualified and experienced staff, the safety of air operations is exposed to a greater or lesser degree; and management may lack a clear view of actual and potential problems.

Recommendation 7. I recommend that WFP establishes systematic risk assessment procedures to be applied to each air operation, to identify and respond to areas of operational and safety risk, and move towards a safer operating environment for the Programme as a whole.

50. WFP air operations cross many national borders and use contractors from a number of different countries. This operating environment does not readily assist clarity in the responsibilities of civil aviation authorities relative to WFP's air services. In most locations, the Programme agrees a Memorandum of Understanding (MOU) with the host government and local aviation authorities, in order to clarify the responsibilities of all parties. This ensures that WFP is legally authorised to fly within its prescribed area of operation and to use local airstrips, thus ensuring that staff, passengers and cargo have a minimum level of legal protection.



51. From their audit visits and reviews, my staff noted instances where MOU's were out of date (Afghanistan) or had never been signed (Angola), and that goodwill had replaced the written agreements. WFP believes the present arrangement in Angola is functioning well and should remain in place until the host Government has formalised a national institution framework for aviation in general.

During their visit to Afghanistan and Pakistan, my staff found that the air service had been required to reschedule the operation of its passenger service between Dubai, Kabul and Islamabad due to a lapse in the Memorandum of Understanding with the Pakistan authorities.

The original service flew daily from Islamabad to Dubai via Kabul and returned over the same route. After the lapse of the Memorandum of Understanding, aircraft could no longer park overnight at Islamabad International Airport. In consequence, aircraft had to park at Kabul airport. This increased the operational costs because of the need for extra flights to and from Kabul at the start and end of each day, and a requirement for insurance cover for parking at Kabul due to additional security risks.

Timely review and extension of the Memorandum of Understanding with the Pakistan aviation authorities might have prevented such cost increases.

52. The lack of a valid Memorandum of Understanding in such circumstances may not directly impede the provision of air services but may leave WFP vulnerable to operational and legal risks (for example in relation to the validity of insurance cover); and give rise to uncertainty over the continuing access to facilities for air operations.

Recommendation 8. I recommend that WFP carry out a central review of the status of all Memorandums of Understanding with government authorities on air operations, to ensure that they are appropriate for the activities of the individual operations currently in place.

53. The collection of data on air operations at a local level is an essential element in the maintenance of a sound control environment. For example, occurrence and incident reports are part of ICAO's recommended practices, and record non-fatal events occurring during routine operations. Without proper analysis of information, and appropriate action in response to that analysis, the value and effectiveness of collecting data to enhance safety within the organisation is reduced.
54. During their visits to field offices, my staff found examples of inconsistent data collection; and that the quality of local records of incidents and occurrences varied considerably between the operations visited for audit. In Sudan, where comprehensive documentation was being maintained, over 90 incidents and occurrences had been recorded for the year 2002 (although my staff found no evidence of management review of data on a regular basis). Conversely, in Angola only eight incidents had been recorded for the 17 month period from January 2002 to May 2003, prior to the arrival of an air safety officer. Subsequent to his arrival, the number of incidents recorded averaged 20 a month.
55. My staff found that the Operational Transport and Logistics unit (OTL) in Rome did not consistently collect or receive data from field locations to support meaningful analysis in a comprehensive or regular manner on an organisational scale. Without collection and analysis of the relevant data at a corporate level, it is difficult to see how operational risk and safety can be managed in a way that is other than reactive to events that occur.

Recommendation 9. I recommend that WFP strengthens its internal systems for data collection, incident reporting and data sharing, to facilitate appropriate evaluation by staff who are able to effectively interpret, implement and enforce operational and safety controls.

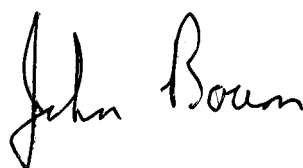


CONCLUSION

56. WFP currently operate significant air services under very difficult circumstances yet do not have appropriate controls in place on a consistent basis to manage the associated risks. The recommendations made following the ICAO report in November 2000 had not been implemented at the time of audit. In such circumstances, in my view, WFP is accepting significant risks with air safety that could have a major impact on the Programme's credibility should another fatal air crash occur.
57. With increasing operational demands and responsibilities, WFP needs to ensure that adequate systems of control and monitoring are established to provide greater assurance on the effective operation and management of air operations for the Programme as a whole.

ACKNOWLEDGEMENT

58. I wish to record my appreciation for the co-operation and assistance provided by the Executive Director and staff of the World Food Programme during the audit.

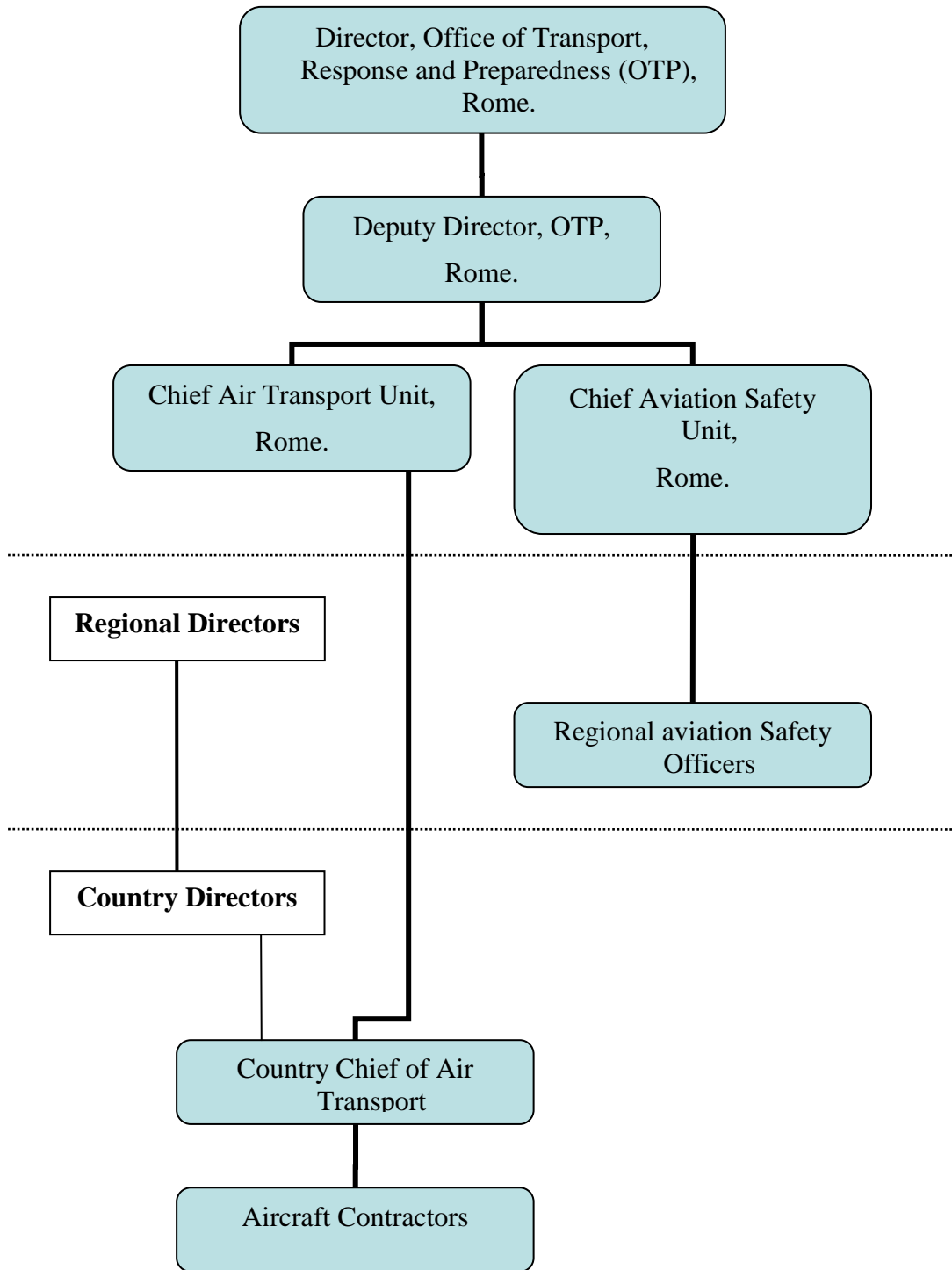


Sir John Bourn
Comptroller and Auditor General, United Kingdom
External Auditor



ANNEX I

WFP Aviation Management Structure



ANNEX II

Recommendations of the International Civil Aviation Organisation review, November 2000

ICAO Recommendations	Action taken by WFP	Audit findings
<p>1. In order to manage the safety risks involved in its expanding air operations programme, it is recommended that WFP reorganize the need to establish a specialized aviation safety function.</p>	<p>WFP appointed an Air Safety officer and the Executive Director agreed to further enhance to Air Operations Unit. Four staff qualified as certified safety inspectors in December 2003.</p>	<p>The safety aviation function is not independent of the transport officer or country directors.</p>
<p>2. In establishing an aviation safety function, it is recommended that WFP:</p> <ul style="list-style-type: none"> ▪ make an early decision on the structure that best meets their needs in providing an aviation safety function; ▪ ensure that the chain of command for the aviation safety function be at a level outside the air transport services reporting chain; ▪ staff the aviation safety positions with appropriately qualified personnel; and ▪ ensure that the structure contains a full and continuous functional linkage between Headquarters, the Regions and the Base operations. 	<p>A decision memorandum was signed in July 2003.</p> <p>Will remain within the remit of the Air Transport Officer.</p> <p>Aviation staff in Rome are now qualified.</p> <p>A decision memorandum was signed in July 2003.</p>	<p>The decision memorandum has yet to be implemented</p> <p>In the near future this will remain within the air transport service reporting chain.</p> <p>For most of the biennium staff in the country offices were not properly qualified.</p> <p>The decision memorandum has yet to be implemented.</p>
<p>3. In establishing an aviation safety function it is recommended that :</p> <ul style="list-style-type: none"> ▪ an aviation Safety Manual be developed, approved and made available to all air transport and air safety officers at Headquarters, Regional Bureaux and Bases; and ▪ a corporate Emergency Response Plan be developed and tested. 	<p>A draft manual was developed in 2002 but not approved/available</p> <p>Developed but not approved/available</p>	<p>The manual has not been approved/distributed.</p>
<p>4. Within the aviation safety programme, it is recommended that WFP examine ways to develop synergies with other agencies in areas such as aviation safety and the pre-qualification assessment of air operators.</p>	<p>ATAG group formed.</p>	<p>To be strengthened and meetings regularised.</p>
<p>5. To effectively manage its air operator contracts and to provide appropriate oversight of its aviation operators, it is recommended that WFP recognise the need to establish a specialized air transport service within the Logistics Service at Headquarters, and at Regional Bureaux and Base levels.</p>	<p>It is planned that safety officers will be based in Regional Bureaux.</p>	<p>Funding for these posts and changes to the structure have not been agreed.</p>



ICAO Recommendations	Action taken by WFP	Audit findings
<p>6. In establishing the specialized air transport service, it is recommended that WFP:</p> <ul style="list-style-type: none"> ▪ staff the air transport/safety positions with appropriately qualified personnel; and ▪ ensure that the service maintains a full and continuous functional linkage between Headquarters, the Regions and the Base operations. 	<p>Cover by the ED decision memo.</p> <p>A training plan has been created</p>	<p>The Directive has yet to be issued.</p> <p>The training plan has yet to be formalized.</p>
<p>7. It is recommended that the WFP Air Transport Manual currently being developed be finalized and approved at an early date. The generic operational standards to be contained in the Air Transport Manual should be supplemented by regional and local operating instructions.</p>	<p>Developed but not approved/available.</p>	<p>Still to be issued.</p>
<p>8. It is recommended that the current Continuous Preventative Safety Surveillance (CPSS) programme be enhanced to provide a full operational and technical evaluation of air operators. Successful completion of such an evaluation would be a requirement to award or holding of a WFP contract.</p>	<p>The CPSS is operating and all contractors are pre-approved before being given a contract.</p>	<p>Achieved.</p>
<p>9. It is recommended that WFP establish an air operator database in Headquarters in order to manage the air operator approval process.</p>	<p>The database is still to be established.</p>	<p>Still to be established.</p>
<p>10. It is recommended that the generic air operator charter contract be finalized as soon as possible. This document, together with specific technical specifications, will form the contract.</p>	<p>A standardized air charter agreement is in use.</p>	<p>A standard agreement for short term contracts to be approved.</p>
<p>11. It is recommended that WFP, in co-ordination with its insurance broker, review coverage requirements to ensure they are adequate for all likely eventualities.</p>	<p>No developments.</p>	<p>Still to be considered.</p>
<p>12. To ensure that aircraft and crew members offered by the air operator conform with all specifications in the contract, it is recommended that a formal "acceptance into service" inspection be conducted by WFP air transport/safety officer.</p>	<p>All aircraft are now formally adopted into service.</p>	<p>Formal adoption started during 2003.</p>

