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Report of the External Auditor on air transport services

Draft decision*

The Board takes note of the report of the External Auditor on air transport services (WFP/EB.A/2020/6-G/1) and the management response (WFP/EB.A/2020/6-G/1/Add.1) and encourages further action on the recommendations, taking into account considerations raised by the Board during its discussion.
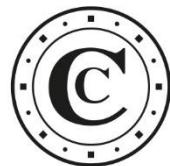
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* This is a draft decision. For the final decision adopted by the Board, please refer to the decisions and recommendations document issued at the end of the session.

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EXTERNAL AUDIT OF THE WORLD FOOD PROGRAMME

AUDIT REPORT
AIR TRANSPORT SERVICES

2019 financial year

REFERENCE COUR DES COMPTES WFP-2019-3

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SUMMARY

WFP manages the United Nations Humanitarian Air Service (UNHAS) and short-term or dedicated operations for individual clients. Users of these services express a high level of satisfaction with the quality of the services. This report presents observations on the following matters.

1- Governance. Governance of WFP's air services is shared between the Aviation Service (OSCA), which is responsible for the day-to-day management of operations, and the Aviation Safety Unit (ASU), which is responsible for safety standards. The Executive Board has not approved any overall framework document covering the scope of WFP's mandate, relevant funding rules, the interaction of air operations conducted on behalf of the humanitarian community, whether for WFP itself or for third parties, and the relationship between OSCA and ASU. Annual reporting to the Board by OSCA should be made systematic and should include substantive elements on the financial, environmental and operational performance of aviation operations.

2- Financial reporting. The financial and budgetary framework for aviation operations is outdated and complex. Contrary to the principle laid down by management, aviation activities are not covered by a single framework; financial tracking varies according to the nature of operations, which makes it more complicated to determine the full cost. Accounting surpluses are significant, yet a clear target for surpluses has not been adequately established. The recovery of indirect support costs charged on air contributions no longer accrues to headquarters aviation services operating income, even though allocating a larger share of the programme support and administrative budget would make it possible to charge a lower rate on charter contracts.

3- Risk management. Risk management is generally good but some controls could be tightened. The technical culture of Aviation Service managers predisposes them to a high degree of vigilance with regard to risks. The Quality Assurance Unit perform regular air operation assessments. Only the risk of fraud related to the transportation of passengers not eligible for this type of service appears to be underestimated. It took 15 years for the International Civil Aviation Organization (ICAO) to schedule a new audit of WFP air services, for 2020.

4- Operational strategy. Several aspects of the strategy could be better defined. There are no criteria governing the decision to use an air operation over some other means of cargo transport, and such decisions are rarely taken in accordance with established procedure. In countries, there are no exit strategies for air operations or processes for regularly reviewing whether they should be continued. Operations rely on a limited base of 15 donors for funding, yet there is no mention of aviation activities in the private-sector partnerships and fundraising strategy. While there is little competition in the operators' market, no use is made of instruments that could improve price control. There are no guidelines for determining user fees, which are set locally. Opportunities to enhance cooperation with the military air operations of the Department of Peace Operations are still underused. Finally, there are weaknesses in the control of user access to UNHAS routes and the receivables collection mechanism could be better regulated.

5- Environmental impact. The environmental impact of the activities is only partially taken into consideration. WFP's own calculations do not consider greenhouse gas emissions from the transportation of staff from other agencies. The environmental impact of the activity is not covered in OSCA reports. With regard to WFP's contribution to the United Nations carbon footprint, the standard used is questionable because it excludes aviation operations from the data taken into account in the assessment, while data on employee travel on commercial flights are included.

I.   OBJECTIVE, SCOPE AND APPROACH OF THE AUDIT

1.   In accordance with our notification letters of 29 May and of 20 November 2019, a team of five auditors conducted an audit at WFP headquarters in Rome in two stages, from 15 to 19 July 2019 and from 20 to 31 January 2020. Two interim audits were conducted at headquarters on 7 and 8 November and on 2 and 3 December 2019. In addition, field audits planned for country offices[1] during the 2019–2020 financial period contributed to the drafting of this report. The purpose of this audit was to examine WFP air transport services.

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

3.   The External Auditor's mandate is defined in section 14 of the WFP financial regulations and the corresponding appendix, and in the call for applications for the appointment of the External Auditor. The terms of reference of this mandate comprise the call for applications, together with the offer of services of the Cour des comptes, particularly its detailed technical offer, which was approved by the Board.

4.   The External Auditor's responsibilities are to audit WFP's financial statements (Financial Regulation 14.1) and to make, where he wishes, observations with respect to the efficiency of the financial procedures, the accounting system, the internal financial controls and, in general, the administration and management of WFP (Financial Regulation 14.4).

5.   Pursuant to Financial Regulation 3.1, the Executive Director is responsible and accountable to the Board for the financial management of the activities of WFP.

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

7.   This report comes under the annual work plan of the External Auditor submitted to the WFP Executive Board during its second regular session in November 2019, which details the audits to be carried out between July 2019 and June 2020. Pursuant to the terms of reference, each year the External Auditor must produce an audit report on WFP's financial statements (subject to the approval of the Board), accompanied by an opinion on the accounts, two reports on the performance and regularity of the management of WFP, also called "performance audit reports" (submitted to the Board for consideration) and eight management letters drafted following visits to field offices (regional bureaux and country offices). The External Auditor also validates the draft annual report on the implementation status of its previous recommendations, submitted by the Secretariat to the Board for consideration.

8.   The WFP Air Transport Services audit was carried out in accordance with the International Standards of Supreme Audit Institutions on performance and compliance audits, the WFP Financial Regulations and the additional terms of reference annexed thereto. These standards require the External Auditor to comply with the applicable rules of professional conduct, exercise professional judgement and demonstrate critical thinking throughout the audit.

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[1] The country offices of Kenya (which oversees the air operation in Somalia), of Mali and of South Sudan (country in which the main aviation field operation is implemented).

9. The primary aim of the audit was to:

- check whether WFP aviation activities comply with the rules governing air transport activities, air operator selection, staff training and legal liability;

- analyse the decision making process with regard to the planning, scheduling and implementation of an air operation to ensure its control, suitability and effectiveness;

- assess whether WFP's air operations are organized efficiently in terms of logistics and the environment; and

- review WFP's communications with Member States to ensure that the air services provided and the business model chosen for those services are consistent with the recommendations of the Executive Board.

10. Each observation and recommendation was discussed with the relevant staff, including the staff of OSCA, part of the Supply Chain Operations Division. The audit closure meeting was held in the presence of the Deputy Director of this division, the Chief of OSCA and the Chief of ASU. The Secretariat confirmed the validity of the facts presented. This report takes full account of its comments and responses, provided in writing on 20 March 2020.

11. During an audit conducted according to the international standards, performance and compliance are examined based on appropriate criteria and the causes of any discrepancies in relation to those criteria are analysed. The aim is to answer the main audit questions and to recommend improvements. The first step in the audit is to define the scope of the subject matter in question, that is, the information or activity to be assessed. It can take many forms and have different characteristics depending on the audit objective. An appropriate subject matter is identifiable and capable of consistent evaluation or measurement against the criteria, such that it can be subjected to procedures for gathering sufficient and appropriate audit evidence to support the audit opinion or conclusion.[2]

12. The subject of this audit was the air transport services provided by WFP, through both UNHAS operations and other types of operations.

13. In order to conduct his review, the External Auditor prepared a logical classification of the aims pursued by the air transport service, comprising immediate, operational and strategic aims: immediate aims translate into factual outputs; operational aims assume that results are obtained that call for a more qualitative assessment; strategic aims manifest through long-term expected impacts, the analysis of which is more of an evaluation. The expected outputs, results and outcomes identified in the logical framework constitute the basic criteria for assessing the performance of the operations.

14. The approach of a programme based on a logical framework of aims is summarized in the diagram below.

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[2] International Standards of Supreme Audit Institutions, Standard 100, paragraphs 22 and 26.

WFP aviation operations logical framework

Immediate aims	Operational aims	Strategic aims
• Strengthen existing internal and external partnerships and forge new ones. • Explore innovative initiatives in the sector. • Maintain first-hand knowledge of the local contexts in which UNHAS operates. • Have a rapidly deployable fleet and adequate staff. • Organize training workshops for UNHAS staff. • Obtain sufficient funds to provide sustained support for air operations. • Cooperate with the humanitarian community, the end customer of UNHAS. • Strengthen emergency preparedness. • Identify threats and ensure comprehensive security risk monitoring and mitigation.	• Expand WFP's aviation expertise. • Develop agile, cost-effective solutions. • Facilitate support for humanitarian responses. • Act swiftly in the face of crises. • Develop a performance- and customer-oriented mindset. • Develop a culture of lifelong learning. • Provide a service that meets the needs of the humanitarian community. • Ensure the safety and security of passengers and staff. • Provide uninterrupted, reliable service. • Help build civil aviation in developing countries.	• Strengthen WFP's leadership in humanitarian aviation. • Improve operational agility. • Improve operational reliability and efficiency. • Enhance services through innovative tools and strategic partnerships. • Achieve Sustainable Development Goal (SDG) 2 (end world hunger). • Achieve SDG 13 (combat climate change). • Achieve SDG 17 (acting in partnership).
Activities	Results	Outcomes

Source: External Auditor

II.   LIST OF RECOMMENDATIONS

15.   The recommendations are classified according to their level of priority:

- *priority 1,* fundamental issue, requiring the immediate attention of management;
- *priority 2,* less urgent control issue requiring management attention;
- *priority 3,* issue brought to the attention of management, pertaining to which controls could be improved.

16.   This report also contains in annex 1 a list of actions which, without requiring the follow-up of the Executive Board, are suggested to the Secretariat.

Field	Priority	Final recommendations
Regulatory framework	1	**1. The External Auditor recommends that an aviation operations policy document be prepared for presentation by the Executive Director and approval by the Executive Board.**
Governance framework	1	*2.* **The External Auditor recommends that the practice of the annual presentation of air transport activities to the Executive Board be maintained while including more data on the cost, performance, environmental impact and operations funding modalities in the WFP Aviation annual report.**
Financial and budgetary framework	1	**3. The External Auditor recommends that WFP management: a) update and revise the financial and budgetary framework for aviation activities to ensure a comprehensive and transparent presentation of the financial flows arising from such activities; and b) reconsider the rationale for a special account for aviation services in light of the desired degree of autonomy in determining the operating resources for such services.**
Financial and budgetary framework	2	**4. The External Auditor recommends that the optimal cumulative carry-over be determined for each UNHAS operation.**
Financial and budgetary framework	2	**5. The External Auditor recommends that the target cumulative surplus defined in 2020 for the ASA be reassessed to take into account the income generated by ad hoc flights and that the use of the funds exceeding this target be determined annually by the Executive Board.**
Financial and budgetary framework	2	**6. The External Auditor recommends that the modalities for funding OSCA administrative and staff costs be re-examined, with consideration being given to reducing the MCR fee and instead allocating a larger share of the PSA budget to OSCA.**

Field	Priority	Final recommendations
Risk management framework	1	**7. The External Auditor recommends continuing the process of integrating the various fraud risks linked to air services into the operation risk registers and the OSCA risk register.**
Decision to use air transport	3	**8. The External Auditor recommends including in the Air Transport Manual a chapter with provisions for headquarters and country offices to help them make a more formalized selection of cargo transport by air, land, river or sea.**
Funding of air operations	2	**9. The External Auditor recommends developing a fundraising strategy for UNHAS operations that foresees multi-year planning of donors' funding commitments for each operation, including private donors, and at the same time is consistent with the overall strategy of country offices with regard to WFP donors.**
Funding of air operations	2	**10. The External Auditor recommends defining guidelines for cost recovery by users and studying possibilities for diversifying the rates that UNHAS charges for the transportation of its passengers, for example by distinguishing between international and local NGOs.**
Service contracting	3	**11. The External Auditor recommends that OSCA employ instruments designed to better control prices, such as: a) including a financial audit clause in contracts; b) sharing pricing information with other agencies; and c) undertaking a specific study of market prices for specialized aircraft charter services.**
Air operations management	1	**12. The External Auditor recommends establishing a standard operating procedure for the preparation of an air operations exit strategy and ensuring that the officials responsible for air operations and headquarters perform a periodic review of the objective conditions for maintaining operations.**
Air operations management	3	**13. The External Auditor recommends encouraging the conclusion of bilateral protocols between WFP and the Department of Peace Operations/Department of Field Support, in accordance with the framework agreement of 2013 and based on a template, in order to improve the efficiency and safety of the air operations carried out by WFP.**

Field	Priority	Final recommendations
Air operations management	2	**14. The External Auditor recommends calculating the total greenhouse gas emissions produced by aviation activities, distinguishing the portion attributable to WFP operations, and including them in WFP Aviation's annual reports.**
Air operations management	2	**15. The External Auditor recommends adding an environmental clause to air charter, ground handling and refuelling contracts related to air operations.**
User relations	1	**16. The External Auditor recommends that further consideration be given to the introduction in the Takeflite flight management system of a system for verifying authorizations of organizations that use UNHAS and individual lists of authorized persons provided by those organizations.**

III.   **INTRODUCTION**

17.   By a decision adopted at the fifth session of the High-level Committee on Management, held on 12 and 13 June 2003, WFP was entrusted with the administration of all United Nations humanitarian and other air operations, except for peacekeeping. This responsibility now falls within the framework of the 2030 Agenda for Sustainable Development, under SDG 17 (partnerships for the goals).

18.   This mandate is executed through UNHAS.

19.   WFP's aviation activities were organized by the Executive Director's decision memorandum of 6 July 2003, with the Aviation Safety Unit being established by the Assistant Executive Director of Operations in a directive of 13 January 2004.[3]

20.   As stipulated in this directive, WFP's mandate is "to provide a safe, efficient and cost-effective air transport service" to its clients. The beneficiaries of the service provided by WFP Aviation are: country offices, all United Nations agencies and their non-governmental organization (NGO) implementing partners, and members of donor organizations and their governments. WFP aviation services consist of a scheduled passenger and cargo air transport service, ad hoc services (dedicated aircraft), transport services for emergency evacuation and for aeromedical evacuation.

21.   The WFP Air Transport Manual lists three types of aviation services:
   - the operations of **UNHAS**, which include the transport of passengers and light cargo provided under three different financial modalities (free of charge, or partially or fully funded) but in principle only in areas that have become difficult or impossible to access by other means;
   - **short-term aviation services** (airdrops, medical evacuations) for WFP or external clients in extreme cases; and
   - **dedicated air services provided to external clients** (United Nations agencies, NGOs, donors), mainly for cargo transport, on a fully funded basis.

22.   Some of these services are provided within the scope of the transport and logistics cluster leadership role entrusted to WFP, which is also responsible for coordinating transport during emergency operations since January 2004.[4]

23.   In addition to ad hoc flights, WFP has conducted 21 aviation field operations (AFOs) from January 2017 until December 2019 (see annex 3). These operations tend to be long term: 17 were still under way in January 2020, with an average duration of more than 10 years for the operations ongoing at the time of the audit.

24.   WFP aviation activities grew significantly from 2017 to 2019. For UNHAS, the number of passengers transported has increased by 26.4 percent to 414,581, up from 327,934 in 2017. For other aviation activities, the number of passengers increased more than threefold, from 2,811 to 9,622, while non-airdrop cargo volumes remained roughly the same and WFP's use of food airdrops fell sharply (-77.9 percent).

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[3] Operations Department directive OD2004/001.

[4] In January 2020 there were clusters in nine countries, seven of which had aviation operations: Central African Republic, Democratic Republic of the Congo, Haiti, Libya, Nigeria, South Sudan and Yemen (as well as Bangladesh and the Syrian Arab Republic).

Table 1: Key data related to UNHAS activities

	2017	**2018**	**2019**	**Change**
Number of countries involved	14	16	18	+4
Passengers transported	327 934	386 330	414 581	+26.4%
Cargo transported (tons)	2 708	3 655	3 706	+36.9%
Number of evacuations	1 580	1 362	1 784	+12.9%

Source: WFP Aviation Service, figures provided in February 2020.

Table 2: Key data related to WFP Aviation Service activities (non-UNHAS)

		2017	**2018**	**2019**	**Change**
Air operations	Number of countries involved	20	19	15	-5
	Passengers transported	2 811	7 506	9 622	+342%
	Cargo transported (tons)	31 097	14 912	31 422	+1.1%
Airdrops	Number of countries involved	2	1	1	-1
	Number of airdrops	3 079	2 299	680	-77.9%
	Cargo transported (tons)	80 643	60 667	20 496	-74.6%

Source: WFP Aviation Service, figures provided in February 2020.

1.   **Aviation operations management framework**

1.1. Organizational framework

25.   At WFP, the management of aviation operations is organized into two separate functional chains: OSCA, which reports to the Director of the Supply Chain Operations Division, and ASU, which reports directly to the Deputy Executive Director

26.   OSCA provides for a global management of all aviation operations (budget, recruitment, evaluations, field operations, etc.). In addition to OSCA, the Aviation Safety Unit (ASU) assesses airlines' compliance with the applicable safety standards before adding them to the WFP list of registered air operators (LORA) for the provision of passenger transportation services.

27.   While the functional autonomy of ASU is consistent with aviation safety principles and standards, the unit is however supervised by OSCA for administrative matters and by the Deputy Executive Director and the Aviation Safety Board (ASB) for technical matters.

1.2. Regulatory framework

28.   WFP applies various standards in its aviation operations, as referred to in the 2015 Aviation Safety Manual: its own regulations and rules; the International Civil Aviation Organization (ICAO) standards and recommended practices; the United Nations Aviation Standards for Peacekeeping and Humanitarian Air Transport Operations;[5] and the Air Transport Manual developed by OSCA (February 2019). WFP also implements the Standard Terms and Conditions of Service for the provision of United Nations Humanitarian Air Services;[6] the Financial Conditions for the Provision of Air Transportation Services;[7] and standard administrative and operating procedures (SAOPs) adopted for each air operation.

29.   The SAOPs, warranted by the level of requirements and security specific to air operations, are not sufficient to meet WFP's need for a framework for the air operations it carries out. The WFP Aviation Strategy 2017−2019,[8] was only approved by the Director of the Supply Chain Operations Division and has not been updated. It is expected to be replaced by a new strategy for 2020−2021 that should be harmonized with the Supply Chain Operations Division's strategy for 2019−2020.

30.   Given the importance of the aviation activity for the United Nations and the humanitarian community, the risks associated with its implementation and its specific funding modalities, it should be covered by a **policy document** which should be approved by the Executive Board.

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[5] Developed since 2008 by WFP and the United Nations Department of Operational Support with the assistance of ICAO, with the latest version dated September 2012.

[6] Among other things, the standard terms and conditions of service for the provision of United Nations humanitarian air services define the principles governing user organization responsibility for passenger and cargo documentation and carrier responsibility for losses and accidents (except in very specific cases).

[7] The financial conditions for the provision of air transportation services set out the principles of advance payment for flights and services (unless there is a fixed deposit), invoicing for "no shows" and accounting for operational, handling, fuel, administration, management and safety supervision costs.

[8] The strategy reiterates that the mission is "to provide quality, reputable and safe air services to humanitarian and development actors during emergencies and protracted crises". It has four objectives: to strengthen leadership in humanitarian aviation, to improve operational agility, to optimize reliability and efficiency and to increase service through the use of innovative tools and partnerships. It is based on four "strategic pillars": operational agility, strategic partnerships, constructive innovations and an agile workforce.

31.   In particular, the purpose of the policy document would be to define the scope of WFP's mandate, the coordination of flight missions for the humanitarian community, for WFP itself or for third parties (short-term or dedicated air services), the criteria for including NGOs as beneficiaries of such services, the relationship between OSCA and ASU and the funding rules applicable to the activity.

> **Recommendation 1**: **The External Auditor recommends that an aviation operations policy document be prepared for presentation by the Executive Director and approval by the Executive Board.**

1.3.   Governance framework

32.   WFP aviation activities are overseen by various governance and steering bodies specific to such activities.[9] WFP does not report formally to the Executive Board on them, however. At its June 2019 session, the Board requested OSCA to report annually on its financial resources, starting at the June 2020 session of the Board, to complement the traditional operational report to the Air Transport Committee in February each year.

33.   There is room for improvement in reporting to donors on UNHAS activities. At the local level, the annual country reports for countries only very briefly mention the state of aviation activities. At the headquarters level, the WFP Aviation annual reports do not constitute formal reports to the Executive Board, and while they provide key figures for UNHAS activities (passengers and cargo transported, number of operations, share of each category of client transported, etc.) they do not discuss financial issues or the performance of the operations.

34.   The donor States consulted by the External Auditor requested greater transparency with respect to the activities of UNHAS, in particular its performance and the funding model for its operations. In July 2019, at the request of certain donor States, OSCA provided those States with information about UNHAS governance, accounting specifics, funding model, fundraising and performance. This information was very positively received by the donors.

35.   The importance and sensitivity of aviation activities warrant an annual presentation to the Executive Board and, for donors with no Board representation, the inclusion in the WFP Aviation annual report of information regarding the financial, environmental and performance aspects of each ongoing air operation, so as to meet the expectations of Member States.

> **Recommendation 2**: **The External Auditor recommends that the practice of the annual presentation of air transport activities to the Executive Board be maintained while including more data on the cost, performance, environmental impact and operations funding modalities in the WFP Aviation annual report.**

1.4.   Financial and budgetary framework

36.   Total aviation operations expenditure was USD 328.8 million in 2019, which was stable in relation to 2017 and 2018. This total includes the operating expenses of OSCA and ASU, which amounted to USD 4.7 million and USD 2.4 million, respectively, excluding field aviation operations.

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[9] Namely the Air Transport Committee, chaired by the Director of the Supply Chain Operations Division, the Aviation AOC Holders' Registration Process Committee, the Air Transport Contracts Committee and the Aviation Risk Management Committee.

1.4.1. Financial circuits

37.   Air operations fall into two separate financial frameworks. Depending on their nature, they are included in either the country strategic plans (CSPs) or the aviation special account (ASA).

38.   UNHAS operations are incorporated into the CSPs (circuit 1) while other air operations fall into a different framework.[10]

39.   The financial flows of other (non-UNHAS) operations fall into two categories:[11]

   -   Ad hoc requests for short-term services are tracked in the ASA (circuit 2).

   -   Requests for long-term services (long-term agreements (LTAs)) are recognized in the CSPs (circuit 3), with amounts charged to the CSP activity that uses the air transport or logistics cluster service. A similar short-term service is included in the ASA.

Figure 1: Simplified mapping of the financial circuits
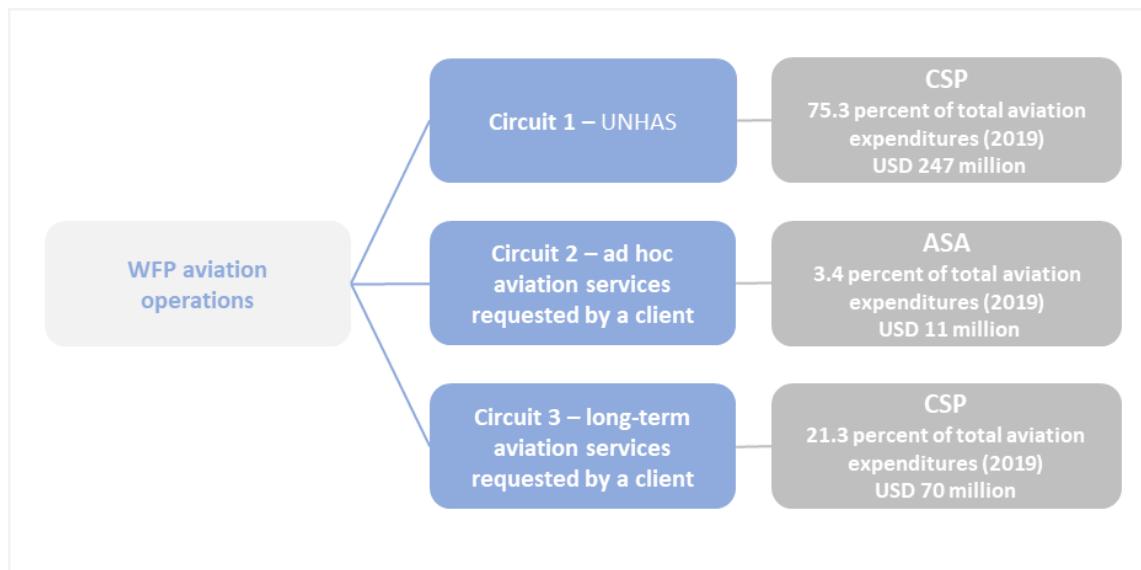
Source: External Auditor.

40.   The CSPs and their country portfolio budgets track, in the countries where air operations take place, the direct operational costs for UNHAS operations and the long-term service requests: charter, kerosene refuelling and ground handling; payment to the ASA of the 4.5 percent management cost recovery (MCR) fee applied to amounts paid under charter contracts; and local support costs (salaries, staff costs, vehicles, office rent, supplies, communications). Like any other local activity, air operations also help fund the direct support costs and indirect support costs of the country office.

41.   Aviation operation resources monitored in the CSPs consist of contributions from donors and amounts paid by clients.

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[10] The 16 CSPs of the countries with air operations in progress in early 2020 thus included an air transport activity. Only the air operation in Haiti is not shown as a specific activity, because it was initiated after the start of the CSP for Haiti 2019-2023.

[11] The ad hoc and long-term (LTAs) categories do not precisely match the short-term and dedicated services categories in the Air Transport Manual. From a financial perspective, the type of agreement (long-term or not) is what distinguishes between circuit 2 and circuit 3.

42. The ASA tracks staff costs and other management costs for headquarters services associated with air transport (OSCA and ASU), as well as, for ad hoc operations that are centrally managed, direct operational costs, costs of air charter contracts for internal clients or for external clients, coordination costs and related costs (kerosene, ground handling, etc.).

43. The ASA is funded by a 4.5 percent MCR fee charged on all air charter contracts (both long-term and ad hoc), which, in addition to funding management costs at headquarters for aviation matters, provides bridge funding for ad hoc or sudden-onset emergency operations when needed. It also receives reimbursements from ad hoc operation clients. In theory, the ASA also benefits from an allocation from the programme support and administrative (PSA) budget, which funds the various divisions at headquarters.

44. The difference in the nature of the operations tracked in the CSP and ASA is summarized in table 3, below.

Table 3: Simplified presentation of the aviation operation financial frameworks

CSP	ASA
EXPENDITURE	**EXPENDITURE**
- Operational and support costs of UNHAS flights and long-term[12] aviation services - MCR[13] fees transferred to ASA - direct support costs (UNHAS) - indirect support costs (UNHAS)[14]	- short-term (ad hoc) aviation service operational and support costs - OSCA staff and office costs at headquarters
INCOME	**INCOME**
- donor contributions (UNHAS) - partial cost recovery (UNHAS clients) - full cost recovery (long-term aviation service clients)	- PSA budget[15] - MCR (4.5%) - Cost recovery (short-term (ad hoc) aviation service clients)

Source: External Auditor.

45. When there is a CSP activity related to UNHAS (circuit 1), OSCA can easily track the corresponding expenditure. The same applies to the ASA expenditure (circuit 2) it administers. Expenditures in circuit 3, however, may be incorporated into various CSP activities, making them difficult to identify. Indeed, OSCA does not specifically monitor this financial flow, and it was therefore impossible to undertake a detailed analysis of circuit 3.

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[12] Long-term air services do not appear as such in the CSPs but are included in the transfer modalities (food assistance, etc.).

[13] In practice, MCR is included in direct service delivery costs.

[14] Indirect support costs are considered to be aviation expenditures in CSPs because donations for aviation services, like any other contribution, are subject to the indirect support cost recovery charge.

[15] ASA funding from the PSA budget was virtually zero in 2019 (USD 4,175), while income generated by the application of the indirect support cost charge to contributions for air transport is estimated at USD 9.8 million.

46.   In practice, when a customer requests an ad hoc flight it is sometimes possible to provide the requested service through a UNHAS contract (circuit 1) if unused air capacity is available, rather than through circuit 2.

47.   The difference in the financial and budgetary frameworks for the three circuits is not reflected in the Executive Director's circular of 12 December 2003 on aviation, which on the contrary implies that all aviation income and expenditure transactions should be recorded in the ASA. One of the objectives of the ASA is in fact to centralize the accounting and financial reporting of all aviation activities.[16] The directive[17] that specifies the abovementioned circular of the Executive Director does not clearly describe the different financial flows either and, furthermore, has never been updated since the institution of the CSPs.

48.   With regard to the CSPs, the guidance note on how to incorporate activities related to SDG 17 provides for the creation of a specific UNHAS activity and a separate activity for the logistics cluster, as these two activities cannot be merged. If WFP receives a request for air service, the request must be included in the CSP if the service is managed by the country office.

49.   The directive and guidance do not sufficiently reflect current practice or clearly describe the link between the ASA and CSPs. An in-depth review of the documentation is required.

50.   The main reason for creating the ASA was to enable the departments responsible for aviation services to keep the income generated by the provision of specific services by WFP to a client and carry it over from one financial period to the next. This earmarking mechanism should be reconsidered, as it effectively leaves it up to the Supply Chain Operations Division and the departments responsible for aviation services to determine their staffing and operational requirements, while this would seem to be a matter of principle for the Executive Board. Indeed, the Board might consider that the PSA budget is intended to finance aviation-related payroll and operating costs, and consequently abolish the ASA, or it might decide to keep the ASA provided that the direct operational costs associated with air operations conducted by WFP are included in the expenditure of the special account.

> **Recommendation 3**: **The External Auditor recommends that WFP management: a) update and revise the financial and budgetary framework for aviation activities to ensure a comprehensive and transparent presentation of the financial flows arising from such activities; and b) reconsider the rationale for a special account for aviation services in light of the desired degree of autonomy in determining the operating resources for such services.**

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[16] Operations Department Directive OD2004/001 of 13 January 2004 confirmed the principle of centralizing all aviation activities under the ASA: "*WFP Aviation will conduct and manage all aviation activities as a non-profit, self-accounting "business unit" under the Aviation Special Account (ASA) established by the ED Circular ED2003/008 dated 12 December 2003*".

[17] ADF 2005/003-ODT 2005/001.

1.4.2. <u>Surplus management</u>

a) UNHAS budget surplus (circuit 1)

51.   The cumulative surplus rose from 3.8 months of expenditure[18] in 2017 to 4.4 months in 2018 and 4.5 months in 2019, an increase of almost USD 93 million. This overall situation masks significant local disparities (from 1.5 months of expenditure in the Niger to 6.5 months in South Sudan and 11.3 months in Haiti in 2019).

52.   OSCA has not defined the appropriate annual surplus for aviation operations. A target should be set and used as an indicator to optimize financial management and avoid maintaining unnecessary surpluses.

53.   UNHAS calculates its funding needs on the basis of the contributions estimated in the budget. This approach is questionable for two reasons: not only is expenditure consistently lower than the budget, but a portion of income is guaranteed by ticket sales (through the cost recovery mechanism), meaning that operations such as those in South Sudan and Somalia are in fact already funded for 2020.

> **Recommendation 4**: **The External Auditor recommends that the optimal cumulative carry-over be determined for each UNHAS operation.**

b) Surplus of the aviation special account (circuit 2)

54.   In accordance with Executive Director's Directive 2006/007 of 9 August 2006 on the management of WFP extrabudgetary resources, the aviation special account[19] is managed autonomously by OSCA in line with a special guide issued in June 2016.

55.   The ASA surplus decreased slightly over the period 2017−2019 but remains significant. As at 31 December 2019, it stood at USD 20.9 million, the equivalent of more than 10 months of operations.[20]

56.   These surplus funds are intended to be used for advances for air operations. In practice, however, there has been limited need for advances: USD 1.5 million in 2017, USD 650,548 in 2018 and USD 845,243 in 2019. These amounts have all been repaid, indicating that the procedures for raising funds for extended air operations and emergency operations are generally effective.

57.   A minimum fund balance of USD 17.2 million was established on 27 February 2020 by a decision memorandum of the Deputy Executive Director.[21] However, the establishment of **this amount does not take into account the income generated by ad hoc flights**.

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[18] The surplus requirement in months is based on the available carry-over at 31 December 2019 relative to the annual expenditure: USD 63.5 million carry-over relative to USD 200.4 million in 2017, USD 79.0 million relative to USD 213.0 million in 2018 and USD 92.8 million relative to USD 247.6 million in 2019 (UNHAS Sustainability Report).

[19] See Financial Regulation 1.1: "Special account shall mean an account established by the Executive Director for a special contribution, or for monies earmarked for specific activities, the balance of which may be brought forward to the succeeding financial period."

[20] For the period 2017–2020, expenditure averaged USD 24.4 million.

[21] WFP Deputy Executive Director decision memorandum "Minimum balance to be maintained in the Aviation Special Account", 25 February 2020 (AA6058).

58.   Staff and support costs increased by 80 percent from 2017 to 2019, while income from the management cost recovery fee fell by 16 percent and UNHAS aviation activity increased by just 26 percent (passengers) and 37 percent (cargo) over the period. This raises the question of how effectively WFP management is managing the sustainability of the human resources strategy pursued by OSCA and ASU.

Recommendation 5: **The External Auditor recommends that the target cumulative surplus defined in 2020 for the ASA be reassessed to take into account the income generated by ad hoc flights and that the use of the funds exceeding this target be determined annually by the Executive Board.**

1.4.3. Fees applicable to air operations

59.   Like other donations received by WFP, contributions received for UNHAS and the logistics cluster are subject to a standard charge of 6.5 percent to cover WFP's overheads (indirect support costs) and fund the PSA budget. They are also subject to a charge, at a rate set by the field offices, to cover local air operation management costs (direct support costs).[22] Air operations are also subject to a specific fee applied to charter contracts, at a rate of 4.5 percent, to cover the costs of air operation management by the headquarters teams.

60.   Air operation management cost recovery (MCR) on charter contracts represents a significant source of funding (USD 8.4 million in 2019) for the ASA. Given the single fixed rate, large contracts generate high revenue even when the administration of those contracts does not entail a proportional increase in administrative expenses. Over the 2017−2019 period, the amount generated in MCR fees was consistently higher than the administrative expenses charged to the ASA, despite the significant increase in staff costs. The resulting surplus income in the aviation special account generated a cash position of USD 25.7 million according to a OSCA internal calculation at the end of 2019.

Table 4: Main income and expenditure of the aviation special account *(United States dollars)*

	2017	**2018**	**2019**
(A) Income – MCR	9 904 464	8 758 475	8 368 961
(B) Expenditure – staff and office costs	3 956 182	4 753 475	7 090 237
Difference A – B	5 948 282	4 005 000	1 278 724

Source: OSCA.

61.   While contributions to aviation operations generate double income for headquarters owing to the collection of ISC and MCR fees, the management of aviation operations by headquarters teams is now exclusively financed by MCR fees. Among other things, the PSA budget must be used to finance headquarters operating and staff costs. Yet, since 2019 OSCA has received no funding from the PSA budget, with all its operating and staff costs being covered by MCR fees. In fact, the PSA budget allocation fell considerably, to zero in 2019,[23] while indirect support cost income (USD 9.8 million in 2019) from donor contributions[24] to air operations continued to flow to the PSA budget.

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[22] Direct support costs are in fact budgeted (and applied) as a percentage of direct operational costs. Unlike indirect support costs, they are not based on contributions. They are therefore an indirect charge.

[23] Apart from an adjustment of USD 4,175 in 2019 for an earlier credit.

[24] Donor contributions to air operations amounted to USD 166.1 million in 2019. The standard rate for the indirect support cost charge is 6.5 percent but can be reduced to 4 percent under certain conditions.

62.   The application of a uniform MCR fee rate of 4.5 percent led to overfunding, prompting a reduction in the PSA budget allocation to cover OSCA costs. In other words, owing to the accumulation of significant cash in the ASA, the burden of certain expenses previously funded by the PSA budget has been transferred to the MCR fee.

63.   At the December 2019 meeting of the Air Transport Committee, OSCA produced several simulations of the sustainability of the ASA at a maintained or reduced MCR fee rate. These simulations were based on the assumption that none of the PSA budget would be allocated to OSCA and that staff costs would increase by 10 percent a year owing to both an increase in staff numbers and the conversion of consultancy contracts to fixed-term contracts.

64.   With an MCR fee rate of 4.5 percent, OSCA can expect a negative balance in the ASA as of 2023. Simulations show that lower MCR fee rates lead to an even greater deficit. In view of this, the Air Transport Committee concluded that the MCR rate should be kept at 4.5 percent.

65.   An alternative type of analysis is possible, however, based on a redistribution of the resources allocated to the aviation special account.

66.   An External Auditor's simulation, the details of which can be found in annex 2, suggests that the MCR fee rate could be reduced, with the reduction offset by increasing the aviation expenditure allocation from the PSA budget. Overall, the pressure on donors would be reduced.

67.   In this model, the imbalance between ASA income and expenses caused by the switch to a test rate of 4 percent instead of 4.5 percent is offset by an increase in the PSA budget allocation, from the current allocation of almost nil to USD 1.75 million (i.e. 20 percent of the average ISC charged on aviation contributions from 2017 to 2019).

68.   In the long run, drawdowns on the cash surplus would be needed to balance the system. The sustainability of the ASA would then be assured by adopting a floating MCR fee rate that could be adjusted based on the target floor for the surplus. As soon as the surplus fell below this limit, the MCR fee rate or the PSA budget allocation could be reviewed to ensure the sustainability of funding.

Figure 2: Operation of the ASA funding mechanism with a floating MCR fee rate
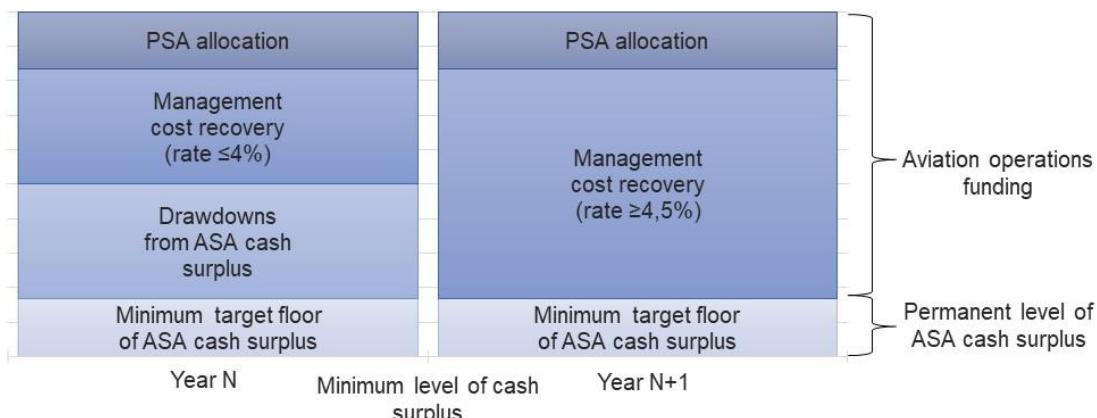
Source: External Auditor.

69.   This funding model has the dual advantage of allowing a reduction in the 4.5 percent fee charged to the donors and to users of air services, while at the same time rebalancing the funding of expenditures between the PSA budget and the MCR fee. It also leads to a reduction in the ASA cash surplus, subject to the floor of USD 17.2 million established in 2020.

> **Recommendation 6: The External Auditor recommends that the modalities for funding OSCA administrative and staff costs be re-examined, with consideration being given to reducing the MCR fee and instead allocating a larger share of the PSA budget to OSCA.**

1.5. Human resources framework

70.   OSCA and ASU had 35.5 full-time equivalent staff at headquarters in 2019 (including 14.2 consultants), 22 percent more than in 2017 owing to the doubling of the number of consultants. In January 2020, the workforce stood at 44 staff in post and 6 vacancies.

71.   In December 2019, 599 staff were employed in the field, 82 percent of whom were local temporary staff. Three operations (South Sudan with 149 staff members, the Sudan with 97 staff members and the Democratic Republic of the Congo with 75 staff members) accounted for more than half of the staff, and 10 countries accounted for more than 87 percent of the total staff.

72.   The principle of gender parity is not respected. It is absent from the Aviation Strategy 2017−2019. According to the OSCA database, which identified all WFP aviation staff members as at December 2019, the staff is made up of 19 percent women and 81 percent men. In January 2020, only 2 of the 17 air operations under way had women chief air transport officers. This low percentage should be compared with the overall headquarters OSCA staff that comprised 51 percent women in mid-2019.[25]

73.   Consultants employed by OSCA and ASU were tested for conflicts of interest. Within OSCA, all locally based consultants in the sample had previously worked for airlines chartered by WFP. Similarly, one of the seven consultants employed by ASU had worked for a WFP-contracted operator. While this practice may seem useful because it provides the skills sought, it requires vigilance on the part of the headquarters Human Resources Division during recruitment to guard against potential conflicts of interest especially in ASU, whose activity is more sensitive and which is responsible for accrediting operators. Regardless of the degree of specialization required, it should be possible to recruit aviation safety experts from companies other than those under contract with WFP.

74.   Finally, it appears that some members of the Air Transport Contracts Committee are not complying with the annual conflict of interest disclosure programme contrary to the criteria defined by the Ethics Office and management was informed.

75.   The OSCA annual training plan does not cover the requirements of ASU. That said, field appraisals conducted by OSCA from 2017 to 2019 showed that over half of air operations (53 percent) did not have a formal or approved annual training plan.

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[25] Supply Chain Operations Division annual performance plan, revised on 17 October 2019.

> Possible action by the Secretariat – Human resources - 1- increase efforts to achieve gender parity among air services staff; 2- establish a training plan for each air operation; 3- strengthen the rules aimed at preventing conflicts of interest in the recruitment of consultants employed by OSCA and ASU; and 4- ensure that the name of the members of the Air Transport Contracts Committee is forwarded to the Ethics Office for inclusion in the conflict of interest and financial disclosure programme.

1.6. Risk management framework

76.   It is extremely important to control risks associated with the aviation activity given its nature and the particularly demanding context in which it is carried out. WFP's responsibility has been carefully limited, with most of the legal risk[26] having been transferred to the chartered operators or the organizations whose personnel and cargo are transported. However, this situation does not eliminate the impact that a failure to properly manage the activity would have on the organization's reputation. In this respect, the recent implementation of a procedure for following up on all the observations made by the external and internal auditors, by ASU or by the Quality Assurance Unit (QAU) during their field visits is very timely.[27]

1.6.1. Risk management by operational services

     a) Implementation of the risk-based approach

77.   The Supply Chain Operations Division keeps a risk register in accordance with WFP's enterprise risk management policy.[28] OSCA also has its own risk register, which reflects a rigorous approach to the risks specific to the aviation activity. The register was updated in August 2019, which identified 21 risks to be monitored.

78.   The technical culture of OSCA staff predisposes them to be especially vigilant in this domain. Thus, the service is developing appropriate measures to reduce the risk of near-mid-air collision to which its aircraft are exposed. This also serves to address the recommendation made by the Office of Internal Audit in its audit of aviation activities in 2013, which noted insufficient integration of air activities in the overall risk management policy. The scope of the risks analysed and the work done to reduce the initial risks demonstrate the thoroughness of the steps taken**.

79.   However, this rigour is in contrast with the practice observed locally since, as observed by OSCA, over the last three years almost three quarters of air operations did not have risk registers (see annex 6). Since 2019, OSCA has begun strengthening existing risk registers by documenting non-operational risks.

80.   The risk of fraud is mentioned in some operation risk registers (South Sudan), but it is generally deemed low and limited to corruption attempts. Nonetheless, the risk of service-related fraud (passengers who are not eligible to use the service according to the UNHAS mandate, unwarranted operator reimbursement claims, conflicts of interest between staff and operators or users, etc.) could be substantial, considering the weaknesses detected in the organization and passenger registration systems.

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[26] WFP's Legal Office has confirmed the absence of any ongoing disputes in relation to the aviation activity.

[27] The Head of OSCA's memorandum of 11 July 2019 entrusts to the QAU the task of making a compilation of all open recommendations and establishes the principle of monthly reporting on progress.

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

81. According to the observations of OSCA, during the 2017–2019 period almost three quarters of operations did not rigorously verify the eligible organizations (formal authorization by the United Nations Office for the Coordination of Humanitarian Affairs (OCHA) and/or by the local authorities, signing of the relevant financial conditions). In a third of cases, a local agent even had access to the procedures for making bookings and entering ticket payments in Takeflite, which disregards the principle of segregation of duties (see annex 6).

82. Therefore, rather than focusing solely on the operational risks specific to the aviation activity, the fiduciary risks linked to WFP's aviation services should also be integrated.

83. A new version of the OSCA risk register management procedure dated 1 March 2019 requires all field aviation operations to establish risk registers that reflect not only operational security and aviation security risks but also the strategic, financial and fiduciary risks.

> **Recommendation 7: The External Auditor recommends continuing the process of integrating the various fraud risks linked to air services into the operation risk registers and the OSCA risk register.**

b) Monitoring compliance

84. In accordance with the Air Transport Manual, OSCA has a Quality Assurance Unit that performs periodic assessments of the quality of operations. Over the last three years, it has performed 28 audits and covered all ongoing operations (with the exception of Haiti, which was scheduled for March 2020); for 12 operations, at least two field visits were carried out.

85. The 230 observations issued by the QAU for the period from 2017 to 2019 repeatedly highlight difficulties in the following areas: coordination of overall safety management operations, governance, internal control, human resources, relations with users, evaluating the performance of operators and local synergies (see Annex 6).

86. OSCA notes that efforts to improve the quality process are under way, as evidenced by its activity plan for 2020, which includes various forthcoming audits (ICAO review of the quality system by a consultant) and draft standard operating procedures. Nonetheless, according to its own internal criteria and despite general progress, 6[29] of the 17 ongoing operations had not yet achieved the internal target of 75 percent compliance in the main processes.[30]

87. Following an air accident involving an airplane chartered by WFP in Kosovo in 1999, an ICAO audit recommended the set-up of an aviation safety chain independent of the air operations management chain, reporting to the management team. The Aviation Safety Board is informed twice a year of the level of aviation safety based on standard indicators in the ASU Manual, including the number of accidents and serious incidents, the number of significant incidents per 100,000 km flown and the number of high risk hazards. This last indicator increased steadily from 2017 to 2019 (+21 percent), reflecting a good reporting culture that benefits aviation risk management. ASU conducted 212 assessment audits in 2019, 11 percent more than in 2017.

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[29] Cameroon, Central African Republic, Libya, Mauritania, the Niger and Yemen.

[30] Source: Quality Assurance Unit.

1.6.2. <u>Treatment of risks in the audits</u>

   a) Internal audit of aviation activities

88.   The Office of the Inspector General (OIG) performed an audit of WFP aviation activities in 2013. All recommendations have been ranked.

89.   The audit carried out by OIG in 2018 (reference AR/18/01) of the information systems, including those used by the Supply Chain Operations Division, noted a lack of an automatic linkage between the Takeflite[31] flight management system and WINGS.

90.   Accounts receivable from users were not analysed in more than a quarter of the operations assessed by OSCA between 2017 and 2019 and were often (60 percent of cases) poorly reconciled with the data recorded in WINGS. The reconciliation of data between Takeflite and WINGS had not always been done correctly at the time of the external audit[32] and the closing balances for the two systems did not match, which creates uncertainty as to the accuracy of accounts receivable from clients.

91.   User-account balances at the end of 2019 showed significant variances in the figures for WINGS and Takeflite: USD 1.7 million for the combined Kenya-Somalia operation, USD 332,083 in the Central African Republic, USD 417,134 in South Sudan and USD 598,404 in Nigeria.

92.   The main cause of these difficulties is, in the absence of an automated interface, the different client naming references used in each of the two systems: a user identified with a single identifier in WINGS may have several client accounts in Takeflite. That being the case, the reconciliation of the two applications – which has to be performed manually – must be rectified.

93.   In addition, WFP did not have an agreement in force with the publisher of Takeflite, although it has still paid usage fees totalling more than USD 100,000 over the last two years. Rectifying this situation would make it possible to interface between the information systems.

94.   Between 2017 and 2019, OIG performed audits in 10 country offices that had air operations taking place, covering around two thirds of operations. The observations concerning air operations mainly related to the existence of oustanding receivables of more than 90 days for UNHAS (Somalia) and cases where the eligibility of passengers boarded on UNHAS flights (Chad) was not verified.

95.   The 2019 audits of various air operations by the External Auditor revealed that old accounts receivable were still on the books. In Mali, for instance, the oldest receivable had been on the books for 1,339 days (since 31 March 2016). In some countries, this situation resulted in a negative balance for accounts receivable from clients, accounting for up to, in Nigeria, for instance, 20 percent of direct income (cost recovery) for the year.

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[31] This application is covered by an agreement between WFP and the New Zealand-based company of the same name, which had expired at the time of the audit.

[32] It was not done in all country offices: at the end of January 2020, when the External Auditor asked for the document to carry out this task, only 12 of 16 operations managers responded. Because this request came just after the annual closure of the accounts it should have been possible to address it immediately. Most of the air operations managers sent separate data extractions for each software (Cameroon, Central African Republic, etc.), with few countries (Afghanistan, South Sudan, Mali) providing a single file.

> Possible action by the Secretariat – Accounts receivable from users – 1- develop an automated system linking the Takeflite flight management system and the WINGS accounting software to obtain assurance on the level of accounts receivable from clients; and 2- resolve the contractual situation with the Takeflite provider without delay.

   b) Managing risks by following External Audit recommendations

96.   ICAO has not carried out an audit of WFP aviation services since 2005. Pursuant to the agreement between WFP and ICAO signed on 6 December 2019, an assessment is planned for May 2020.

97.   The previous report of the External Auditor on the WFP Aviation Service was prepared in 2016. The six recommendations made in that report were since then closed.

2.   Main processes implemented for aviation operations

98.   The main processes used by the WFP departments in charge of aviation were analysed to determine the effectiveness of the actions taken.

Figure 3: Main processes involved in WFP's aviation activities
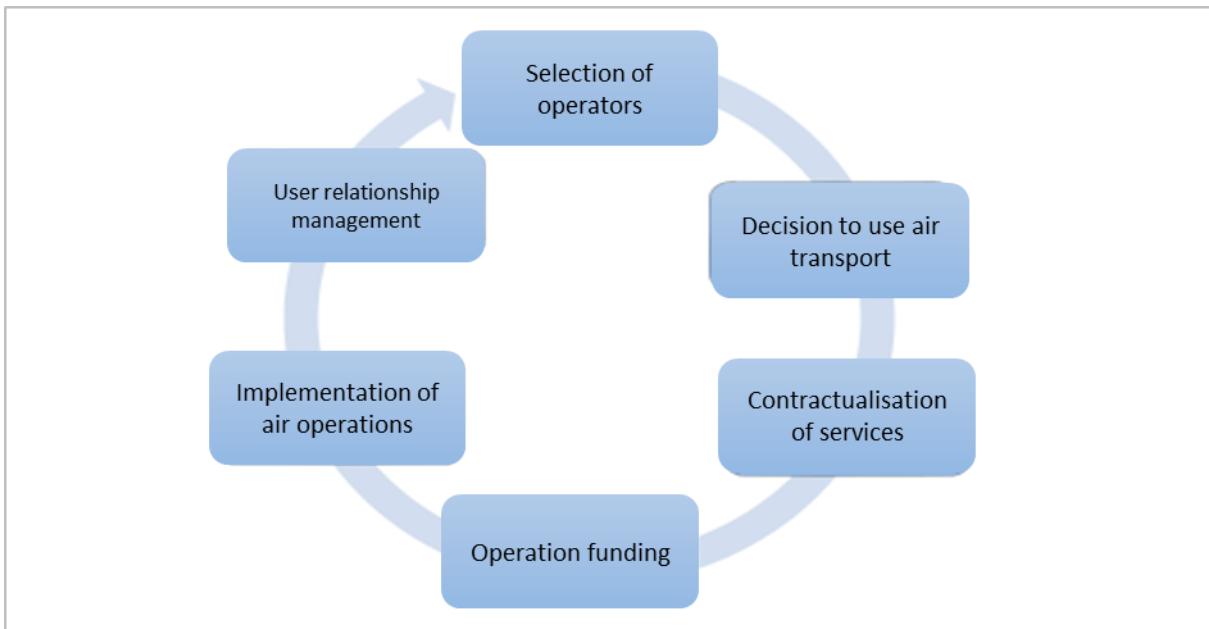
Source: External Auditor.

2.1. Selection of air operators

99.   The number of aircraft chartered or used by WFP for UNHAS was relatively stable between 2017 and 2019 (from 188 to 172 aircraft chartered and from 102 to 109 aircraft used).[33] Meanwhile, cumulative seating capacity increased by 30.9 percent, to more than 2,000 at the end of 2019. In 2019, 72.5 percent of the fleet used by WFP (109 aircraft) consisted of aeroplanes and 27.5 percent was made up of helicopters.

100. As it does not own the aircraft used, WFP works with private air operators. These companies are selected according to a formalized process. The ASU team[34] inspects how a company applies the different WFP safety standards. If the risk level is acceptable, the company is added to the LORA, the list of registered air operators that OSCA can call upon.

101. The LORA constitutes a restriction on free competition, but this formality makes it possible to guarantee a high level of air safety in accordance with WFP's rules despite operational pressures and the emergency context.

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[33] A charter aircraft is an aircraft for which a contract has been signed with an operator. The number of aircraft on standby is equal to the number of charter aircraft fleet less the number of aircraft used (LTA + ad hoc contracts).

[34] At the time of the audit, the process of registering an operator in the LORA had yet to be described in a standard operating procedure. A project was under way at the time of the audit to separate tasks between the actors and the performance of internal control.

102. In the 2017−2019 period, an average of 96 operators, in two categories,[35] were registered in this list. In 2019, OSCA used an operator that was not in the LORA seven times for refugee repatriation and evacuation operations on behalf of another organization or for VIP flights:

- In practice, **the companies working with WFP**, which have been increasing in number since 2017 (from 25 in 2017 to 32 in 2019) are relatively stable (an analysis is available in annex 5). **The majority of these companies remain on the list from one year to the next**: two thirds of the companies used by WFP in 2019 were already registered in 2017.

- At the end of 2019, WFP had 92 active contracts with 26 category A operators (46 percent of the operators in this category) and five category B operators.

- 43 percent of the **95 operators on the list in December 2019 come from seven countries**: Russian Federation (9), South Africa (8), Canada (6), Kenya (6), Nigeria (4), Uganda (4) and Ukraine (4).

103. The establishment of two categories results in contracts mainly being entered into with category A operators as their level of aviation safety is better. Yet, the average number of operators in this category was only 51 between 2017 and 2019, which is just over half the theoretical pool and active contracts.

104. As at 1 January 2020, the fleet contracted by WFP was made up of 77 aircraft,[36] encompassing 17 types. However, six of them, accounting for 45 percent of the chartered aircraft, are no longer in production. Brought into service in the 1980s, they are now ageing. Therefore, WFP must prepare for the obsolescence of the aviation resources it charters.

105. OSCA is permanently on the lookout for innovative technological equipment (drones, airships, etc.). It thus established a unit dedicated to remotely piloted aircraft systems. Such craft, which would be used more for cargo than for passenger transport, would not be deployed before five to ten years from now even though pilot projects are planned for the end of 2020.

106. It would be advisable for an analysis of the means of air transport that could be used by WFP by 2025–2030 to be undertaken, based on several emergency intervention scenarios, in order to avoid a disruption of operations and anticipate the impact of their use on the funding model for WFP operations.

> Possible action by the Secretariat – Selection of air operators – 1- undertake a five-to-ten-year prospective study of aviation resources that could be used to transport passengers and cargo for humanitarian purposes and 2- introduce clauses in the contracts with operators to cover wear and tear on and obsolescence of the aircraft made available.

2.2. The decision to use air transport

107. The Air Transport Manual establishes a formal process for launching an air operation.

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[35] Category A for operators presenting an "acceptable" risk level and Category B for those presenting a "tolerable" risk level.

[36] This accounting only takes into account LTAs (77 aircraft) and not ad hoc services (34 aircraft) (source: PMT).

108. However, analysis of the records has revealed shortcomings in internal control of operations and compliance with the regulatory framework:

- The operation **launch format** defined in the manual is not always respected (formal requests are not always made by the local humanitarian coordinator, but sometimes by the director of the country office[37]).

- For older operations, it was not possible to obtain the **documents relating** to the decision making process, apart from the final decision signed by the Executive Director, and even for some recent operations (Democratic Republic of the Congo, Mali, Cameroon) these documents are missing.

- Prior **technical surveys** are not always carried out.[38]

- The **concept of operations** is often absent (Afghanistan, Mali, the Sudan, Yemen) or overly brief (the Niger, Central African Republic, Somalia) and, where it does exist, is not regularly revised.

109. With regard to cargo, the criteria for choosing the means of transport (either air or an alternative arrangement) seem insufficiently formalized, as highlighted by the Office of the Inspector General in its audit of the South Sudan office in 2018 (reference AR/18/08). Taking into account cost considerations, air transport is usually only used as a last resort, unless other criteria (life-threatening emergency, insecurity, etc.) make it necessary. However, there is no decision making template and no common unit of reference (cost/ton/km) to assess the corresponding costs.

110. Furthermore, the Air Transport Manual does not define selection criteria for means of transport. In the field, the supply chain officers do not have a standard operating procedure to guide the choices of the country office directors or the Inter-Cluster Working Groups (ICWGs) regarding the most appropriate mode of transport.

111. Although time can be the most important criterion leading to the use of air transport, particularly in case of a sudden onset emergency, when operations continue for a longer period, the decision making bodies do not always review on a systematic basis the existence of more efficient alternatives. The rationale that is used is that if the funding is available, the air charters continue.

112. The example of South Sudan shows that after the initial emergency phase, a review was carried out to consider a less costly alternative for freight transport: waterways, pre-positioning by road or even the use of innovative options such as SHERP all-terrain vehicles. UNHAS flights have however been maintained to reach places that are inaccessible by road or to complement commercial flights, such as between Nairobi and Mogadishu.

113. Thus, it would be useful to develop a method to determine when to make use of an air operation, instead of other means of transport, or when to reassess an existing air operation. It could be based on a grid of criteria that includes the existence of safe and reliable commercial airlines, the state of the road network and its possible extension using WFP resources, the humanitarian needs, the general security situation in each region of the country and the cost and environmental impact of each mode of transport.

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[37] That was the case, for example, in Yemen and Haiti.

[38] Such as in Cameroon, Mali or Yemen.

> **Recommendation 8: The External Auditor recommends including in the Air Transport Manual a chapter with provisions for headquarters and country offices to help them make a more formalized selection of cargo transport by air, land, river or sea.**

2.3. Funding of aviation operations

114. The Air Transport Manual provides that, as a rule, the activities of UNHAS are funded by **contributions from donors and from users of its services**.[39] WFP defends this hybrid model of "80 percent donations/20 percent billing revenue for some services".

2.3.1. Donor funding

115. Fundraising is specific to each country and only funds that country's air operations. The corresponding country office director is responsible for raising the funds needed for conducting the UNHAS operation in the country, in conjunction with the local steering committees.[40]

116. The Air Transport Manual does not specify the arrangements for undertaking such fundraising.

117. This form of organization presents an apparent paradox. With the exception of South Sudan and the Sudan, the steering committee is chaired by the Humanitarian Coordinator (OCHA) in the country,[41] while fundraising falls under the responsibility of the director of the WFP country office. This duality could lead to the dissipation of efforts even though the country office director, who is generally the co- or vice-chair of the committee, or the CATO actually chairs the meetings.

118. The funding of air operations relies on a small donor base. In 2019, only 15 countries or organizations financed UNHAS operations.[42] The financial stability of some operations depends on a particularly small number of donors: four in Yemen, three in Kenya and Libya, two in Ethiopia and Haiti.

119. The donor structure is a source of fragility for UNHAS operations, which are dependent on a small number of countries. Yet, there is no real fundraising strategy for these operations. Such a strategy should take into account the need to diversify the donor base. It also emerged from interviews with the main donors that requests for funding are often urgent, which limits States' ability to plan their contributions. Meanwhile, WFP wants States' commitments to be more predictable in the long term.

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[39] In its Air Transport Manual, WFP distinguishes three funding models: full cost recovery from users, partial cost recovery from donors and users – the most widespread model – and fully donor funded.

[40] Their role and composition are set out in the Air Transport Manual and the 12 January 2018 memorandum of the Chief of OSCA, related to UNHAS Governance bodies. In each country this committee is chaired by the director of the country office or the humanitarian coordinator and comprises representatives of UNHAS, the United Nations, NGOs and donors. The committee is responsible for raising funds, liaising with local governments and defining the strategy for local air operations.

[41] The Office for the Coordination of Humanitarian Affairs is an office of the United Nations Secretariat. Its representative is responsible for the management of a humanitarian fund that can be requested for the financing of air operations in case of insufficient donations. In addition to his or her involvement in the steering committees, this representative provides the various organisations with the necessary authorisations to be able to appeal to UNHAS.

[42] UNHAS donors (2019), in descending order: United States of America (43 percent), United Nations agencies (13 percent), the European Union (European Civil Protection and Humanitarian Aid Operations (ECHO)) (11 percent), United Kingdom of Great Britain and Northern Ireland (10 percent), Germany (10 percent), Sweden (4 percent), World Bank (3 percent), Canada (3 percent), France (1 percent), the Netherlands (1 percent), Norway (1 percent), Japan, Luxembourg, Republic of Korea and Spain.

120.   There are currently no private donors, even though the visibility of this activity (service for the humanitarian community), local commercial opportunities (petroleum, telecommunications, aeronautical industry, etc.) and corporate social responsibility requirements could contribute to attracting them. It should be noted that the private-sector partnerships and fundraising strategy 2020–2025, which was approved by the WFP Executive Board at its second regular session in November 2019, makes no mention of UNHAS or indeed any WFP aviation activities.

> **Recommendation 9: The External Auditor recommends developing a fundraising strategy for UNHAS operations that foresees multi-year planning of donors' funding commitments for each operation, including private donors, and at the same time is consistent with the overall strategy of country offices with regard to WFP donors.**

2.3.2. User funding

121.   The air service that WFP provides to the humanitarian community is not usually free of charge for its users.

122.   Within the framework of partial cost recovery, aeroplane tickets are billed at a fixed price, which is not regularly revised.[43] In the absence of guidelines from headquarters and of a benchmark for the rates applied, the practice in the field varies. For example:
- The ticket price varies from one country to another (from USD 90 in Nigeria to USD 500 in the Democratic Republic of the Congo).

- Within a single country, the ticket price may be identical for all destinations covered by UNHAS (Ethiopia, Mauritania, Nigeria, Yemen) or variable (Kenya, Democratic Republic of the Congo).

- In Afghanistan, there is a preferential rate for local NGOs (USD 150 compared with USD 300 for other passengers) and for women from local NGOs (USD 50).

- No-show penalties and cancellation fees are applied in Yemen, for instance, but not in all countries.

123.   On average, cost recovery covers 37 percent of the annual cost of UNHAS operations. In Somalia and South Sudan, it accounts for more than 60 percent of the cost of operations, compared with less than 20 percent in the Central African Republic, Mauritania, Nigeria and Yemen. These differences are due to the decentralized nature of UNHAS and the heterogeneity of the financial balance of each operation.

124.   Such variance in practices exacerbates donors' poor understanding of the funding arrangements for UNHAS operations. The definition by headquarters of common guidelines for all operations would increase the transparency of the aviation activity funding model. These guidelines could explore the possibility of diversifying the rate charged by distinguishing, for example, between international and local NGOs, subject to scrupulous checking of their formal registration by OCHA and the local authorities.

> **Recommendation 10: The External Auditor recommends defining guidelines for cost recovery by users and studying possibilities for diversifying the rates that UNHAS charges for the transportation of its passengers, for example by distinguishing between international and local NGOs.**

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[43] As in Mali, for example, where the prices charged have remained unchanged since 2013.

2.4. Service contracting

125. The External Auditor analysed multiple sample charter contracts,[44] invoices[45] and payments.[46]

126. The charter contracting procedure could be improved in several respects, in particular in terms of the often very short time provided for the preparation of offers and the weakness of the rationale given for the choice of charter operator:

- The notion of **choosing the best tender for services** is somewhat vague and undefined.

- The **contracting timeframe** (the time to respond to a call for tenders; the time between signing the contract and commencing the provision of services) is often very short and therefore not conducive to a competitive process; it favours outgoing operators, despite a theoretical contract term of 24 months.[47]

- A best and final offer (BAFO) round for **selecting acceptable tenders** is not always sought, and the negotiating conditions are not precisely defined.

- The **choice of the successful tenderer** is often **poorly justified and documented** (failure to produce the signed contract documents).**[48]**

- Contract duration extensions, which occur in certain cases at the last moment (sometimes two days before expiry of the contract), are often **poorly justified and poorly documented**.

- This option is not always accompanied by a renegotiation of the minimum guaranteed hours and additional hours rate in the event of an extension of the duration.

- The process of incorporating amendments can be particularly complex (e.g. for airdrops in South Sudan).

- The notion of "backup aircraft" is not precisely defined and could form a basis for exclusion, to the detriment of other criteria.

> Possible action by the Secretariat – Air services contracting – 1- increase the time to respond to calls for tenders; 2- ensure that the choice of operator is justified and documented; and 3- ensure that contract duration extensions are justified and documented.

127. Invoices are thoroughly tracked: all flying hours billed are meticulously checked and each contract has a summary that contains a monthly breakdown of the hours used and the days of unavailability (non-mission ready). Furthermore, OSCA efficiently monitors the contracts; if, in a given month, the number of minimum guaranteed hours is not reached, the difference is carried over to the following months, which limits the use of additional flying hours and generates cost savings.

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[44] Mali, Somalia, South Sudan, Afghanistan, the Niger, Chad.

[45] Sample of 986 purchase orders and 2,145 invoices (USD 136,090,360) covering the period from January to October 2019, representing 1.5 percent of the total amount.

[46] Sample of payments made in 2019 (USD 156.1 million), corresponding to the 21 largest expenditures (USD 79.9 million).

[47] The two companies holding air transport contracts in Afghanistan have been on the list since 2015. Some other extensions are also involved.

[48] Some of the sample documents reviewed by the External Auditor were unsigned.

128.   The payments corresponding to the largest expenses have shown that in certain cases,[49] the initial estimate of the number of flying hours may have been poorly calculated: either the hours worked were fewer than the guaranteed hours paid or the guaranteed hours were exceeded. The analysis of the difference between the number of flying hours completed and the minimum provided for in the contract remains a partial indicator. There is no guarantee that those flights were useful or that they were not carried out simply to use up the contracted hours. In this context, the indicators presented previously (load factor, guaranteed booking rate and cost per km per passenger) are complementary and essential.

129.   Across all the payments linked to aviation contracts over the last three years,[50] 80 percent concerned only 15 operators. In 2019, 54 percent of payments went to operators in two countries (32 percent of expenses to Kenyan companies and 22 percent to Russian companies).

130.   In some segments, there are only two operators in LORA category A. Furthermore, in 2019, 65 percent of expenses were related to four countries: South Sudan, the Democratic Republic of the Congo, Nigeria and Kenya-Somalia (combined operation). Only operators able to deploy aircraft in these areas have a chance of obtaining contracts.

131.   In this context, setting up competitive processes with a view to obtaining the best price does not seem sufficient. In order to verify the prices, ASU keeps a record of costs for each type of aircraft and by region. While this information is useful, WFP should not refrain from using other instruments commonly used on markets marked by a low level of competition, such as the assessment of market prices or the introduction of contractual clauses providing for cost audits. Such clauses are included in the general conditions of standard LTAs with cooperating partners and allow audits of the finances of a service provider to be conducted to shed light on their costs and margins.

> **Recommendation 11: The External Auditor recommends that OSCA employ instruments designed to better control prices, such as: a) including a financial audit clause in contracts; b) sharing pricing information with other agencies; and c) undertaking a specific study of market prices for specialized aircraft charter services.**

2.5.   Conducting aviation operations

2.5.1. Supervision of aviation operations

132.   Air operations are under the authority of the Supply Chain Operations Division. As stipulated in the directive of the Deputy Executive Director of 13 January 2004, locally such operations are under the responsibility of a CATO, who reports on functional matters to the Chief of OSCA and on administrative matters to the country office director in the country where the operations take place.

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[49] Two contracts in Southern Sudan were only partially executed: the ratio of flight hours flown to guaranteed flight hours paid under the contract was 19 per cent lower in one case and 35 per cent lower in the other. In the case of four contracts (two in Nigeria, one in Yemen and one in the Democratic Republic of the Congo), the number of guaranteed flight hours was exceeded by more than 30 hours.

[50] USD 209 million in 2017, USD 174 million in 2018 and USD 156 million in 2019.

WFP air operations in South Sudan

Since 2017, South Sudan has been WFP's largest air operation. In 2019, this operation saw 88,912 passengers and 1,778 mt of light cargo transported within the framework of UNHAS, 21,659 mt of food transported directly for WFP, mostly for airdrops, and almost 4,793 mt of cargo transported for the logistics cluster.

With a staff of 150 and an annual budget of more than USD 80 million on average (USD 142 million in 2018), USD 50 million of which is for UNHAS, the activities coordinated by the CATO are equivalent to a WFP country office with an average-sized budget.

Cargo dropping activity has decreased significantly since 2017 in favour of alternative modes of transport (land and river) that are less costly and less polluting. UNHAS' activity remains steady, serving 62 destinations in the country for 300 user entities. United Nations agencies account for a third of the passengers transported, and WFP is the largest user of its own services.

The audit undertaken in the country by the External Auditor in January 2020 revealed good satisfaction levels among both internal users (Supply Chain Division and Logistics Cluster) and external users (United Nations agencies and NGOs) and good integration of the aviation team in the country office. Security and continuity of service, which are two of WFP's priority objectives, are well covered.

However, certain areas for improvement were identified:

- the absence of a medium-term exit strategy, which should be based on a formal study of potential alternative modes of transport;

- a potential enhancement of the cooperation with the aviation resources deployed by the Department of Peace Operations;

- the absence of a formal fundraising strategy and a differentiated pricing policy for UNHAS;

- the existence of a potential fraud risk, particularly due to the eligibility conditions for organizations and passengers; and

- perhaps excessively high cash position, equivalent to six months of expenditure.

Source: External Auditor.

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133. A UNHAS air operation ends once "the humanitarian community is no longer reliant on UNHAS and a safe, reliable, and sufficient commercial air service exists or less costly means of safe surface transport are able to meet the need" according to UNHAS country SAOP. However, some ongoing operations are longer term, such as the ones in Somalia (2000) and Afghanistan (2002).

134. In reality, the question of when to cease air operations is not clearly addressed. Although the concept of operations states that such operations are limited in time, the operations analysed in Kenya, Mali, Somalia and South Sudan show that there are no air operation exit strategies, or even a procedure to regularly review the appropriateness of an air operation.

135. OSCA does not perform forward planning for particular aviation operations. They can therefore continue as long as there is demand from the humanitarian community and available funding.

136. The temporary nature of air operations therefore calls for the establishment by headquarters of a standard operating procedure for exiting air operations that would require local staff to perform an annual review of ongoing operations, taking into account, among other factors, changes in the general security conditions, local transport capacity, user demand and the existence of local alternative options.

> **Recommendation 12: The External Auditor recommends establishing a standard operating procedure for the preparation of an air operations exit strategy and ensuring that the officials responsible for air operations and headquarters perform a periodic review of the objective conditions for maintaining operations.**

137. As is also established in the Air Transport Manual and in a memorandum from 2018,[51] the local steering committee is supposed to meet at least twice a year. It is responsible for fundraising, liaising with local governments and defining the strategy for local air operations. In practice, as shown by OSCA assessments (see annex 6), in almost half (47 percent) of operations these committees do not meet as regularly as they should or do not record the actions decided.

2.5.2. Interacting with other United Nations entities

138. The relationship between WFP and the Department of Field Support is governed by a framework agreement dated 12 February 2013 to improve the synergy between WFP air operations and those of the Department of Peace Operations.[52] Although in principle the two types of missions should be carefully distinguished, this agreement opened up various cooperation possibilities, such as staff training; the sharing of information systems; flight safety management; the management of air events, particularly search and rescue operations; the acquisition of Jet A1 kerosene; and other services that are useful for air operations.

139. Although the majority of CATOs consider that progress is possible in terms of cooperation with the Department of Peace Operations, WFP has only exploited to a limited degree the possibilities for technical agreements opened up by the framework agreement. As indicated by the survey carried out by the External Auditor and his own observations made in Mali and South Sudan, although there are informal collaborative relationships between the officers responsible for the two types of operations in the eight countries where they coexist, agreements guaranteeing efficient cooperation are rare. For instance, in South Sudan, a draft letter of understanding on aeronautical search and rescue operations has been planned since 2016 but, without local staff being able to explain the reasons why, has been pending since July 2017.

> **Recommendation 13: The External Auditor recommends encouraging the conclusion of bilateral protocols between WFP and the Department of Peace Operations/Department of Field Support, in accordance with the framework agreement of 2013 and based on a template, in order to improve the efficiency and safety of the air operations carried out by WFP.**

2.5.3. Taking environmental impact into account

140. WFP has embarked upon a process of better taking into account the impact of its activity on the environment, in line with SDG 12 (ensure sustainable consumption and production patterns) and SDG 13 (take urgent action to combat climate change and its impacts).

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[51] Memorandum of the OSCA Chief, dated 12 January 2018, related to UNHAS Governance bodies.

[52] This was strengthened by the initiative taken in April 2017 by the United Nations Secretary-General to improve the efficiency of the aviation resources under its direct responsibility (Department of Field Support) and reduce their cost.

141.   Since 2008, the Environmental Unit has been calculating WFP's environmental footprint. WFP's aviation activity represents its main source of greenhouse gas emissions, accounting for 72 percent of emissions in 2018, or 189,649 tons of CO_2, excluding commercial flights and 79 percent if commercial flights are included.[53] It is important to note that these data are only available internally and are not published by WFP as they are not included in the calculation of its carbon footprint (see paragraph 145). In addition, the performance management tool (PMT) includes CO_2 emissions per operation, per km and passenger and per km and seat on an aircraft as key performance indicators (KPIs).

142.   Despite the increase in its staff numbers, until 2013 WFP managed to maintain or even slightly reduce its emissions. However, the rise in emissions from the aviation activity, which increased tenfold between 2013 and 2014, has generated a significant increase in its total emissions since 2014. The growth of WFP's aviation activities is due in particular to the management of major humanitarian crises in South Sudan and the Central African Republic, and the countries affected by the Ebola virus.

Figure 4: WFP greenhouse gas emissions
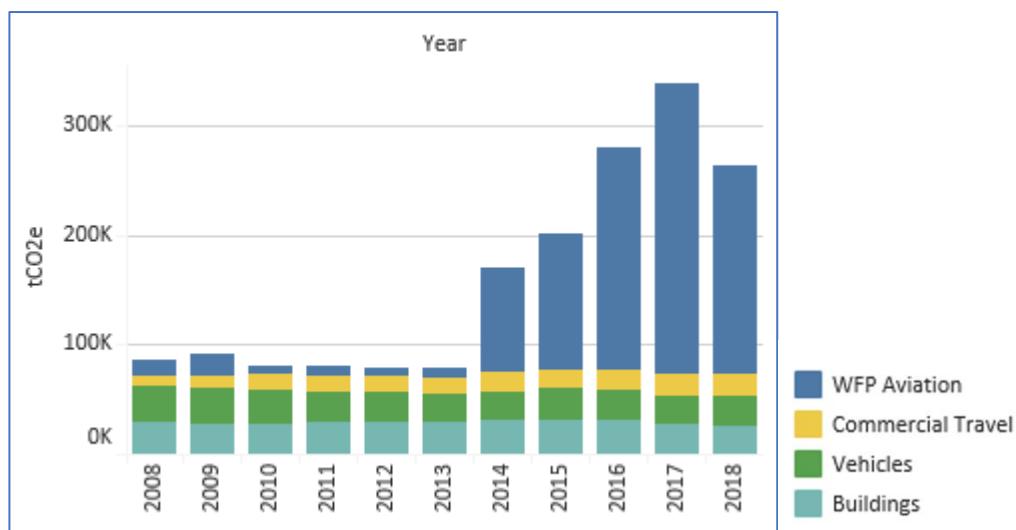
Source: WFP Analytics.

143.   The measures taken by WFP to tackle the effects of its activity on the environment face two major limitations:
-   **The above calculations do not take into account all emissions from aviation operations**. For a UNHAS flight transporting staff of WFP, other United Nations agencies and NGOs, only the share of the emissions attributable to the WFP staff is taken into account in the results shown above. In 2018, 8,556 mt of CO^2 emissions out of the 208,948 mt of CO^2 officially generated by WFP air transport, including commercial flights, were recorded for UNHAS flights (passengers and cargo). If non-WFP passengers were included in the calculation, **these flights would actually have generated more than 70,000 mt of CO^2**. This calculation, prepared at the request of the External Auditor, is not normally undertaken. Moreover, the above figures do not take into account ad hoc flights carried out at the request of other organizations.

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[53] Source: analytics.wfp.org. In 2018, total WFP emissions were 263,519 mt of CO_2 equivalent (including vehicles, buildings, etc.). When adding commercial flights, the emissions reach 208,948 mt of CO_2 equivalent.

- Reporting on the environmental impact of WFP's activity is unsatisfactory. The WFP annual reports specific to OSCA[54] do not address the environmental impact of the activity. Likewise, WFP's 2011 greenhouse gas emissions reduction strategy makes no mention of aviation activities.

144. WFP has also joined the United Nations climate neutral initiative, which aims to encourage United Nations agencies to reduce their greenhouse gas emissions and offset them through the purchase of carbon credits. To track these emissions, the United Nations applies the principles of the Greenhouse Gas Protocol (GHGP), which distinguishes three scopes of emissions. Scopes 1 and 2 concern relatively direct emissions, mainly from direct activities or real estate. Scope 3 covers emissions considered to be indirect, which should be accounted for within the framework of the main activities of other actors. For example, commercial flights, as well as emissions from the production of goods and services consumed by WFP, constitute indirect sources of emissions.

145. WFP's aviation activities have been placed in scope 3 because OSCA does not have full operational control over the aircraft. However, the United Nations has chosen to exclude scope 3 activities from the calculation of its agencies' carbon footprints, with the exception of work-related travel on commercial airlines. That being the case, although WFP does calculate the emissions attributable to its air activities, they are not included in the official calculation of the United Nations' carbon footprint. Consequently, while WFP would appear to achieve carbon neutrality, it does not take into account its main source of pollution.

146. This choice is the result of a convention that is questionable for a number of reasons. Indeed, although WFP does not own any aeroplanes, air operations do constitute one of its direct activities. In addition, it is difficult to understand why work-related travel on commercial airlines has been included and not WFP staff travel on UNHAS flights.

Recommendation 14: The External Auditor recommends calculating the total greenhouse gas emissions produced by aviation activities, distinguishing the portion attributable to WFP operations, and including them in WFP Aviation's annual reports.

147. Beyond calculating greenhouse gas emissions, environmental issues in aviation activities are not included in the Aviation Strategy 2017–2019. The choice of service providers does not take into account the environmental impact of their activities. Moreover, air charter contracts do not contain an environmental clause. The introduction of such a clause could offer a dual benefit: the emission level of the selected companies could be taken into account in tendering processes; and a clause regarding the reduction or recycling of waste produced by the activity could be systematically included in air charter, ground handling and refuelling contracts. Moreover, a more in-depth reflection on alternative modes of transport (maritime, river, road) for cargo would likely reduce the environmental impact of WFP's activities.

Recommendation 15: The External Auditor recommends adding an environmental clause to air charter, ground handling and refuelling contracts related to air operations.

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[54] WFP Aviation Annual Report 2018; WFP Aviation Annual Review 2017.

2.5.4. Performance management

148. Aviation is addressed in the Supply Chain Division annual performance plan, which assigns five objectives to OSCA, each with KPIs. OSCA has also identified complementary objectives in its own annual performance plan for 2019 and, within its strategic plan 2020–2021, it is tracking global KPIs and detailed KPIs for its six units.

149. OSCA tracks performance using the PMT:
- The **load factor**, which has increased slightly since 2017, was **50 percent in 2019**. This value appears low in comparison with the average rate of 82 percent for commercial airlines worldwide in 2019[55] but is explained by the particular nature of UNHAS traffic, a significant proportion of which is full outbound and empty inbound.

- The **operational cost per passenger per km** is **USD 1.40**, which has decreased slightly since 2017 (USD 1.43). Statistics for commercial airlines calculated in 2010 show that the most expensive operator, Scandinavian Airlines System, had a cost per seat per km of USD 0.13.[56]

- A set of operator performance indicators: aircraft utilization rate, punctuality (delays of more than 15 minutes), overall performance indicators per operation, including the carrier contract performance evaluations. The Air Transport Manual provides for these evaluations to be submitted by the CATOs on a quarterly basis, but in practice they were not produced for one third of the operations evaluated by OSCA from 2017 to 2019 (e.g. Somalia).

150. These comparisons with commercial airlines must, however, be considered with caution given that the objectives pursued are totally different:
- WFP operates in dangerous zones not covered by civil aviation companies;

- WFP often uses uncontrolled airports and works with sometimes ineffective civil aviation authorities;

- passenger volumes are much lower for WFP and the nature of the missions (medical and security evacuations, etc.) can take priority over the load factor; and

- WFP uses helicopters, for which the cost per flight hour is much higher than for airliners.

151. Four groups of operations were identified among the 21 countries concerned in 2019:
- Six countries (Italy/headquarters, Kenya, the Niger, Mali, Yemen, Cameroon) have a booking satisfaction rate of more than 90 percent and a cost per km per passenger of less than USD 1, which are highly satisfactory results.

- Nine countries (Somalia, Chad, Democratic Republic of the Congo, South Sudan, Central African Republic, Mauritania, Nigeria, Afghanistan, Ethiopia) have a booking satisfaction rate in excess of 80 percent and a cost per km and per passenger of less than USD 2, which are satisfactory results.

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[55] Source: online figures from Statista https://www.statista.com/statistics/658830/passenger-load-factor-of-commercial-airlines-worldwide/. The operating models of privates companies are however very different.

[56] Source: online figures from Statista https://www.statista.com/statistics/269532/cost-per-seat-per-kilometer-of-selected-airlines/.

- Five countries (Mozambique, the Sudan, the United Republic of Tanzania, Zimbabwe, Haiti – 24 percent) have a guaranteed booking rate of more than 90 percent and a cost per km per passenger of more than USD 2. The air operations in Haiti (USD 4.18), the United Republic of Tanzania (USD 3.87) and Zimbabwe (USD 3.81) are very costly.

- Libya is a particular case, with a guaranteed booking rate of 71 percent and a cost per km per passenger of USD 2.9.

152. This performance is closely monitored by OSCA and the CATOs, who present the main results to the local aviation operation bodies. Nonetheless, to enable the main governing body (WFP Executive Board) and local bodies (steering committees) to make useful judgments about ongoing air operations,[57] it seems necessary to define a template for presenting the main performance criteria for those operations and to ensure regular reporting of the results to main and local governing bodies.

> Possible action by the Secretariat: Performance management – Establish a template for presenting the performance of ongoing air operations to ensure that it is systematically reported to the main and local governing bodies concerned.

2.6. User relations

153. The activity of UNHAS is primarily for NGOs and secondarily for other United Nations agencies. However, the proportion can vary substantially depending on the operations. WFP is the organization that has most used its own services with 44,795 passengers transported (10.8 percent) in 2019. With regard to non-governmental organizations, the International Rescue Committee has most used the services of WFP (9,931 passengers transported, or 2.4 percent of the total).

Figure 5: Users of UNHAS services, 2017–2019
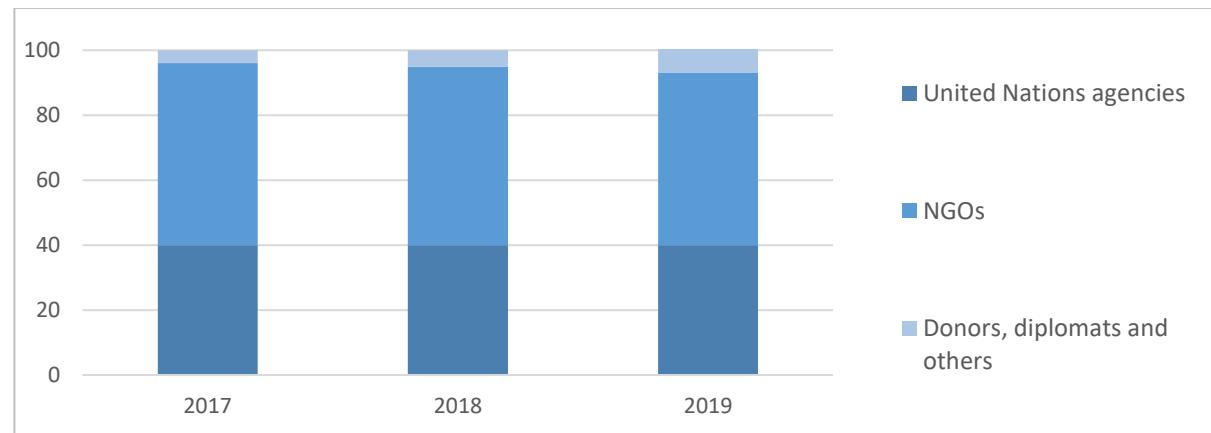
Source: WFP Aviation.

154. The relationship between WFP and users of the services of UNHAS is governed by a memorandum of the OSCA Chief of January 2018: user organizations request that users are entitled to use the services and WFP verifies their eligibility after approval by OCHA; charter operators assume responsibility for damage caused to passengers and cargo.

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[57] OSCA annual reports are more of a publication for potential donors and the general public rather than real activity reports (absence of any financial or performance information).

155. For each air operation, the humanitarian coordinator of OCHA or the local head of the main interested agency sets up a user group committee. In principle, this body meets at least once a quarter and should be chaired by the CATO or his/her representative.

156. Two thirds of the CATOs asked by the External Auditor considered that the functioning of the local user group committees could be improved. In particular, they mention increasing the number of participant entities and the hierarchical level of their representatives, giving users greater responsibility, more frequently addressing security issues, directly analysing user feedback, setting up a virtual forum and standardizing reporting.

157. OSCA, in its assessment of the operation in South Sudan conducted by the QAU in December 2019, noted that the validity of the one-year permits given by the local authorities (Relief and Rehabilitation Commission) to organizations (NGOs, etc.) was not regularly updated. Another evaluation related to the Somalia operation, showed that the new user registration procedure was not always employed. While the letters requesting access to UNHAS flights sometimes mentioned a link with a United Nations agency, documentation showing a contractual relationship with the agency was not provided. Evaluations of operations carried out from 2017 to 2019[58] showed that rigorous controls in respect of eligible organizations was not put in place for almost three quarters of the operations (see annex 6).

158. Consequently, OSCA is liable to transport organizations without valid authorizations. Despite the boarding checks performed, including checking with the focal points of each organization, this situation exposes WFP to a fraud risk as well as a reputational risk in the event that unauthorized passengers were to travel on the aircraft.

159. Therefore, it is recommended that a real-time system of validation and verification of authorizations issued by national authorities and OCHA and of the capacity in which passengers are travelling be set up for each UNHAS air operation; such system should be integrated into the Takeflite flight management system to prevent undocumented boarding in the absence of a specific exception authorized by the CATO or his/her representative.

160. In response, OSCA indicated that while it recognized the value of using Takeflite for the access validation process it had explored this option in 2018 and unfortunately neither Takeflite nor similar products on the market could fully meet data confidentiality requirements.

> **Recommendation 16:** **The External Auditor recommends that further consideration be given to the introduction in the Takeflite flight management system of a system for verifying authorizations of organizations that use UNHAS and individual lists of authorized persons provided by those organizations.**

161. Since 2012, OSCA has measured the satisfaction of users of UNHAS air operations through annual surveys[59] as recommended by the Air Transport Manual.

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[58] OSCA clarified that the comments made on other countries by the QAU between 2017 and 2019 had led to the appropriate corrections.

[59] The user satisfaction surveys memorandum of 14 June 2018 specifies the two standard annual surveys to be conducted: one with the users and another one with the organizations involved.

162. User satisfaction is one of the indicators in the corporate results framework (CRF) that accompanies the WFP Strategic Plan (2017−2021). In 2019, passenger satisfaction was 82 percent in the passenger satisfaction survey and 80 percent in the provision of access satisfaction survey, meeting the CRF target of 80 percent. The number of air operations for which annual surveys are conducted has increased steadily.[60]

163. In some operations, UNHAS indicated that it also has other direct methods for gathering users' opinions. In South Sudan, the SAOP for 2019 indicates the email address Unhas.southsudan@wfp.org for receiving any suggestions and complaints from users of its services. In reality, this address is used for reservations.

164. Unlike other WFP activities, quality assurance evaluations carried out by OSCA since 2017[61] show that in two thirds of cases, the operations did not have real user complaint and feedback mechanisms at the time of the evaluations. Such mechanisms would make it possible to improve the quality of the service provided to users of UNHAS and other air services, and oversight of the operations by their staff.

Possible action by the Secretariat – User relations – Establish a mechanism for gauging user satisfaction for each air operation.

IV.   ACKNOWLEDGEMENTS

165. The audit team wishes to express its thanks to the Supply Chain Operations Division, OSCA and ASU, which greatly contributed to this report, as well as to the field offices audited by the auditors, whose directors agreed to share their views and experiences.

End of the audit observations.

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[60] Annual surveys were not conducted for 3 of 16 air operations in 2018 and 3 of 14 air operations in 2017.

[61] See annex 6.

V.   ANNEXES

Annex 1:   Possible action by the Secretariat[1]

1. <u>Human resources</u> – 1- increase efforts to achieve gender parity among air services staff; 2- establish a training plan for each air operation; 3- strengthen the rules aimed at preventing conflicts of interest in the recruitment of consultants employed by OSCA and ASU; and 4- ensure that the name of the members of the Air Charter Procurement Committee is forwarded to the Ethics Office for inclusion in the conflict of interest and financial disclosure programme.

2. <u>Accounts receivable from users</u> – 1- develop an automated system linking the Takeflite flight management system and the WINGS accounting software to obtain assurance on the level of accounts receivable from clients; and 2- resolve the contractual situation with the Takeflite provider without delay.

3. <u>Selection of air operators</u> – 1- undertake a five-to-ten-year prospective study of aviation resources that could be used to transport passengers and cargo for humanitarian purposes; and 2- introduce clauses in the contracts with operators to cover wear and tear on and obsolescence of the aircraft made available.

4. <u>Service contracting</u> – 1- increase the time to respond to calls for tenders; 2- ensure that the choice of operator is justified and documented; and 3- ensure that contract duration extensions are justified and documented.

5. <u>Performance management</u> – Establish a template for presenting the performance of ongoing air operations to ensure that it is systematically reported to the main and local governing bodies concerned.

6. <u>User relations</u> – Establish a mechanism for gauging user satisfaction for each air operation.

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[1] These suggested actions for the Secretariat complement the recommendations presented at the beginning of the report but do not require a follow-up report to the Executive Board.

Annex 2:   Simulation of a reduction in the MCR fee rate

The simulation performed by the External Auditor proposes the allocation of an amount from the PSA budget to finance OSCA expenditure and a reduction in the MCR fee rate from 4.5 percent to 4 percent. The simulation is based on the following assumptions:

- Direct operational costs and revolving funds are maintained at a level equivalent to the average of the last three years (2017, 2018, 2019). While these two lines should, in theory, be equal because advances are systematically reimbursed, the External Auditor observed a time lag for previous years, which has been reproduced in table 1 below.

- The funds generated by the MCR fee were calculated on the basis of the average for the 2017−2019 period. The amount on which a rate of 4.5 percent was levied was determined (USD 200 million) and then a rate of 4 percent was applied. This amount is assumed to be constant over the period.

- The ISC amount generated by the aviation activity was estimated on the basis of the average for the 2017−2019 period, according to the UNHAS sustainability reports. If 20 percent of the ISC taken from the activity were returned to it through a PSA swap, this would represent USD 1.75 million in additional funding per year.

- Administrative costs are estimated based on 2019, using WFP's assumption of a 10 percent increase in payroll owing both to the increase in staff numbers and the conversion of consultancy contracts to fixed-term contracts.

- The opening balance is the operating surplus (ASA balance) calculated at 31 December 2019. It should be noted that according to the data provided (from 2017 onwards), the ASA balance at year end has always been different from the amount at the beginning of the following year due to adjustments (changes in pre-commitments and discounting of expenditure).

Table 1: ASA growth simulation based on an MCR fee rate of 4.0 percent (United States dollars)

	31/12/2020	31/12/2021	31/12/2022	31/12/2023	31/12/2024	31/12/2025
Opening balance	20 941 954	21 990 324	23 167 340	23 167 340	22 861 824	21 199 129
REVENUE						
Direct operational costs	15 670 207	16 578 780	16 578 780	16 578 780	16 578 780	16 578 780
MCR	8 009 452	8 009 452	8 009 452	8 009 452	8 009 452	8 009 452
Subtotal revenue	**23 679 659**	**24 588 232**	**24 588 232**	**24 588 232**	**24 588 232**	**24 588 232**
EXPENDITURES						
Staff and office costs	7 799 260	8 579 186	9 437 105	10 380 816	11 418 897	12 560 787
Revolving funds	16 578 780	16 578 780	16 578 780	16 578 780	16 578 780	16 578 780
Subtotal expenses	**24 378 040**	**25 157 966**	**26 015 885**	**26 959 596**	**27 997 677**	**29 139 567**
Net balance	-698 381	-569 734	-1 427 653	-2 371 364	-3 409 445	-4 551 335
ADJUSTING ENTRIES						
PSA swap – 20 %	1 746 750	1 746 750	1 746 750	1 746 750	1 746 750	1 746 750
YEARLY BALANCE	**1 048 369**	**1 177 016**	**319 097**	**-624 614**	**-1 662 695**	**-2 804 585**
ASA balance report	21 990 324	23 167 340	23 486 438	22 861 824	21 199 129	18 394 545

Source: External Auditor.

While the net balance between income and expenditure for the year, excluding the PSA budget allocation, is negative as of the end of 2020 (USD -698,381), the budget could be balanced by allocating a share of the PSA budget. Given the dynamic increase in administrative costs, however, the yearly balance is once again negative as of the end of 2023, even with the PSA budget allocation. From that date on, it would be necessary to draw on the cash surplus to balance the budget, which would help bring down the very high ASA surplus, until a floor is reached.

Annex 3: Table of WFP air operations, 2017–2019

Operation	2017												2018												2019											
	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D
Afghanistan (2001)																																				
Cameroon (2015)																																				
Central African Republic (2012)																																				
Caribbean									16/09		15/11																									
Chad (2004)																30/04	11/05																			
Democratic Republic of the Congo (2001)																																				
Ethiopia (2012)																																				
Haiti		28/02																																	14/11	
Kenya																																			08/11	
Libya (2018)																					12/09															
Mali (2012)																																				
Mauritania (2012)																																				
Mozambique															20/03				08/07																	
Niger (the) (2008)																																				
Nigeria (2015)																																				
South Sudan (2004)																																				
Somalia (2000)																																				
Sudan (the) (2004)																																				
Syrian Arab Republic									11/09																											
United Republic of Tanzania																					10/09									12/06						
Yemen (2015)																																				

Source: OSCA
Note: L2: Mali since 29/11/2018, the Central African Republic since 05/06/2015, the Democratic Republic of the Congo since 12/12/2013, Libya since 20/11/2014; L3: South Sudan since 23/12/2013, Yemen since 03/07/2015, the Syrian Arab Republic since 14/12/2012, Nigeria since 11/08/2016 and the Sahel since 29/11/2018.
Note 1: The Tanzanian air operation involves the chartering of an aircraft for UNHCR in full cost recovery mode.

Annex 4:   Main users of WFP aviation services in 2019

Top 10 non-governmental organizations	Passengers transported	Percentage of total transported
International Rescue Committee	9 931	2.4
Not Classified	9 259	2.2
Danish Refugee Council	7 466	1.8
World Vision	6 346	1.5
Action Against Hunger	6 335	1.5
Médecins Sans Frontières Switzerland	5 608	1.4
International Medical Corps	5 508	1.3
Save the Children	5 431	1.3
Médecins Sans Frontières France	5 348	1.3
Mercy Corps	5 254	1.3
Top 10 United Nations agencies		
United Nations World Food Programme	44 795	10.8
Office of the United Nations High Commissioner for Refugees	24 337	5.9
United Nations Children's Fund	23 432	5.6
World Health Organization	20 794	5.0
International Organization for Migration	18 076	4.4
Not Classified	13 394	3.2
International Rescue Committee	9 931	2.4
United Nations Development Programme	8 922	2.2
International Committee of the Red Cross	7 866	1.9
Danish Refugee Council	7 466	1.8

Source: WFP.

Annex 5:   List of charter operators used by WFP, 2017–2019

2017	2018	2019
Operator	Operator	Operator
Abakan Air	Abakan Air	Abakan Air
Abyssinian Flight Services	Abyssinian Flight Services	Abyssinian Flight Services
Air Serv Limited	Air Serv Limited	Air Serv Limited
Air Taurus LLC	Air Tec	Air Taurus
Air Tec	Airworks	Air Tec
ALS	ALS	Air Serv Limited
ARM Aviación	Aviation Sans Frontières France	Airworks (K) Limited
Aviation Sans Frontières France	Avion Express	ALS
DAC Aviation	DAC Aviation	Aviation Sans Frontières France
GM Helicopters	Dornier Aviation Nigeria AIEP	Avion Express
GM Helicopters 102 NE	FlyAwesome (Pty) Ltd.	DAC Aviation
Heli Air	Global Helicopter Service	FlyAwesome (Pty) Ltd.
KASAS Limited	GM Helicopters 102 NE	Global Helicopter Service
Medavia	Guardian Helicopters	GM Helicopters 102 NE
National Airways Corporation	Heli Air	Heli Air
Nyassa Air Taxi Ltd	KASAS Limited	KASAS Limited
PANH Helicopters	Medavia	Medavia
SAS	Mediterranean Aviation Company Ltd	Mediterranean Aviation Company Ltd
Seven Four Eight Air Service	National Airways Corporation	National Airways Corporation
Solenta Aviation	Nizhnevartovskavia	Nizhnevartovskavia
TransAVIAexport Airlines	PANH Helicopters	Nova Airways
Ukrainian Helicopters	SAS	PANH Helicopters
UTAir Aviation	Seven Four Eight Air Service	SAS
VALAN ICC	Solenta Aviation	Seven Four Eight Air Service
Voyageur Airways	TransAVIAexport Airlines	Shree Airlines
	Ukrainian Helicopters	SKOL Airline
	UTAir Aviation	Solenta Aviation
	Utair-Helicopter Services	Transavia Export
	VALAN ICC	Ukrainian Helicopters
	Voyageur Airways	Utair-Helicopter Services
		VALAN ICC
		VALAN ICC
		Voyageur Airways

Source: Carrier contract performance evaluation, according to OSCA, December 2019. Unaudited data.
Note: In yellow, continuous charter operators from 2017 to 2019, according to OSCA.

Annex 6: Summary of the main findings of QAU assessments, 2017–2019

N.B.: OSCA indicates that following the QAU assessments it took the appropriate corrective actions.

For steering of air operations, the procedures set out in the Air Transport Manual are not always followed (SAOPs not updated or incomplete in 40 percent of cases and annual work plans provided for in the annual performance planning guide for country offices not prepared in 40 percent of cases).

Overall safety management for the operations was weak: in all cases, the safety management systems were unsatisfactory; the aviation safety plans were incomplete, out of date or unsigned; the aviation emergency response plans were lacking; and required drills were not conducted. In 80 percent of cases, aviation security procedures were not fully implemented. Risk registers were not kept in 73 percent of cases and flight following showed technical weaknesses in 60 percent of cases.

Air operation governance is also very uneven: in almost half the cases (47 percent), the steering or user committees did not meet as planned or did not record agreed actions.

Internal controls on operations are fragile: nearly three quarters of operations (73 percent) did not have rigorous controls for eligible organizations in place (formal authorization by OCHA and/or local authorities, signature of financial conditions). In one third of cases, a local agent had access to the booking and ticket payment accounting procedures on Takeflite, contrary to the principles of segregation of duties. Receivables from users were not analysed in more than a quarter of cases (27 percent) and in the majority of cases (60 percent) were poorly reconciled with the data recorded in WINGS in the absence of an interface between Takeflite and WINGS. In a significant proportion of cases (20 percent), aviation utilization reports and identification of charter crews were incomplete.

In human resources, the main weaknesses identified relate to training: more than half of the operations (53 percent) did not have formal or approved annual training plans.

Insufficient attention is paid to user relations: one third (33 percent) of CATOs did not conduct the two annual satisfaction surveys called for in the Air Transport Manual and two thirds of the operations had no established complaint and feedback mechanisms.

Operator performance evaluations are not always conducted as directed: one third of CATOs (e.g. Somalia) do not send headquarters the carrier contract performance evaluation called for in the Air Transport Manual.

Lastly, local synergies with peacekeeping operations could be improved: in three (including Afghanistan) of the eight operations that also had peacekeeping air operations, agreements were considered but never signed.

Source: External Auditor, based on the OSCA evaluations for 2017–2019.

Annex 7: Opinion of the managers of current air operations

The External Auditor, supported by OSCA, surveyed the opinions of 16 CATOs currently serving regarding how their operations were steered and managed (out of a total of 18 AFOs). A questionnaire with 28 questions was sent out in December 2019 and the responses were received by mid-January 2020. The following summary is a compilation of their opinions.

Nearly two thirds (63 percent) of air operations are **covered by a basic agreement** between WFP and the local government.

Only **half the CATOs report national aviation regulations** applicable to WFP air operations.

Half the CATOs report difficulties in relations with local aviation administrations (frequent changes in regulations, reluctance of authorities to let WFP operate, protection of local air operators, difficulties in obtaining overflight and landing permits, use of old aircraft).

All the CATOs are satisfied with their relations with their country office, **but half see room for improvement** in the management of donor relations, relations with local authorities, administrative and financial support and even financial transparency.

The overwhelming majority of CATOs are satisfied with their relationship with headquarters, but **nearly two thirds (63 percent) see room for improvement** (weekly steering summaries from the PMT, more frequent headquarters field missions or temporary reinforcements, better feedback on communications or ongoing processes, material support, adaptation of rules and greater consideration of the local context).

Most of the CATOs (56 percent) **believe that the multinational/regional level is not the appropriate level** for management of an air operation.

Half the current operations are in countries where there are also peacekeeping operations using aviation resources. **Most of the CATOs concerned believe that there could be greater cooperation** with the Department of Peace Operations, such as in the procurement of kerosene or search and rescue agreements.

The vast majority of CATOs (75 percent) **consider other air operators** from the international community (the International Committee of the Red Cross, ECHO, etc.) **as partners**, with **three quarters involving them in regular meetings** such as operational briefings or air safety meetings.

Only a quarter of CATOs report having encountered difficulties with resources since 2017.

For donor appeals, **all CATOs mention the vital support** of the country office and its donor relations unit, the UNHAS steering committee and headquarters.

The average number of donors per operation is 6.7, with the United States most often the largest.

Cost recovery is **variable** but the proportion of costs recovered is modest in a fair number of cases (20 to 30 percent).

There is no consensus on the appropriate **amount of "working capital"** (carry-over to financial year N of resources not consumed in year N-1) to fund an operation. It varies from one to four months.

All CATOs whose operations are partly financed by passengers **apply the principle of advance payment** for tickets but **indicate that they allow exceptions** for major donors, embassies and United Nations entities (including WFP).

All the CATOs identify OCHA as being responsible for authorizing the use of UNHAS by organizations.

All the CATOs use indicators from the PMT toolbox to assess the performance of their operation.

Two thirds of the CATOs believe that LTAs are well-suited to the conduct of operations.

There is a consensus on the criteria supporting the continuation of an air operation: existence of a safe and reliable commercial air alternative, state of the road network, humanitarian needs and general state of security in the country.

Two thirds of the CATOs believe that there is room for improvement in how local steering committees operate. Their suggestions mainly relate to increasing the number of donors or the balance of their representation, the level of member representation or involvement, tightening the steering (steering by humanitarian coordinator, eligibility of organizations and passengers, etc.), supporting relations with local authorities, standardizing the presentations made and fundraising for the activity.

Two thirds of the CATOs consider that the way the local user committees operate could be improved.

The overwhelming majority of CATOs (88 percent) **report difficulties in carrying out their duties in respect of their managerial responsibilities rather than technical problems**. These difficulties relate mainly to funding issues such as donations, lack of staff or of qualified staff, heavy administrative burdens, relations with local authorities, relations with the country office, their supervisory authority as consultants, non-participation in United Nations country team steering bodies, lack of emergency preparedness, the quality of local infrastructure and the security of operations, staff and facilities.

Most of the CATOs (56 percent) **believe that a reasonable lead time** for the renewal or termination of charter **contracts is one to two months**.

Half the CATOs expressly **state that they are not involved in the evaluation of charter service proposals**, **but several** acknowledge **taking part in the final selection** of operators and seven clearly state that they are involved in the process.

***

Acronyms

ASA	aviation special account
ASU	Aviation Safety Unit
CATO	Chief Air Transport Officer
CSP	country strategic plan
ICAO	International Civil Aviation Organization
ISC	indirect support costs
KPI	key performance indicator
LORA	list of registered air operators
LTA	long-term agreement
MCR	management cost recovery
NGO	non-governmental organization
OCHA	United Nations Office for the Coordination of Humanitarian Affairs
OSCA	Aviation Service
PMT	performance management tool
PSA	Programme Support and Administrative (Budget)
QAU	Quality Assurance Unit
SAOP	standard administrative and operating procedure
SDG	Sustainable Development Goal
UNHAS	United Nations Humanitarian Air Service
WINGS	WFP Information Network and Global System