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Resource, financial and budgetary matters

For consideration

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

Management response to the recommendations of the report of the External Auditor on air transport services

Background

1. In line with corporate requirements for a periodic audit of WFP aviation activities, this external audit of the Aviation Service was carried out during the period 19 July 2019 to 31 January 2020. A comprehensive audit of WFP aviation activities was conducted, with a focus on the Aviation Service at headquarters in Rome and three aviation field operations, in Mali, Kenya–Somalia and South Sudan. This required the external auditors to visit these locations in person at various times throughout the duration of the audit activities. The relevant outcomes informed the drafting of the final audit report.
2. WFP management would like to thank the External Auditor for the constructive report, the actionable findings and the proactive and engaging terms on which the entire audit exercise was conducted.
3. Management's responses, prepared by the Aviation Service, are presented in the matrix below.

Draft decision*

The Board takes note of "Management response to the recommendations of the report of the External Auditor on air transport services" (WFP/EB.A/2020/6-G/1/Add.1).

* 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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MANAGEMENT RESPONSE TO THE RECOMMENDATIONS OF THE REPORT OF THE EXTERNAL AUDITOR ON AIR TRANSPORT SERVICES				
	External audit recommendations	Action by	WFP management response	Timeframe
1	Recommendation 1 - Priority 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.	Aviation Service	Accepted. The Aviation Service will draft a policy document for Executive Board approval.	June 2021
2	Recommendation 2 - Priority 1 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.	Aviation Service	Accepted. The Aviation Service will continue to deliver its annual presentation on air transport activities to the Executive Board and will restructure it in order to provide more comprehensive information, including data on costs, environmental impact, operation funding modalities, performance, challenges and achievements.	December 2020
3	Recommendation 3 - Priority 1 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.	Aviation Service	Accepted. The budgetary and financial framework for aviation activities will be updated and revised to ensure an exhaustive and transparent presentation of the financial flows between country strategic plans/country portfolio budgets and the aviation special account.	June 2021
4	Recommendation 4 - Priority 2 The External Auditor recommends that the optimal cumulative carry-over be determined for each UNHAS operation.	Aviation Service	Accepted. The Aviation Service will set up a process for determining the optimal cumulative carryover for each United Nations Humanitarian Air Service (UNHAS) operation.	December 2020
5	Recommendation 5 - Priority 2 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.	Aviation Service	Accepted. The target cumulative surplus of the aviation special account for 2020 will be reassessed based on the external audit analysis.	December 2020

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	External audit recommendations	Action by	WFP management response	Timeframe
6	<p>Recommendation 6 – Priority 2</p> <p>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.</p>	Aviation Service	<p>Accepted.</p> <p>The elements highlighted by the External Auditor on the financing model will be subject to internal consultations. The outcomes of the consultations will drive corporate decision making on the review of the financing model for the Aviation Service, with consequent decisions related to the programme support and administrative budget and management cost-recovery rates.</p>	June 2021
7	<p>Recommendation 7 – Priority 1</p> <p>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.</p>	Aviation Service	<p>Partially accepted.</p> <p>In line with WFP's 2018 enterprise risk management policy and the Supply Chain Division's December 2018 risk management procedure, the Aviation Service on 1 March 2019 issued version 4 of its risk register guidance, which superseded version 3 of the guidance, issued in 2016. The guidance requires all aviation field operations to establish risk registers that reflect not only operational safety and aviation security risks but also all other enterprise risks such as strategic, financial and fiduciary risks.</p> <p>The roll-out of the guidance was closely monitored in 2019 and full implementation is expected by the end of 2020.</p>	June 2021

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8	<p>Recommendation 8 – Priority 3</p> <p>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.</p>	Logistics and Field Support unit; Aviation Service	<p>Partially accepted.</p> <p>Management notes that country directors make the final decisions on the choice of transport modality; they are accountable for the effective management of WFP operations within their areas of assignment, which includes ensuring the timely and effective delivery of food assistance. Country directors are assisted by the Director of the Supply Chain Division, who is responsible for the planning, development and oversight of supply chain operational plans in accordance with the Air Transport Manual. Transport modalities are selected using an evaluation process that takes into account, in addition to cost, multiple factors that could change on short notice, including access constraints, security, urgency, asset availability and type of cargo.</p> <p>The Aviation Service will collaborate with the Logistics and Field Support unit to better spell out the crucial steps in the evaluation process and the criteria used to select specific transport modalities.</p>	June 2021
9	<p>Recommendation 9 – Priority 2</p> <p>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.</p>	Aviation Service	<p>Accepted.</p> <p>As it is a common service managed by WFP, UNHAS will work jointly with its stakeholders to outline a resourcing strategy in support of its operational structure and strategy. A proposed strategy is due to be drafted within the next six months. The Public Partnerships and Resourcing Division will work with the Aviation Service to coordinate this process.</p>	December 2021
10	<p>Recommendation 10 – Priority 2</p> <p>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.</p>	Aviation Service	<p>Accepted.</p> <p>The Aviation Service will develop cost-recovery guidelines that could improve the effectiveness and cost-efficiency of the service and reinforce current cost-recovery practice, which is based on UNHAS country-specific steering committee decisions and primarily addresses two issues: the requirement to enforce the effective utilization of assets by reducing “no shows”, and the need to bridge the gap between identified financial requirements and forecasted donations.</p>	June 2021

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11	<p>Recommendation 11 – Priority 3</p> <p>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.</p>	Aviation Service	<p>Partially accepted.</p> <p>The Aviation Service notes that instruments are in place to control prices in full compliance with WFP procurement manual provisions. The Aviation Service will nonetheless explore the potential adaptation of other instruments to improve current processes.</p>	December 2021
12	<p>Recommendation 12 – Priority 1</p> <p>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.</p>	Aviation Service	<p>Accepted.</p> <p>Country strategic plans contain generic UNHAS exit strategies, which are based on the availability of safe, secure and reliable commercial air operators in the country of operation. The need for the service is regularly reviewed at steering committee meetings co-chaired by the humanitarian coordinator and the WFP country director. It is considered beneficial to standardize exit strategy provisions through the development of guidelines.</p>	June 2021
13	<p>Recommendation 13 – Priority 3</p> <p>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.</p>	Aviation Service	<p>Partially accepted.</p> <p>For the majority of WFP aviation operations, local technical service agreements between WFP and the Department of Field Support have already been established or are being discussed. However, management notes that for other operations, the Aviation Service could use technical service agreements to improve the operational implementation of the existing framework of collaboration between the Department of Field Support and WFP.</p>	December 2020

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14	Recommendation 14 – Priority 2 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.	Aviation Service	Accepted. In line with WFP's environmental policy and the International Civil Aviation Organization's carbon offsetting and reduction scheme guidance, the Aviation Service has begun to develop an aviation environmental programme. Guided by a set of environmental key performance indicators, the programme will inform WFP actions to enhance the environmental sustainability of air operations, protect the environment, and calculate and minimize its carbon footprint. Environmental key performance indicators have been established and incorporated into the performance management tool used by the Aviation Service.	December 2020
15	Recommendation 15 – Priority 2 The External Auditor recommends adding an environmental clause to air charter, ground handling and refuelling contracts related to air operations.	Aviation Service	Accepted. Existing aircraft charter agreements will be amended to incorporate an environmental clause. Global guidance will be drafted and distributed to all country offices.	June 2021
16	Recommendation 16 – Priority 1 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.	Aviation Service	Partially accepted. The Aviation Service has a set procedure for registering users and checking passenger eligibility, which was formalized in a decision memorandum issued in January 2018. The memorandum lays out the requirements for verifying the types of activities carried out by user organizations in the countries where they operate and assessing passenger eligibility for access to UNHAS services. The Aviation Service will, however, explore the feasibility of implementing internal controls in the Takeflite electronic flight management application.	December 2021