



FINANCE COMMITTEE

Hundred and Ninety-sixth Session

Rome, 5-7 June 2023

Report of the External Auditor on fuel management

Queries on the substantive content of this document may be addressed to:

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EXECUTIVE SUMMARY

- The “Report of the External Auditor on fuel management” is submitted to the Board for consideration.
- The executive summary of the “Report of the External Auditor on fuel management” is included within the main document presented to the Committee for its review.

GUIDANCE SOUGHT FROM THE FINANCE COMMITTEE

- The Finance Committee is requested to review the “Report of the External Auditor on fuel management” and to endorse it for consideration by the Executive Board.

Draft Advice

- **In accordance with Article XIV of the General Regulations of WFP, the FAO Finance Committee advises the WFP Executive Board to approve the draft decision as outlined in the document “Report of the External Auditor on fuel management”.**



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Resources, financial and budgetary matters

For consideration

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

Report of the External Auditor on fuel management

Draft decision*

The Board takes note of the report of the External Auditor on fuel management (WFP/EB.A/2023/6-G/1) and management's response (WFP/EB.A/2023/6-G/1/Add.1) and encourages further action on the External Auditor's recommendations, taking into account the considerations raised by the Board during its discussion.

* 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

FUEL MANAGEMENT

Financial year 2022



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Executive Summary

In 2022, the External Auditor conducted two performance audits which focused on economy, efficiency and effectiveness in line with the International Standards of Supreme Audit Institutions on fuel management and support services. The External Auditor issued a separate report on the latter.

Country offices' operations depend on the availability of fuel which requires that WFP has implemented an effective fuel management process along with appropriate rules, guidance and support by IT systems.

The External Auditor conducted audit visits to headquarters from 11 to 20 October 2022, from 7 to 17 February 2023 and between August 2022 and January 2023, to the following regional bureaux and country offices:

- The Regional Bureau for the Middle East, Northern Africa and Eastern Europe and the Country Offices Egypt, Jordan and Lebanon; and
- The Regional Bureau for Southern Africa and the Country Offices Malawi, Mozambique, United Republic of Tanzania and Zimbabwe.¹

Observations made at and recommendations issued to country offices and regional bureaux are included in this report as deemed necessary. Additionally, the External Auditor requested ten additional Country Offices (Algeria, Congo, Democratic Republic of the Congo, Islamic Republic of Iran, Lesotho, Libya, Madagascar, State of Palestine, Syrian Arab Republic, Yemen) to provide information about their fuel management.

Key findings

Our main findings were that:

(a) In 2020, WFP established 31 long-term agreements for the provision of aviation fuel for a duration of two years. WFP had the option to extend the agreements year by year, up to a maximum total duration of five years. WFP decided not to use these options. WFP made a call for a new tender at the end of 2022.

(b) Not all of the country offices and regional bureaux reviewed concluded long-term agreements for the provision of vehicle fuel, although WFP had recommended this option. We noted cases in which they paid for fuel in cash. Even when agreements were established, offices purchased fuel at stations that were not covered by the agreement and had to pay in cash.

(c) WFP used the data recorded in its Fleet Management System (FMS) to review and evaluate the performance of the vehicle fleet. When offices logged in, FMS provided a dashboard. The dashboard was not self-

¹ The External Auditor audited the Country Office Zimbabwe remotely.

explanatory and did not present the data in a way that was easy for country offices and regional bureaux to understand and analyse. Therefore, it was difficult to use the data as a basis for management decision-making;

(d) Several country offices held fuel on stock, but WFP did not report and record it as an asset in the financial statements;

(e) WFP committed inter alia to transition from fossil fuels to clean, renewable power supply, such as wind and solar energy. However, WFP did not have robust and reliable data about the energy production of its solar projects. For 36 out of 52 solar projects (69 percent), WFP did not have any data on the energy production. The data for the 16 solar projects showed that the energy production was much lower than the potential capacity.

Key recommendations

The External Auditor issues several recommendations based on the audit. They are included in the main body of this report. The key recommendations are that WFP:

(a) Evaluate the contract duration of the long-term agreements for the provision of aviation fuel and consider using the option to extend their duration instead of starting a new tender;

(b) Reduce cash payments for vehicle fuel;

(c) Revise the dashboard of the Fleet Management System to provide a concise and visual summary of key information in a way that is easy to understand and to analyse; and inform country offices about the changes and how to use the dashboard for decision-making;

(d) Capitalize fuel that is held on stock to improve oversight on fuel management;

(e) Record and regularly monitor the data on energy production of its solar power systems and analyse the reasons for low energy production.

A. Acknowledgements

1. The External Auditor expresses sincere thanks to all the WFP staff for their cooperation and availability, especially to the divisions responsible for support services as well as to the regional bureaux and country offices visited by the auditors.

B. Mandate, scope, and methodology

2. By its decision 2021/EB.2/4, on 16 November 2021 the Executive Board of WFP appointed the Präsident des Bundesrechnungshofes of Germany as the WFP External Auditor to perform the audit of the accounts of WFP for a six-year term from 1 July 2022 to 30 June 2028 in accordance with WFP Financial Regulation 14.1.

3. The External Auditor's mandate is set out in Article XIV of the WFP Financial Regulations and their Annex. Pursuant to the Financial Regulations, the External Auditor expresses an opinion on the financial statements and may make 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.

4. With the 2022 financial audit the External Auditor assessed whether the WFP financial statements present fairly the financial position of WFP as at 31 December 2022 in compliance with International Public Sector Accounting Standards (IPSAS) and whether the financial statements have been prepared in accordance with the relevant accounting guidelines and policies applied on a basis consistent with that of the preceding financial period.

5. In 2022, the External Auditor conducted two performance audits which focused on economy, efficiency and effectiveness in line with the International Standards of Supreme Audit Institutions on fuel management and support services. The External Auditor issued a separate report on the latter.

6. Country offices' operations depend on the availability of fuel. It is essential that WFP implements an effective fuel management process along with appropriate rules, guidance and support by IT systems.

7. The External Auditor carried out the audit of the fuel management in accordance with the International Standards of Supreme Audit Institutions on performance and compliance audits, the WFP Financial Regulations and their Annex. The audit did not cover all aspects of fuel management and therefore this report does not constitute an overall assurance statement on this topic.

8. The External Auditor conducted audit visits to headquarters from 11 to 20 October 2022, from 7 to 17 February 2023 and between August 2022 and January 2023 to the following regional bureaux and country offices:

- The Regional Bureau for Middle East, Northern Africa and Eastern Europe and the Country Offices Egypt, Jordan and Lebanon; and
- The Regional Bureau for Southern Africa and the Country Offices Malawi, Mozambique, United Republic of Tanzania and Zimbabwe.²

Observations made at and recommendations issued to country offices and regional bureaux are included in this report as deemed necessary. Additionally, the External Auditor requested ten additional Country Offices (Algeria, Congo, Democratic Republic of the Congo, Islamic Republic of Iran, Lesotho, Libya, Madagascar, State of Palestine, Syrian Arab Republic, Yemen) to provide information about their fuel management.

9. The External Auditor issued audit observation memoranda on the findings, the conclusions, and the recommendations. The Deputy Executive Director, Management Department, and Chief Financial Officer and the Deputy Executive Director, Supply Chain and Emergencies Department, confirmed the validity of the facts presented and commented on the recommendations. This report takes full account of their comments and responses.

C. Findings and recommendations

1. Aviation fuel

a. Background

10. In 2004, WFP established the United Nations Humanitarian Air Service (UNHAS) to provide a common air transport service for the humanitarian community. WFP uses aviation services to deliver humanitarian assistance to regions that it cannot reach by other means of transport, for example, due to inadequate infrastructure or natural disasters. Especially in hard-to-reach areas, airdrop³ is an indispensable capability to ensure uninterrupted delivery of relief.

11. In the financial statements, WFP disclosed “air operations” as part of the expense category “contracted and other services”. In 2022, contracted and other

² The External Auditor audited the Country Office Zimbabwe remotely.

³ Airdrop is a type of airlift in which goods are dropped from the aircraft. In certain circumstances, security concerns, a lack of operational airfields, inaccessibility for other delivery modes or a combination of these factors make airdrops the best method for delivering food directly into a crisis area. Airdrop operations are predominantly for food.

services amounted to USD 1,202.9 million and included USD 319.6 million for air operations. In 2021, the expenses for air operations had amounted to USD 318.8 million.

12. According to WFP, UNHAS used 75 aircraft to reach 496 destinations, to complete more than 46,000 flights and to transport 325,112 passengers as well as 5,862 mt of cargo in 2021. These numbers increased in 2022, UNHAS transported 390,780 passengers and 7,091 mt of cargo.

Table 1: Key data related to UNHAS

	2017	2018	2019	2020	2021	2022
Passengers transported	327 934	386 330	414 581	248 026	325 112	390 780
Cargo transported (mt)	2 708	3 655	3 706	3 975	5 862	7 019
Number of evacuations	1 580	1 362	1 784	1 373	3 015	1 547

Source: External Auditor, data provided by WFP.

13. In addition to UNHAS, WFP provided air services to external clients (United Nations agencies, non-governmental organizations, donors). These services mainly comprised of cargo transport. The external clients fully reimbursed WFP for these services. In 2022, WFP transported 24,825 passengers and 19,419 mt of cargo.

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

		2017	2018	2019	2020	2021	2022
Air operations	Passengers transported	2 811	7 506	9 622	37 867	22 456	24 825
	Cargo transported (mt)	31 097	14 912	31 422	40 806	37 358	19 419
Airdrops	Number of airdrops	3 079	2 299	680	681	710	350
	Cargo transported (mt)	80 643	60 667	20 496	29 000	25 000	11 400

Source: External Auditor, data provided by WFP.

b. Long-term agreements

14. WFP centralized its procurement of aviation fuel (Jet A-1) at headquarters level. The aim of the centralized approach was to support UNHAS operations and to obtain economic and practical benefits, including:

- Aligning Jet A-1 fuel procurement with current market practice;
- obtaining lower prices by aggregation of volumes and longer contractual periods;
- establishing common standards across all locations;
- improving contractual conditions through standard contracts; and
- fostering competition through market study and by expanding the supplier roster.

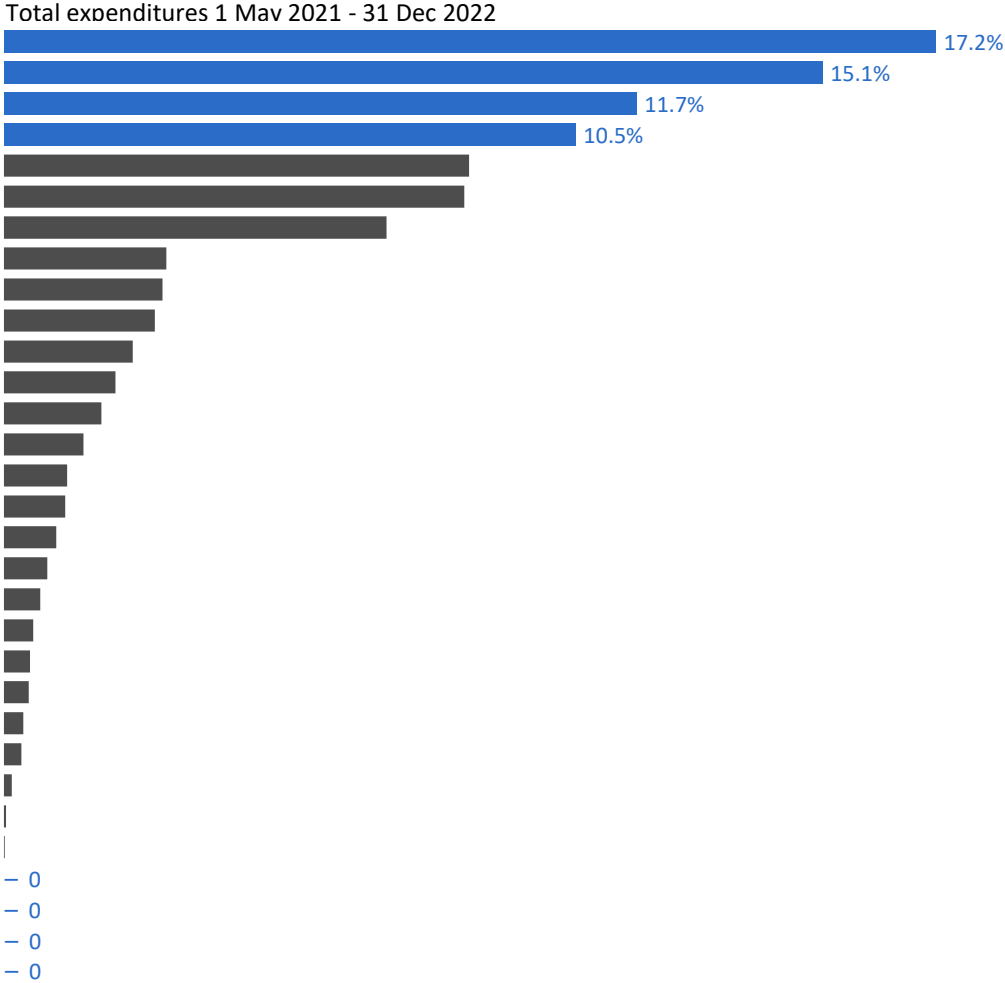
15. As per the goods and services procurement manual WFP chooses a procurement strategy for Jet A-1 by identifying critical and strategic locations/airfields. WFP may define baskets of locations which provides the benefit of inter alia increased coverage, particularly of critical airfields. A profitable airfield for the supplier can be combined in one basket with a non-profitable airfield for which the supplier would otherwise not submit a bid. The manual stipulates that the duration of long-term agreements may be up to five years (three years with a limited extension of one year at a time, up to a maximum of two years).

16. In 2020, WFP identified a need for Jet A-1 supply at 173 airfields in 48 countries. WFP launched a tender to 162 suppliers. 35 suppliers submitted a proposal. WFP entered into 31 long-term agreements. The signature of another three long-term agreements was still pending as of February 2023. 19 airfields in eight countries were not covered by long-term agreements. According to the long-term agreements, the suppliers should deliver the quality-tested Jet A-1 to the aircraft and refuel it. WFP stated that it did not have its own depots for storing Jet A-1 or its own equipment for refuelling aircraft (e.g., tank trucks).

17. All 31 long-term agreements had a contract term from May 2021 to April 2023. WFP stated that it received positive feedback from the currently contracted suppliers on this longer contract duration which exceeded the previous duration of one year.

18. The figure below shows the call-offs from the 31 long-term agreements in the period from May 2021 to December 2022. Accordingly, 54.5 percent of the expenditures related to four long-term agreements on South Sudan (two suppliers), Sudan and Djibouti. WFP paid 45.5 percent of the related expenditures on 23 long-term agreements. It did not call-off on four long-term agreements.

Figure 1: Half of Jet –1 expenditure under four long-term agreements



Source: External Auditor, data provided by WFP.

19. In the same period, WFP also purchased Jet A-1 for USD 643,740 by call-offs from an unsigned long-term agreement. WFP was of the view that “a contract is fully formed when parties have exchanged consent/agreement on sufficiently clear matters. This means that, even if not signed, the long-term agreement constitutes a valid contract as long as a written award was granted following an offer issued by the supplier in response to a tender (which normally already includes all WFP terms and conditions).” WFP also elaborated that “good practice would still recommend having long-term agreements formally signed by both parties, as it would constitute a comprehensive instrument evidencing all the terms and conditions agreed by the parties, leaving no doubts on the existence of any further amendments of terms.”

20. In 2021, WFP purchased USD 57.6 million worth of Jet A-1 from long-term agreements. In 2021, WFP recorded USD 63.3 million expenses for Jet A-1.⁴ This indicates that WFP purchased Jet A-1 for USD 5.7 million outside long-term

⁴ Account 3204000 adjusted in terms of provisions of 2021 and reversals of 2022 accruals.

agreements. WFP stated that it was a challenge for UNHAS to buy Jet A-1 when there was no long-term agreement in place. Furthermore, WFP explained that it met this challenge by, for example, using larger transport aircraft with a longer range than was otherwise needed, carrying more Jet A-1 and less cargo, or buying Jet A-1 fuel with cash, as in the case of Yemen.

21. According to the long-term agreements, WFP has the option, at its sole discretion, to extend the duration for an additional period of one year, up to a maximum total duration of five years, under the same terms and conditions. WFP decided not to extend the duration of the agreements but to start a new tender at the end of 2022. In the tender, it opted against identifying critical and strategic locations/airfields and creating corresponding baskets. WFP intended to award the long-term agreements for a contract period of three years.

22. WFP stated that so far it had not coordinated its need of Jet A-1 with other United Nations entities, such as United Nations peacekeeping missions, to jointly approach potential contractors. There were preliminary ideas, but no decision had been taken yet for WFP and United Nations peacekeeping missions to enter the market together to obtain even better terms when contracting with Jet A-1 suppliers.

23. WFP relies on adequate and reliable Jet A-1 supply to its aircraft fleet in order to fulfil its mission. The External Auditor is of the view that covering the demand through long-term agreements is the right approach because such agreements normally define service levels, pricing, and the control process for any issues. As WFP has not managed to establish such agreements to cover all locations, the External Auditor sees room for improvement. Furthermore, the External Auditor holds that WFP should review the reasons for procuring Jet A-1 outside long-term agreements and seek to reduce the number of these cases.

24. The External Auditor is of the view that WFP could benefit from using the option to extend the duration of its long-term agreements. Therefore, WFP should consider extending the duration even more to reduce the effort of tendering and negotiation. This would also lead to more reliable and predictable supply. Extended contract durations may be more attractive to suppliers, who have already welcomed the longer duration, and thus trigger more competition among them.

25. Furthermore, the External Auditor holds that WFP should consider going to market together with other United Nations entities. A consolidation of demands may also attract more suppliers and achieve economies of scale as well as best value for money. In addition, WFP could use the basket approach to increase the overall coverage by long-term agreements. The airfields serviced by the four suppliers that received half of all Jet A-1 expenditure are particularly profitable. WFP could take advantage of this and form baskets combining those with less profitable airfields.

26. The External Auditor holds that it is a financial and legal risk to receive services under a draft contract that has not been signed and is still under negotiation. The fact that WFP and the suppliers have been negotiating the terms and conditions over a period of several months, in some cases even years, is an indication that the parties have not agreed on essential terms. WFP should not call-off services before the corresponding contract is signed.

27. The External Auditor recommends that WFP evaluate the contract duration of the long-term agreements for the provision of aviation fuel and consider using the option to extend their duration instead of starting a new tender.

28. WFP agreed with the recommendation and stated that where possible, long-term agreements extension was more suitable than issuance of new tenders. WFP cited that most fuel providers had requested reviews of the agreements prior to expiry. They raised concerns about their ability to maintain the contractual prices should there be any market fluctuations. WFP stated that it was obliged to proceed with a new tender in 2022. This was due to the global context and impact of the conflict in Ukraine on fuel, food, and transportation costs.

29. The External Auditor recommends that WFP explore how to attract more suppliers for aviation fuel, for example by going to market with other United Nations entities or by creating suitable baskets to cover as many required airfields as possible.

30. WFP agreed with the recommendation and stated that in 2022, within the framework of the One UN/UN Reform, WFP initiated a discussion with the United Nations Secretariat to start cooperation on the procurement of Jet A-1, as the United Nations Secretariat was the only other United Nations agency procuring Jet A-1 in large quantities. Furthermore, WFP stated that the tender issued in 2022 included quantities and locations provided by the United Nations Secretariat.

31. The External Auditor recommends that WFP ensure that a long-term agreement for the provision of aviation fuel be signed before it calls-off fuel under its terms.

32. WFP agreed with the recommendation and stated that long-term agreements were non-committal agreements and that a purchase order was required to legally bind a commitment between WFP and a fuel supplier. In 2022, due to exceptional circumstances to allow for business continuity, management had granted exceptional approvals on three occasions to retrieve fuel on unsigned long-term agreements.

c. Supplier roster

33. The procurement manual stipulates that WFP shall execute competitive procurement actions through solicitations of offers from invited suppliers. One source

for selecting suppliers to be invited is the supplier roster. A supplier roster is a list of potential suppliers that meet certain requirements. WFP is responsible for establishing and updating the roster on a regular basis and prior to the issuance of a new tender.

34. In 2020, WFP launched the tender for the provision of Jet A-1 fuel to 162 suppliers. In 2022, WFP launched the new tender to 101 suppliers, which were 61 suppliers less than in the 2020 tender. WFP stated that the higher number of suppliers in the 2020 tender had resulted from duplications in the supplier roster. In some cases, the same company had registered through different accounts or different branches in the WFP's e-tendering system In-Tend. For that reason, before launching the new tender in 2022, WFP had done a major clean-up of duplicated accounts and suppliers which had become inactive during the previous two years.

35. The External Auditor asked WFP to provide the supplier roster for Jet A-1 suppliers in January 2023. WFP provided a list with the names and the e-mail addresses of 99 suppliers.

36. The External Auditor notes that WFP has not expanded its supplier roster for Jet A-1 supply over the last two years. An expanded roster may achieve economic and practical benefits and foster competition. On the contrary, WFP has invited even less suppliers in the latest tender. Furthermore, the External Auditor notes that WFP attributes the lower number of invited suppliers to errors in the previous supplier roster. Also, the External Auditor notes that WFP invited at least two suppliers which were not included in the roster. The External Auditor holds that WFP should continue its efforts to identify new possible suppliers and ensure that the roster is up to date.

37. Furthermore, a supplier roster that only includes names and e-mail addresses is not sufficient. WFP should consider adding information that will support WFP to maintain and update the roster. In particular, the registration date on In-Tend and information about participation in tenders would be helpful to assess whether suppliers are still interested in doing business with WFP. Regular updates of relevant information would also reduce the number of errors, such as duplications.

38. The External Auditor recommends that WFP review and update the supplier roster at least once per year.

39. WFP agreed with the recommendation. WFP expected to introduce a digital solution in the years to come, which would aid the review. Ad interim, manual reviews of the rosters would continue to take place.

2. Vehicle Fuel

a. Background

40. The WFP fleet consists of light and armoured vehicles, forklifts, trailers, boats, motorbikes, and trucks. WFP uses trucks to transport food and essential supplies to people in need. Light and armoured vehicles are necessary to access difficult-to-reach areas, including conflict zones, remote rural areas, and disaster-stricken areas.

41. The WFP Fleet Centre of the Management Services Division is mandated to centrally manage the acquisition and lease of light and armoured vehicles for WFP offices worldwide. The Fleet Centre's mission is to enable effective, safe, and efficient vehicle fleets for WFP offices. It provides training for drivers and supports country offices in optimizing their fleet operations in order to maximize the benefit and minimize the total cost of ownership during the vehicle life cycle.

42. The Global Fleet Unit of the Supply Chain Operations Division deploys trucks and other fleet assets to support country offices' road transport operations. It has a dedicated fleet of almost 900 vehicles available for immediate deployment to support sudden emergencies. The vehicles are located in three hubs in Accra, Dubai, and Kampala and are managed centrally by the Global Fleet Unit, which is responsible for the oversight and management of operations and assets.

43. According to the Fleet Centre, WFP had 4,485 light and armoured vehicles as of February 2023.

Table 3: Number of vehicles

Description	Number of vehicles	Remarks
Vehicles in country offices	3,606	Operational and non-operational
Vehicles in transit	456	Waiting for registration, clearance or on their way to the country office
Vehicles in Fleet Centre stock	423	
Total	4,485	

Source: External Auditor, data provided by WFP in February 2023.

In its asset register, WFP recorded 5,193 vehicles, 442 armoured vehicles and 1,451 trucks.

44. Country offices and regional bureaux use FMS to record data and report on fleet performance. According to WFP, 170,000 fuel transactions are recorded annually, of which 53 percent are for light and armoured vehicles, 21 percent for generators, 18 percent for trucks and three percent for motorcycles, forklifts and boats. The remaining 5 percent are for fuel provided to other United Nations agencies and cooperating partners' vehicles and generators.

b. Fuel supply long-term agreements

45. The Management Services Manual stipulates that country offices are responsible for monitoring, management and control of all fuel activity. When reliable supply is available through a broad network of commercial fuel stations, using those is the preferred option as it provides operational flexibility, requires no infrastructure investment and avoids the risk of holding and managing fuel stocks.

46. As per the Management Services Manual, a fuel supply agreement should be established with a specific supplier and clearly define the terms for fuel supply. Such agreements normally set out service levels, pricing, and the control process for fuel. It may be necessary to enter into more than one agreement to cover the demand. The manual recommends using fuel cards. A fuel card system enables fleet managers to receive real-time reports and to set purchase controls. Alternatively, fuel vouchers and fuel coupons can be used. Wherever possible, paying fuel in cash should be avoided.

47. Not all of the External Auditor's audited country offices and regional bureaux had established long-term agreements. The questionnaire sent to an additional ten offices showed similar results. The External Auditor noted that one quarter of these offices had not established long-term agreements for the provision of fuel. Instead, they used the following modalities:

- Issuance of micro-purchase orders to one supplier that was then paid in advance;
- Use of vouchers; and
- Cash payments.

48. Half of the above-mentioned offices had established long-term agreements for the provision of fuel. In some cases, the agreements did not cover a broad network but were limited to certain stations or locations. When offices fuelled vehicles outside the network or stations, they paid in cash. One quarter of the offices collaborated with other United Nations agencies and peacekeeping, either through common agreements or by using long-term agreements established by United Nations agencies.

49. Smaller offices in particular reported difficulties in establishing long-term agreements with fuel suppliers. Given these offices' small vehicle fleet and limited fuel demand, suppliers were not interested in entering into an agreement with WFP and completing the registration process. Also, in one country, fuel stations were franchises or independently owned. As such, it was difficult to identify a supplier that had stations all over the country.

50. Offices outside headquarters should regularly evaluate the market and consider different options and conditions that fuel suppliers in the country provide. They should also liaise with other United Nations agencies in the country to assess whether a collaboration is possible. A consolidation of demands may attract more suppliers and achieve economies of scale. Long-term agreements or alternate

solutions, such as vouchers, can also help to reduce cash payments. The External Auditor holds that cash payments for fuel should be kept to a minimum.

51. While offices outside headquarters are responsible for monitoring, management and control of all fuel activities, the External Auditor holds that headquarters could strengthen its support in that area. Headquarters should especially support offices which have no agreements and share best practice. Also, headquarters should explore options on how to reduce the number of cash payments.

52. The External Auditor recommends that WFP monitor how country offices and regional bureaux manage fuel provision for vehicles; evaluate the reasons for the lack of long-term agreements; and support offices by sharing best practice.

53. WFP agreed with the recommendation concerning the lack of long-term agreements. WFP stated that it would inter alia review the cases noted and take them into account to introduce improvements in the current fuel management and procurement practices and procedures, outlining the responsibilities of the different stakeholders.

54. The External Auditor recommends that WFP reduce cash payments for vehicle fuel.

55. WFP agreed with the recommendation and stated that it would review and analyse cash purchases and the underlying reasons. WFP agreed that cash payments should be reduced and should only be a last resort. WFP stated that it used cash payments for fuel mostly in three scenarios:

- Use of petty cash for field missions where the contracted suppliers do not conduct business in those locations.
- Use of operational cash advance for certain projects in the deep field or for emergency operations on a temporary basis.
- Use of cash to buy fuel where the government or the fuel suppliers impose only cash payment due to the fragile and volatile economic situation in the country.

c. Data quality of the Fleet Management System

56. Country offices and regional bureaux use FMS to record data and report on fleet performance. The objective of FMS is to achieve an optimum balance of three priorities: safety; programme delivery; and cost-effectiveness. FMS is a mandatory tool for all automotive assets managed by the offices. These assets comprise light and armored vehicles, forklifts, trailers, boats, generators, motorbikes, and trucks. The objective of FMS is to provide a management tool through which operational and financial oversight of the WFP fleet assets can be exercised.

57. Country offices are responsible for monitoring, managing, and controlling all fuel activity and for the timely and accurate input of fuel data into FMS. They must record operational data (fuel consumed, kilometers travelled, repairs/maintenance completed) and cost data for each vehicle in FMS on a regular basis.

58. During the visits to the country offices and regional bureaux, the External Auditor noted that the data in FMS was not always correct and complete, for instance the status of assets (operational/not operational) was incorrect, data was missing and the results given by the key performance indicators were not plausible. The External Auditor identified the following reasons:

- After fueling, the driver handed over the receipt to the local fleet manager who manually added data, amount of fuel, price, date, and time in FMS. The manual data entry into FMS was cumbersome and prone to error.
- Usually, one staff member (e.g., fleet manager) was responsible for entering data into FMS and controlling data quality. No four-eye principle was in place.
- The submission of documents and FMS data entry was delayed.
- Due to untrained personnel, the data fed into FMS was wrong, not complete or not up to date.

59. When offices had established long-term agreements for the provision of fuel, suppliers often granted access to digital databases and provided automatically generated reports on the fueling. However, the country offices still had to enter the data manually into FMS, as it was not possible to upload or transfer the supplier's data into FMS.

60. To address the problem of FMS data quality, WFP planned to roll out the application "FleetWave Fuel App" (fuel application) to country offices to avoid late data entry. The app should enable drivers to collect and transfer fuel transactions directly into FMS, which would replace the paper-based process. The fuel application was piloted by the Country Offices Kenya and Ethiopia. The purpose of the pilot test was to evaluate the fuel application's suitability. WFP evaluated the pilot run. The External Auditor noted that the two and a half pages evaluation focused on the usability of the fuel application. It did not review whether the application is suitable to improve FMS data quality in the two country offices. WFP decided to roll out the fuel application to all regional bureaux and country offices anyway.

61. Fuel management needs proper monitoring. Accurate data of FMS is the basis for effective fuel management. Manual entries and media breaks are always a risk and can lead to errors. Although the fuel application can presumably reduce the time lag between fuelling and transferring the data, WFP still needs to evaluate the fuel application's effect on FMS data quality. Also, WFP should explore further options of automated data transfers.

62. WFP stated that it had tested an automated data transfer into FMS in the Country Office Uganda in 2020. It had noted an average of 15-20 days of delay between

the transaction date and the record update from the supplier. In addition, there had been limited coverage of long-term agreements in all field locations.

63. The External Auditor recommends that WFP monitor the launch of the fuel application and evaluate its impact on the data quality in the Fleet Management System.

64. WFP agreed with the recommendation and stated that it would monitor the launch of the fuel application. In addition, WFP would develop evaluation criteria and methodology to measure the fuel application's impact on data quality, completeness, accuracy, and timeliness.

65. The External Auditor recommends that WFP explore further options on how to improve data quality in the Fleet Management System, e.g., by automated data transfers from the supplier's database or by uploading data reports.

66. WFP referred to the tested automated data transfer in Uganda and the challenges. However, WFP agreed with the recommendation and stated that it would explore other options to improve data quality. In parallel, WFP expected that the rollout of the fuel application would reduce manual input into FMS, thereby improving data quality in the system.

d. Performance measurement

67. Key performance indicators have to be quantifiable and measurable and are used to track performance over time and make informed decisions based on the data they provide. WFP uses key performance indicators for its vehicle fleet and fuel consumption, for example:

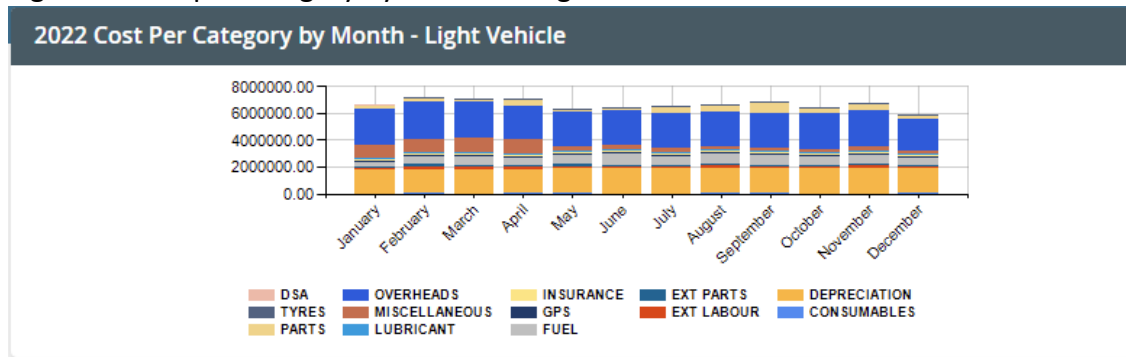
Table 4: Fuel consumption indicators

Indicator	Calculation	Target
Fuel consumption	Total km travelled / total fuel in litres	Parameters set according to vehicle type which includes a 20 percent variance
Fuel cost per km	Total fuel costs / total km travelled	Depends on local rates

Source: External Auditor, indicator definition by WFP.

68. WFP used FMS data for its key performance indicators. On login, FMS provides a dashboard. As of February 2023, the dashboard included 20 different visualizations and tables of fuel data of the individual office, for example:

Figure 2: Cost per category by month for light vehicles



Source: FMS dashboard.

69. Headquarters stated that the dashboard was too complicated for country offices' fleet personnel and management and was not suitable for assessing the performance of the fleet. Therefore, headquarters intended to optimize the dashboard to make it more suitable for management decisions.

70. Headquarters provided country offices with individual quarterly reports on their vehicle fleet and fuel consumption. The quarterly reports included summaries of the key performance indicators, but they did not include any recommendations, e.g., on how to optimize fleet management. Headquarters did not request systematic feedback from the country offices. WFP stated that one headquarters' staff member needed approximately one month to compile the quarterly reports.

71. In addition to that, headquarters carried out individual fleet optimization assessments ("Fleet Optimization Mission") at country offices on a voluntary basis. The objective was to enable country offices to operate effective, safe, efficient, and sustainable vehicle fleets. So far, headquarters had completed 26 assessments. The assessment reports briefly described the current fleet profile of the respective country office, whereas the major part of the reports consisted of recommendations. For example, headquarters recommended that offices:

- "Increase the number of drivers and slightly reduce the fleet size" and/or
- "Enhance maintenance performance and FMS data quality"

72. While headquarters followed-up with country offices on the implementation of fleet optimization recommendations, this was not done consistently and systematically. Due to frequent changes to the operations and the lengthy time required to implement the recommendations, regular follow up had been a challenge. However, WFP published a "Standard Operating Procedure Fleet Optimization" in November 2022. This standard operating procedure stipulated, among others, that the "recommendations must be put into practice". Therefore, the regional bureaux would be responsible for monitoring the country offices' implementation status, in coordination with headquarters. Headquarters would "prepare the quarterly report on the status of implementation to country offices' management."

73. All of the External Auditor's audited country offices and regional bureaux used FMS for their vehicle fleet. However, they often did not use key performance indicators. For example:

- Utilization of vehicles varied widely from one office to another. Frequently, the offices did not take low utilization of their vehicles as an opportunity to review the size of the vehicle fleet and reduce it, if possible.
- One vehicle with an estimated combined fuel consumption of 16.8 Ltr/100 km had an average fuel consumption of 25 Ltr/100 km in 2021. The office did not take any action. Instead, the consumption of this vehicle increased to 28 Ltr/100 km in the first half of 2022.

74. A systematic use of key performance indicators could help WFP to ensure that vehicle fleets are effective, safe, efficient, and sustainable. The External Auditor appreciates that WFP uses key performance indicators to assess the performance of the vehicle fleets. Also, the External Auditor acknowledges that headquarters tries to support country offices by presenting the data in a concise manner to the country offices in quarterly reports and conducting "Fleet Optimization Missions".

75. However, due to weaknesses in the current set-up, performance measurement cannot achieve its objective. The FMS dashboard is not self-explanatory and does not present the data in a way that is easy to understand and analyse. Therefore, it is difficult for offices to use it as a basis for management decisions. The quarterly reports do not support the country offices to the best extent, as they only present the data but do not propose any corrective action. "Fleet Optimization Missions" are only carried out on a voluntary basis, and there is no follow-up mechanism for recommendations. Shared responsibilities between regional bureaux and headquarters could lead to efficiency loss.

76. Key performance indicators should be presented to country office management in a clear and understandable form as this is a precondition to support decision-making. The External Auditor appreciates headquarters' intention to revise the FMS dashboard. The External Auditor considers it essential that the country offices understand the structure and content of the dashboard and have sufficient knowledge on analysing the key performance indicators. A revised dashboard could make the quarterly reports redundant.

77. The External Auditor holds that the recommendations and best practices included in the "Fleet Optimization Mission" for a particular country office can be of great value. As headquarters makes recommendations to the country offices, it should also monitor their implementation. Furthermore, WFP should consider rolling out the "Fleet Optimization Missions" to all country offices as mandatory rather than a voluntary service.

78. WFP agreed to roll out of "Fleet Optimization Missions" to all offices.

79. The External Auditor recommends that WFP revise the dashboard of the Fleet Management System to provide a concise and visual summary of key information in a way that is easy to understand and to analyse; and inform country offices about the changes and how to use the dashboard for decisions.

80. WFP agreed with the recommendation and stated that it would enhance the current dashboard to provide critical information and key performance indicators to country offices' fleet managers that are easy to understand and analyse and could be used for informed decision-making. In addition, the current training being provided on FMS data entry would be enhanced to include FMS data analysis and interpretation as well.

81. The External Auditor recommends that WFP consider abolishing the quarterly reports after the revision of the dashboard of the Fleet Management System.

82. WFP agreed with the recommendation and stated that a more comprehensive and interactive dashboard would replace the current quarterly reports.

83. The External Auditor recommends that headquarters track the implementation status of its "Fleet Optimization Mission" recommendations.

84. WFP agreed with the recommendation. WFP would ensure to set up systematic follow-ups and reporting procedures, in coordination with the regional bureaux.

3. Accounting of fuel

a. Accuracy of financial reporting of aviation fuel expenses

85. In 2022, expenses for air operations of USD 319.6 million contained an account "aviation fuel" of USD 70.8 million. The External Auditor reviewed whether WFP recorded the fuel expenses in the correct period and on the correct account.

86. Pursuant to IPSAS, expenses are to be recorded in the period to which they relate. In case the entity receives the invoice of delivered goods only in the following year, it must accrue the expense in the current year.

87. The External Auditor noted that WFP recorded accruals for aviation fuel under a different expense subcategory than the aviation fuel itself. Consequently, the subcategory air operations showed an inaccurate amount, as it did not include accruals for aviation fuel. WFP had to manually identify accrual postings based on an excel sheet.

88. The accounting principles of true-cost pricing and clarity in the accounts require that the financial reporting facilitates disclosures at a more detailed level. WFP used to disclose the aggregate amount of line items for most of the expense categories and only a few detailed breakdowns. The External Auditor recommended that WFP provide a more detailed breakdown of its expenses in the notes to the financial statements (see audited financial statements 2022).

89. The detailed breakdown of expenses requires that the provision and reversal of accruals are recorded under the same expense account. Only then WFP can give a true and fair view of its expenses.

90. The External Auditor recommends that WFP establish a process to record the provision and reversal of accruals under the same expense accounts as the actual expense postings.

91. WFP accepted the recommendation and stated that it would assess the feasibility of replacing manual allocations of accruals for presentation purposes with postings of accruals at the corresponding sub-category level, noting that such an approach might lead to a proliferation of general ledger accounts.

b. Erroneous expense reporting

92. In 2022, WFP recorded expenses for vehicle fuel, diesel and petrol of USD 24.6 million. The External Auditor found that the amount included an erroneous posting of 2021 expenses of USD 3.2 million. WFP stated that for donor reporting purposes it reclassified 2021 expenses from facilities fuel to vehicle fuel in the 2022 financial statements. As a result, 2022 vehicle fuel expenses were overstated and facilities fuel expenses understated, and in 2021, vehicle fuel expenses understated and facilities fuel expenses overstated by that amount.

93. The External Auditor is of the opinion that the retrospective correction of 2021 expenses in the 2022 accounts is not in line with IPSAS. The accrual basis of accounting requires that transactions and events are recorded in the financial statements of the periods to which they relate. Retroactive corrections for donor reporting purposes should be carried out in a timely manner in the accounting period to which they relate. Otherwise, the comparability of accounting records is impaired, and users are unable to assess trends in financial information for evaluative and predictive purposes.

94. The External Auditor recommends that WFP ensure that corrections for donor reporting purposes are not recorded in subsequent financial years.

95. WFP agreed with the recommendation and stated that it would continue to sensitize users on the matter, requesting to ensure necessary corrections are detected in time to be recorded in the corresponding financial period.

c. Capitalization of vehicle fuel

96. Taking into account the erroneous expense posting, the vehicle fuel expenses would amount to USD 21.4 million and would compare to USD 15.8 million in 2021, an increase of 35 percent. The External Auditor inquired with the main contributing country operations as to the plausibility of the increase. The External Auditor inquired if the country offices concerned had consumed more fuel compared to previous years or if the country offices had also stored quantities of vehicle fuel.

97. The External Auditor sent a questionnaire to 10 country offices and found that the country offices South Sudan and Sudan consumed more vehicle fuel than they purchased in 2022. This indicated that these country offices had stored fuel as a carry-over from 2021. The country office Sudan confirmed that it held fuel on stock of around 6.2 million liters. The country offices Ethiopia, Uganda and Chad consumed less fuel than purchased in 2022. The External Auditor found that these country offices had approximately 1.0 million liters of vehicle fuel on stock as at year-end. Another indication for fuel on stock were long-term agreements that mentioned WFP storage capacities, for example in Uganda. The External Auditor also found indications that WFP had rented fuel storage facilities, for example in Ethiopia. Furthermore, the External Auditor noted that country offices did not use FMS data to do plausibility checks of fuel expenses.

98. Pursuant to IPSAS, inventories include materials and supplies awaiting use in the production or distribution process. Inventories are presented as an asset in the financial statements. The entity recognizes an expense when the materials are consumed.

99. The External Auditor assesses that fuel on stock at the end of a financial year is inventory according to IPSAS and needs to be presented as an asset in the financial statements. WFP's accounting policy to expense fuel upon acquisition is not compliant with IPSAS. It pretends that WFP has consumed all the fuel which it has purchased. Unaccounted fuel stock could lead to uncontrolled fuel consumption and to fraud. To improve oversight of fuel consumption and to control the risks involved with fuel storage, it is important to record the fuel as an asset. WFP would gain additional control and oversight if operations had to report on the physical quantities as part of their inventory verification exercise and had to disclose the respective figures in their reporting to headquarters. Also, this would facilitate plausibility checks between the WFP Information Network and Global System (WINGS) and FMS.

100. The External Auditor recommends that WFP capitalize fuel that is held on stock to improve oversight on fuel management.

101. WFP agreed with the recommendation and stated that in the past, fuel quantities were not considered significant for capitalization. However, WFP further stated that at the request of the Supply Chain Operations Division and to improve fuel

management, a new accounting model would be rolled out in 2023 for fuel transactions that would require capitalization of fuel upon acquisition.

d. Accounting guidance for fuel

102. The External Auditor asked for a standard operating procedure that explicitly addressed the accounting procedures for air operations, vehicle, and facility fuel. WFP provided the “Guidance on Facilities Management”. The guidance addressed fuel for facilities and included technical instructions for the recording of facility fuel in WINGS. There was no separate guidance or instruction on aviation, vehicles, and facilities fuel.

103. The External Auditor holds that WFP should establish corporate guidance on the recognition, monitoring and accounting of fuel for aviation, vehicles and facilities. The existing guidance on facility fuel only covers limited accounting details and does not provide overall criteria and instructions. Moreover, the recognition of fuel on stock should be included in the year-end closing instructions to ensure proper capitalization. Country offices should take measures to identify fuel on stock on a regular basis.

104. The External Auditor recommends that WFP establish a corporate guidance on the accounting processes of aviation, vehicle and facility fuel providing instructions on the consistent asset recognition and management of fuel.

105. WFP disagreed with the recommendation and stated that the established accounting policy on fuel was to expense it upon acquisition. WFP also stated that aviation fuel was not procured and managed directly by WFP but rather provided by external service providers.

106. WFP comments are not in line with IPSAS and meanwhile WFP has agreed to capitalize fuel on stock. Therefore, the External Auditor adheres to the recommendation. The corporate guidance should reflect the end-to-end fuel process including acquisition, accounting, monitoring and oversight.

4. Renewable power supply

107. In its Environmental Policy, WFP commits inter alia to transition from fossil fuels to clean, renewable power supply, such as wind and solar energy. According to WFP, a solar off-grid solution incurs higher initial costs than diesel generators, but less ongoing operating and maintenance costs. By contrast, diesel generators have high operating costs, cause significant pollution and emit hazardous exhaust fumes.

108. The annual energy production refers to how many kilowatt-hours (kWh) can be produced per every kilowatt-peak (kWp) of module capacity. For instance, in

accordance with the WFP data, solar projects in Sudan can produce an average of 1,700 kWh per kWp.

109. WFP records the data on the energy consumption of buildings and premises and the corresponding greenhouse gas emissions in ARCHIBUS. The greenhouse gas emissions are calculated by applying a conversion factor specific to the energy source and country in question. Country offices are responsible for entering solar energy production data for on-site generated electricity into the module.

110. ARCHIBUS records showed 52 solar projects in Africa and Asia. The projects recorded a total installed capacity of 1,682 kWp. Assuming that these projects operated under similar conditions as in Sudan (average of 1,700 kWh per kWp), they could have had an energy production of 2.85 million kWh per year.

111. The data records in ARCHIBUS were not complete, inter alia they did not show the actual energy production. Upon request by the External Auditor, headquarters tried to collect the data from the country offices. Headquarters received data for 16 projects, but could not obtain data on the energy production for the remaining 36 projects.

112. The 16 projects had 476 kWp and produced 386,780 kWh in 2022. If the projects had achieved 1,700 kWh per kWp, they could have produced 809,200 kWh. This means that the projects could have doubled the energy production.

113. WFP agreed that the energy production of the installed solar panels was not clearly documented. WFP stated that the current decentralised nature of project implementation needed to be streamlined and incorporated into the bigger Environmental Management System procedures and aligned with the Energy Efficiency Programme.

114. The External Auditor acknowledges WFP's efforts to transition from fossil fuels to a renewable power supply. However, the External Auditor notes that WFP has no robust and reliable data about the energy production of its solar projects. For 36 out of 52 solar projects (69 percent), WFP did not provide any data on the energy production. The lack of data makes it difficult to measure the progress on achieving the environmental and financial goals. The External Auditor holds that WFP should record and regularly monitor the data on energy production.

115. The most important factor for the energy output of a solar power system is the amount of solar radiation that arrives at the solar modules. Therefore, the additional costs for solar power systems will only balance out if solar panels are properly maintained to produce the planned energy. The data for the 16 solar projects show that their energy production is much lower than the potential capacity. This may be an indication that the solar panels are not well-maintained.

116. The External Auditor recommends that WFP record and regularly monitor the data on energy production of its solar power systems and analyse the reasons for low energy production.

117. WFP agreed with the recommendation and stated that it would undertake a global inventory of all solar power systems. Also, it stated that it would collect information on energy production on a monthly basis. Further, WFP planned to implement a live energy dashboard.

118. The External Auditor recommends that WFP analyse the reasons for low energy production of its solar power systems and ensure that all systems are properly operated and maintained.

119. WFP agreed with the recommendation. It stated that it would develop a standard operating procedure for photovoltaic system operation and maintenance.

End of report

Acronyms

FMS	Fleet Management System
IPSAS	International Public Sector Accounting Standards
UNHAS	United Nations Humanitarian Air Service
WINGS	the WFP Information Network and Global System