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Internal Audit of WFP Operations in Chad

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I. Executive Summary

WFP Chad Country Office

1. As part of its annual work plan, the Office of Internal Audit conducted an audit of WFP operations in Chad that focused on the period 1 January 2018 to 31 March 2019. The audit team conducted the fieldwork from 7 to 24 May 2019 at the Country Office premises in N'Djamena and onsite visit to the sub-office in Mongo. The audit was conducted in conformance with the International Standards for the Professional Practice of Internal Auditing.
2. In 2018, WFP provided food and nutrition assistance to 1.25 million vulnerable people in Chad including internally displaced persons, refugees, returnees and vulnerable local populations. The Chad operations take place in a complex humanitarian situation, with ongoing conflicts, natural disasters, protracted displacements and a deteriorating economy making millions of people dependent on humanitarian assistance. In 2018, WFP expenditure in Chad totalled USD 142.7 million, representing 2.2 percent of WFP's total direct expenses.
3. During the audit period, there were some changes of senior management and of the Country Office strategy. The 2019 - 2023 Country Strategic Plan was approved in November 2018 by the Executive Board.

Audit conclusions and key results

4. Based on the results of the audit, the Office of Internal Audit has come to an overall conclusion of **partially satisfactory / major improvement needed**. The assessed governance arrangements, risk management and controls were generally established and functioning, but need major improvement to provide reasonable assurance that the objectives of the audited entity/area should be achieved. Issues identified by the audit could negatively affect the achievement of the objectives of the audited entity/area. Prompt management action is required to ensure that identified risks are adequately mitigated.
5. WFP in Chad carried out a joint profiling exercise with the United Nations High Commissioner for Refugees (UNHCR) in 2017. Based on the results of this analysis, WFP started moving towards the provision of food assistance based on vulnerability instead of status in 2018. Rations were adjusted according to the socio-economic situation of different refugee households. At the end of 2018, Central African refugees in the south, Nigerian refugees in the Lake region and some of the Sudanese refugees in the East were receiving rations tailored to their vulnerability. In six Sudanese refugee camps local authorities, the National Commission for the Reception and Reintegration of Refugees and Returnees (CNARR), UNHCR, WFP and implementing partners continued to negotiate with refugee committees and stakeholders to ensure that refugees accept the transition to vulnerability-based assistance. This situation had impacted both the cash and food assistance envisaged by the Country Office during the audit period.
6. As highlighted by partners and donors met during the audit, WFP in Chad is recognised as a leading agency in the humanitarian sector and has started shifting towards resilience activities. Under the new Country Strategic Plan, the Country Office operations aim at enhancing vulnerable communities' capacity to face recurrent shocks over the long term and particularly during the lean season. With that objective, the Country Office aims at bringing together school feeding, nutrition, general food distribution, and food assistance for assets activities in order to maximize synergies. Through direct work with households and communities, the activities are especially focusing on women and youth needing assistance.
7. The audit report contains four high and seven medium priority observations, one of which is also directed at the Regional Bureau in Dakar.



8. Weaknesses with regard to management oversight led to shortcomings in the implementation of corporate requirements and timely mitigation of risks. Some high-risk issues repeatedly highlighted by External Auditors, the Regional Bureau or Headquarters have not been timely and effectively addressed.

9. Direct cash transfers started in the country as early as 2013. In 2018 the Chad Country Office continued increasing its Cash Based Transfer activities: from USD 22.5 million injected into the Chadian economy in 2017 to USD 39.5 million in 2018, an increase of 76 percent. Cash Based Transfers are delivered across 12 sub-offices to serve 858,438 beneficiaries through several mechanisms, from immediate cash to e-Mobile Money. A pilot for WFP's digital beneficiary and transfer management platform (SCOPE) had commenced in nine distribution sites for internally displaced persons in the Lake and southern regions; a further expansion of SCOPE to beneficiary registrations was ongoing, including biometrics where relevant to the Country Office programme.

10. The audit noted various challenges related to the Country Office's strategy and implementation of cash-based interventions. With the massive scale-up of Cash Based Transfer activities, the Country Office required a clear strategy, aligned with the Country Strategic Plan and the recent Cash Based Transfers' Roadmap of the Regional Bureau in Dakar. Weak performance of the financial service provider, including non-fulfilment of some of its contractual obligations, led to cancelled distributions and ineffective reconciliation processes, carrying high reputational and financial risks. Various shifts in programmatic activities and short-term changes in the distribution planning process further impacted Cash Based Transfer activities, including aggravating issues in the reconciliation process for several consecutive years.

11. Improvements in food quality and safety were also required, particularly as the CO plans to increase up to 25 percent local food sourcing from smallholder farmers. At the time of the audit, the Country Office had yet to establish regular capacity and performance checks of inspection companies and needed to reassess opportunities for efficiency by integrating Procurement and Logistics units into one single Supply Chain unit.

Actions agreed

12. Management has agreed to address the reported observations and work to implement the agreed actions by their respective due dates.

13. The Office of Internal Audit would like to thank managers and staff for their assistance and cooperation during the audit.

Kiko Harvey
Inspector General



II. Context and Scope

Chad

14. Chad is an arid, low-income and land-locked country, suffering from chronic food insecurity, denoting alarming levels of hunger. In 2018, 66.2 percent of the population were estimated to be severely poor and 38.4 percent had less than USD 1.9 a day. Chad ranks in the bottom ten of the Global Hunger Index (118 of 119), the Fragile State Index (171 of 178) and the Gender Inequality Index (186 of 189). The country is among the world's most vulnerable to climate change, facing rapid desertification, soil erosion, sustained exposure to natural disasters, reduced land productivity, environmental degradation and a shift from nomadic pastoralism to settled livelihoods. Chad's infrastructure is poor, and improvements have proceeded slowly; the road system is unpaved, vulnerable to erosion and can become impassable during the rainy season, making entire regions inaccessible.

15. Declining oil prices, which have plummeted the country into an economic crisis since 2015, have weakened some of the progress that had been made in the past. The combined effect of the drop of oil price and the poor security situation have brought the country into a deep recession. This is reflected in low foreign direct investment, a loss of income from livestock caused by the disruption of cross-border trade with Nigeria, and cuts in public expenditure that prompted numbers of strikes and protests. However, in 2018, real Gross Domestic Product grew by an estimated 2.8 percent, after contracting 3.8 percent in 2017.

16. Chad is affected by internal and external population displacements largely driven by insecurity in the region and has generously welcomed hundreds of thousands of refugees over the past two decades. It is estimated that the country currently hosts 450,000 refugees, of whom 55.5 percent are female and 24.3 percent are of school age, including 338,799 Sudanese in the east, 103,837 Central Africans in the south and 15,456 Nigerians in the Lake region. It hosts 160,000 internally displaced people across the Lake region and 53,000 returnees from the Central African Republic living in camp-like conditions in the south.

17. The percentage of female labour force working in agriculture is 92.4 versus 82.9 percent for working men. Women have restricted access to productive assets and credit, including limited opportunity to own or rent land. Inheritance customs often discriminate against women, and men decide on the use of harvested crops and income. Only 22.3 percent of women take part in decision-making regarding income-generating activities, 22.6 percent have access to credit and 26 percent have a bank account. On average, girls are less educated than boys and more likely to leave school before completion, often being forced into early marriage. Chad has the third highest rate of child marriage in the world: 68 percent of girls are married as children. Gender-based violence and sexual violence are pervasive and are aggravated by conflict and displacement¹.

WFP operations in Chad

18. WFP has been operating in Chad since 1963, providing relief assistance, livelihood support and humanitarian air services. In 2018, WFP's operations in Chad were funded at 54 percent with a total of USD 131 million mobilized, and a portfolio articulated around the following activities:

- The Protracted Relief and Recovery Operation (PRRO) 200713 (1 January 2015 - 31 December 2018), with a total cost of USD 567.6 million, sought to support 1.4 million vulnerable people affected by chronic food insecurity and climate-related disasters. WFP provided life-saving food and nutritional assistance to 370,000 refugees from the Central African Republic and Sudan hosted in 19 camps and some villages spread from the north-east to the south of Chad.
- The regional emergency operation (EMOP) 200777 (1 January 2015 - 31 December 2018), with a total cost for the Chad portion of USD 146.1 million, addressed the urgent food and nutrition needs of Nigerian refugees and Chadian internally displaced households and affected host populations in the Lake region

¹ Chad 2019-2022 Country strategic Plan WFP/EB.2/2018/8-A/2



through the provision of cash or food-based transfers, preventive measures for stabilizing the nutrition of children and emergency school meals.

- The Development project (DEV) 200288 (1 January 2012 - 31 December 2018), with a total cost of USD 55.3 million, provided nutritious school meals to 120,000 children in food insecure areas of the Sahel, where food production is poor even in relatively good years.
- Special Operation (SO) 201044 (1 January 2017 - 31 December 2018), with a total cost of USD 29 million, provided air transport services to ensure effective and efficient access to beneficiaries and supported project implementation sites for the humanitarian community and the transport of light cargo.
- WFP operations were also complemented by an immediate response emergency operation (IR-EMOP 200128 - Emergency Nutritional Response in N'Djamena) and two immediate response preparedness activities (IR-PREP 201118 - Special Preparedness activities in the Sahel Region and IR-PREP 201130 - Emergency Nutritional preparation and Response in N'Djamena) for a total cost of USD 2.6 million.

19. Between May and September 2018, Chad faced the worst lean season in six years resulting in large-scale humanitarian needs. The results of the March 2018 national "Cadre Harmonisé" highlighted that 3.9 million people were food insecure, of which 990,000 people severely food insecure. A spike of over 80,000 children suffering from severe acute malnutrition was also observed in N'Djamena due to the influx of vulnerable people from agro-pastoral zones seeking opportunities in the outskirts of the capital, leading to precarious hygiene and health conditions. Despite logistics challenges resulting from the rainy season, namely the lack of road access to the east, WFP provided food and nutritional assistance to 635,000 vulnerable people throughout the Sahel in a timely manner.

20. The Chad Country Strategic Plan (CSP) (2019-2023) was approved by the Executive Board in November 2018 with a total cost of USD 1,329 million (an estimated average annual cost of USD 266 million) and supporting 2.3 million beneficiaries. While WFP will continue to fulfil its commitments and expectations in emergency response and recovery, aiming to save lives through effective food and nutrition assistance for crisis-affected populations, the CSP articulates WFP's repositioning to support the country in its efforts to achieve zero hunger by 2030, with a focus on efforts at the humanitarian-development-peace nexus to deliver sustainable hunger solutions. It also provides a framework for WFP to change lives and to contribute to the long-term resilience and livelihoods of vulnerable displaced and host populations and chronically food-insecure people.

21. The Country Office (CO) has 13 sub-offices and one field office. It operates with a total of 388 staff, of which 22 percent are female and 78 percent male, 91 percent national and 9 percent international. 35 percent of the staff is on fixed term contracts. With the transition to the CSP, the CO conducted a human resources alignment review during the first quarter 2019.

Objective and scope of the audit

22. The objective of the audit was to provide assurance on the effectiveness of internal controls, governance and risk management processes related to WFP operations in Chad. Such audits are part of the process of providing an annual and overall assurance statement to the Executive Director on governance, risk-management and internal control processes.

23. The audit was carried out in conformance with the *Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing*. It was completed according to an approved engagement plan and took into consideration the risk assessment exercise carried out prior to the audit.

24. The scope of the audit covered 1 January 2018 to 31 March 2019. Where necessary, transactions and events pertaining to other periods were reviewed.

25. The audit field work took place from 7 to 24 May 2019 at the CO premises in N'Djamena and through an onsite visit to the sub-office in Mongo.

III. Results of the Audit

Audit work and conclusions

26. The audit work was tailored to the country context and to the objectives set by the CO, taking into account the CO's risk register, findings of WFP's second line of defence functions, as well as the independent audit risk assessment.

27. Based on the results of the audit, the Office of Internal Audit has come to an overall conclusion of **partially satisfactory / major improvement needed**². The assessed governance arrangements, risk management and controls were generally established and functioning, but need major improvement to provide reasonable assurance that the objectives of the audited entity/area should be achieved. Issues identified by the audit could negatively affect the achievement of the objectives of the audited entity/area. Prompt management action is required to ensure that identified risks are adequately mitigated.

28. The Office of Internal Audit, in supporting WFP's management's efforts in the areas of gender and provision by management of assurance on CO internal controls, separately reports its assessments or gaps identified in both areas.

Gender Maturity

29. In 2018 almost one in four employees was female which is a notable gender ratio given the difficult national context, and the CO continued its effort to improve gender initiatives.

30. All CO operations were gender oriented, for example during the lean season all data was disaggregated by gender and modality type to allow further analysis and comparisons. In terms of security, the CO had prioritized the needs of its female staff and had engaged in a regional three-day Women's Security Awareness Training with support from the Regional Bureau in Dakar (RBD) and funded by the Security Division.

Assurance Statement

31. WFP uses first-line management certifications whereby all directors, including country and regional directors, must confirm through annual assurance statements whether the system of internal controls for the entity they are responsible for is operating effectively. At a consolidated level the assurance statements are intended to provide a transparent and accountable report on the effectiveness of WFP's internal controls. The audit reviewed the annual assurance statement for 2018 completed by the Country Director and compared the assertions in the statement with the findings of the audit.

32. The following areas were known as weak or non-compliant yet not captured in the management's statement and reports for 2018:

- Reconciliation were ongoing with one of the mobile money operators (MMO) for Cash Based Transfers (CBT), with material amounts shown as open items in the financial statements;
- Cash distributions were not executed (in some cases replaced by in-kind assistance) during the audit period by WFP Chad or the MMO for which reimbursement requests were not automatically launched and which involved more than 50 merchants partnering with WFP Chad who had not been paid by the MMO for several months.

² See Annex B for definitions of audit terms.

Observations and actions agreed

33. Table 1 outlines the extent to which audit work resulted in observations and agreed actions. These are classified according to the areas in scope established for the audit and are rated as medium or high priority; observations that resulted in low priority actions are not included in this report.

Table 1: Overview of areas in scope, observations and priority of agreed actions Priority of issues/agreed actions

A: Governance and structure	
1. Management oversight	High
2. Risk management and compliance activities	Medium
3. Performance management	Medium
B: Delivery	
4. Cash Based Transfer delivery and strategy	Medium
5. Integrated resilience activities	Medium
6. Accountability to affected populations	Medium
C: Resource management	
7. Financial reporting	High
8. Field Level Agreements	Medium
D: Support functions	
9. Cash Based Transfer execution	High
10. Food safety and quality	High
11. SCOPE implementation	Medium

34. The 11 observations of this audit are presented in detail below.

35. Management has agreed to take measures to address the reported observations³. An overview of the actions to be tracked by internal audit for implementation, their due dates and their categorization by WFP’s risk and control frameworks can be found in Annex A.

³ Implementation will be verified through the Office of Internal Audit’s standard system for monitoring agreed actions.

A: Governance

36. The audit performed tests and reviews of the CO organizational structure, including mechanisms for decision making, delegations of authority, segregation of duties, management and supervision of field operations, and mechanisms for management oversight and risk management, including fraud prevention and other ethical considerations.

37. During the audit period there were key changes in senior management staffing and time pressure in the preparation for the CSP. The current Country Director took the position in September 2018 and the current Deputy Country Director joined in May 2019. The CO began implementing its CSP in January 2019 and completed the transition to the Integrated Road Map (IRM) model by that time.

Observation 1: Management oversight

38. In dealing with situations of emergencies or operating in a changing and unstable context, the CO management did not always ensure controls were in place, and /or that root causes for some of the issues identified and described below were addressed in a timely manner. While overall donors and partners were positive about WFP, some highlighted the lack of anticipation of the CO or sometimes late communication about programme implementation-related changes. A number of issues described below were highlighted in past oversight exercises and were not always timely remediated. It was noted however that during the audit period the CO initiated actions to address some of their root causes.

39. During the period 2017-2018 new risk management processes were implemented; assurance statements and risk registers were however not fully complete and not systematically used to guide the CO management in its effort to strengthen controls and focus oversight. Some of the high-risk issues already identified by External Auditors, RBD or Headquarters (HQ) had not been timely and adequately addressed over the past years. Management did not always traceably consider risks to the operations, mitigation through adequate controls, and resolution of issues in a proactive manner, before they reached critical levels.

40. For example, at the time of the audit the CO was performing a physical asset reconciliation with the assistance of RBD, as significant discrepancies had been identified between data in the system and the physical count at the year-end 2018. The importance of carrying out a regular physical asset count and the monitoring of obsolete assets had been repeatedly highlighted by external and internal auditors and RBD in the past with no immediate actions by the CO.

41. Regarding the management of CBT activities, operational and time constraints sometimes led the CO to circumvent some of WFP's key governance or oversight principles, such as:

- *Contracting with financial services providers (FSPs)* –Capacity of financial operators in Chad is limited. The CO contracted with two MMOs and one microfinance institution. The first MMO was contracted through a waived competition process in July 2016. The other MMO and the Microfinance institution were contracted at various stages thereafter. Extensions of the contracts with FSPs and the procurement processes were not handled in accordance with corporate guidance, leading to the need for ex-post regularisation of the situation in April 2019 and the creation of post factum notes for HQ approval.
- *Communication with donors and merchants* – At the time of the audit, the CO was attempting to perform a comprehensive reconciliation exercise with one of the MMOs, for amounts distributed since 2016. Some distributions had been cancelled during the period covered by the audit and a number of advances that had been made to the MMO had not yet been reimbursed. In one of the set-ups with an MMO the funds were advanced by WFP to the MMO who was supposed to reimburse merchants through their mobile money accounts after distributions to beneficiaries were completed. As of June 2019, more than 50 merchants, who carried out distributions between December 2018 and March 2019, had not been paid by the MMO. The CO management had started to develop a communication plan in June 2019 with sub-offices being in regular contact with merchants regarding the reimbursement of outstanding payments.
- *Absence of strategic Cash Working Group* – A Cash Working Group (CWG) was created in April 2017. Its terms of reference had not been updated until April 2019, although staff and organizational changes had occurred. The CWG did not meet regularly and its discussions were not documented thoroughly; meetings that took place were mostly focused on the reconciliation process with the MMO. Weak coordination and communication in the CWG negatively impacted timely identification and management of the reconciliation issues, service not rendered by the MMO, merchants not paid, determination of the amounts to recover from the MMO and shifts in programme activities.

Underlying cause(s): The assurance statement process is considered a formal, compliance exercise rather than a risk management tool; pressure to serve beneficiaries by maintaining the operation running while managing numerous activities in diverse geographical areas, shifts in programmatic activities and limited staff; insufficient corporate guidance on contracting with FSPs in contexts with low maturity of financial services.

Agreed Actions [High priority]

The CO will:

- (a) Perform a comprehensive risk assessment of ongoing operations and update the 2019 assurance statement accordingly;
- (b) Review the FSP procurement processes and files end to end, analyse gaps in the processes and ensure findings are communicated and addressed by the respective programme and supply chain units;
- (c) Finalise the CBT reconciliation exercise, recover amounts due, and ensure the MMO effects payments to unpaid merchants;
- (d) Prepare a communication on the issues with the MMO, and communicate accordingly with respective donors;
- (e) Ensure regular meetings of the Cash Working Group and document them consistently.

Timeline for implementation

- (a) 31 December 2019
- (b) 30 September 2019
- (c) 30 September 2019
- (d) 30 September 2019
- (e) 30 September 2019

Observation 2: Risk management and compliance activities

42. The CO had a number of oversight missions from HQ and RBD in 2018 and 2019. The number of outstanding items to be addressed at the time of the audit was high. The CO has not yet fully integrated risk management as part of its daily operations. Furthermore, in light of the volume and value of CBT transactions, the CO could have more proactively addressed the various CBT-related risks that were highlighted by RBD and continuously monitored the FSPs performance with consideration to the context in which it operates.

43. *Risk assessment* – The CO had periodically reviewed its risk register during the audit period. The review found however that risks related to food safety and quality, CBT, and finance processes had not been identified by management, or that in some instances the risk statement was not conducive to the identification and definition of appropriate risk responses; mitigating actions were not always adequate. With a total of 49 identified risks, the register did not facilitate focus on key risk areas.

44. *Oversight recommendations* – HQ functional units, including the Office of Evaluation, the Office of Inspections and Investigations, and RBD conducted several oversight and support missions in the CO since 2016, leading to numerous recommendations for most process areas. In an effort to support follow-up on their implementation, the CO created a consolidated database of recommendations, including minimum preparedness actions, totalling 1,615 items. The audit noted that it was difficult to determine an implementation rate of actions taken, due to inconsistencies in the data (e.g. due date, status), lack of a clear prioritization criteria, and generally overload of information.

45. *Emergency preparedness* – In order to ensure a strategic, quick and effective response in case of natural or complex emergencies, all COs are required to implement minimum preparedness actions. As of May 2019, the CO had an implementation ratio of four percent of 118 actions; five sub-offices had not started implementing any of their respective 120 actions. The list of emergency preparedness focal points was not up to date.

46. *Risk and Compliance Advisor* – Starting in July 2018, and in accordance with RBD and HQ directions, COs in Cameroon, the Central African Republic, and Chad had created a shared position of Risk and Compliance Advisor (RCA). Due to the complexity

of operations in these countries and travel requirements – in-country presence was limited to two months in 2019 – the RCA faced challenges in meeting her objectives in Chad. As of May 2019, the CO was recruiting a full-time compliance officer.

47. *Assessment of risks in contracting with FSPs* – The audit noted that CBT micro and macro financial analysis (MaFA and MiFA) had been updated on a yearly basis. For all three FSPs the MiFAs concluded to a high or very-high risk rating, suggesting that the CO should request a 100% bond guarantee, seek counsel from the CBT team in HQ, and examine alternative providers. Due to the limited number of FSPs in Chad, the CO had limited choice and contracted with the three existing ones. The CO would have benefited from updating the MiFA more frequently and systematically at each contract renewal, as further due diligence could have prevented some of the challenges that the CO was facing implementing its CBT programme. Furthermore, for one of the MMO, the CO advanced funding for cash distribution without having obtained a guarantee since the beginning of the contract, in July 2016, therefore exposing the CO to operational and financial risks.

Underlying cause(s): Changing operational context inducing new risk areas; risk management activities focused on process rather than outcome; gaps in the MiFA and financial risk review and lack of clarity of corporate guidance for assessing financial risks and interpreting its results; lack of CO expertise to assess regulatory, financial and operational risks associated with FSPs.

Agreed Actions [Medium priority]

The CO will:

- (a) Review its risk register and include operational and financial risks associated with food safety and quality, and CBT;
- (b) Reassess validity and priority of oversight recommendations, and agree on a realistic implementation timeline, including for emergency preparedness actions; and
- (c) Perform a comprehensive analysis of FSPs in the country (including the current contract partners), updating the MaFA/MiFA analysis with the support of HQ and RBD, and prepare the launch of a new request for proposal for FSPs as needed.

Timeline for implementation

- (a) 30 September 2019
- (b) 31 October 2019
- (c) 31 December 2019

Observation 3: Performance management

48. Formal processes for the management of performance, internal and external, had not been used consistently as a tool to help and guide the CO in dealing with operational challenges and the various programmatic shifts experienced over the audit period.

49. *Cooperating Partners' (CPs) performance evaluation* – Testing performed on CP management showed that, although reviews were done timely and consistently, they highlighted weaknesses of the partners to deliver quality reports, lack of understanding of WFP standards and procedures and lack of communication from the CPs to the CO. These issues were not consistently addressed through specific action points, including training. Subsequently most of the partners' field level agreements (FLAs) were renewed without first addressing the identified weaknesses. Some donors highlighted the need for the CO to focus on long term and consistent training, while having a bespoke and dedicated follow-up process for CPs. The CO had started addressing this requirement by developing a work plan which included training to address weaknesses of CPs in the areas of budgeting and financial management, roles and responsibilities.

50. *Financial Services Providers evaluation* – Evaluations of the three FSPs with which the CO was operating identified severe shortcomings in terms of service delivery, delays in reporting and quality of information and communication. However, these did not prevent the CO from extending contracts multiple times, partially justified by the limited number of available FSPs in Chad. In addition, the evaluations were not performed systematically before each contract extension/renewal, but rather on an ad hoc basis.

51. *CO staff performance evaluations* – A review of a representative sample of staff Performance and Competency Enhancement appraisals (PACE) highlighted that most of the individual evaluations were satisfactory with minor comments on



areas for development or improvement, which was indicative of a rather mechanical execution of staff PACEs. The recent CSP Human Resources alignment process suggested linking to individual staff performance and capacity development needs.

Underlying cause(s): Weaknesses of existing CPs coupled with limited alternative partners; limited presence of FSPs in the country; pressure to serve beneficiaries by maintaining operations running while managing numerous activities in diverse geographical areas, shifts in programmatic activities and limited staff; insufficient prioritization by management of staff performance evaluation.

Agreed Actions [Medium priority]

The CO will:

- (a) Build upon CPs' evaluations for developing and implementing dedicated training plans for addressing their weaknesses;
- (b) Review the format and content of evaluations of FSPs in light of ongoing issues and prepare standard operating procedures (SOPs) for carrying out systematic evaluations in the FSP procurement process; and
- (c) Implement recommendations from the CSP Human Resources alignment review and align strategic decisions to relevant and specific staff performance evaluation and capacity improvement plans.

Timeline for implementation

- (a) 31 December 2019
- (b) 31 December 2019
- (c) 31 December 2019



B: Delivery

52. The audit performed tests and reviews of programme management and in-country monitoring and evaluation. Review of activities, operational partnerships and WFP's Accountability to Affected Populations (AAP) principles were considered as cross-cutting topics during field visits and desk reviews.

Observation 4: Cash Based Transfer delivery and strategy

53. The CO is currently partnering with three main FSPs: one MMO since July 2016, one Micro Finance Institution since November 2017, and one newly introduced MMO contracted in February 2019 and with no transactions performed at the time of the audit. CBT is delivered through various mechanisms, including immediate cash, paper vouchers, e-Voucher, e-Mobile Money. In 2018 the CBT operations in Chad represented USD 39.5 million across 12 sub-offices to serve 858,438 beneficiaries; this represents about 38% of the total transfers to beneficiaries for the year. The delivery of CBT activities suffered during the audit period from a number of factors: insufficient management oversight, absence of strategic CWG meetings, ineffective reconciliations, challenges with one of the MMOs, shortage of staff in the Programme team.

54. CBT is used since it was developed in 2013 as a transfer modality, where the CO could 'switch' depending on needs, location, timing in a volatile context. The rapid CBT scale up was driven by donor funding preference for CBT resulting in limited funding for the food distribution. The progressive shift from in-kind support to CBT assistance was based on operational feasibility of the transfers, with the clear aim of contributing to the long-term resilience goals in relatively stable regions. A temporary return to food distribution was necessary in late 2018 and early 2019 in some areas because of the then shortfall of funds for CBT activities and to avoid food expiration of existing commodities as operational challenges hampered distributions in refugee camps in the north-east of Chad.

55. *Cost and feasibility analysis* – Feasibility studies were performed between 2012 and 2016; a further feasibility analysis focused on strengths and weaknesses of FSPs was drafted by the CBT Programme Team in 2018; however, an analysis of markets, prices, and consumption could not be evidenced by the audit. Oversight missions from RBD in 2018 also highlighted the need to create a clear strategy and define a vision that would drive and guide the CBT operations. The CO had initiated actions at the time of finalizing the audit, one of them was an ex-ante cost efficiency analysis conducted in collaboration with HQ in December 2018, following the oversight mission from RBD the same year. This was followed by a CBT training facilitated by RB and HQ colleagues and a HQ support mission in April 2019 to integrate the Essential Needs Approach in the CO programmatic and operational strategy aligned with the CSP.

56. *Financial inclusion* – The notion of financial inclusion had not yet been fully considered in the approach of the CBT programme. The use of cash or value voucher in emergency interventions depended on a number of factors, including security aspects. However, with the resilience-building approach developed in the CSP there was a necessity to link the use of CBT transfer modalities to strategic objectives and financial inclusion considerations. As a first step, the CO had developed an e-Mobile Money transfer pilot in Kafila in the Lake region for a short time period and intended to launch similar initiatives for small caseloads in other areas where conditions allowed.

57. *Transfer modality and assessments* – The CO operated mainly with three different CBT modalities: direct cash, hybrid e-Voucher, e-Mobile Money. The main driver for selecting a modality was the FSP's availability. The audit could not identify in all cases the programmatic rationale for the targeted distributions and the choice of modalities, putting them into context with the analysis performed by the VAM/Nutrition/Logistics or other Programme teams. Close partnerships between the various Programme units in relation to CBT activities had yet to be strengthened, including through the internal CWG, to ensure the strategizing of modalities and distributions take place.

58. *CBT Programme Team composition* – The CBT programme team was composed of two dedicated individuals (one of which was on short term contract until June 2019). A finance officer was also involved in the CBT reconciliation process. The CBT programme team managed the various distribution cycles, end to end reconciliations, development and communication with the SCOPE project. In view of CBT representing nearly 40% of the transfer value distributed to beneficiaries in Chad in 2018, staffing, including skills and knowledge retention, were concerns in the current set up of the CBT programme team.

59. *Management of cancelled CBT distributions* – The Chad operations are complex with the CO dealing with emergency situations and unexpected shifts in the programme. One of the MMOs had difficulties in delivering on CBT distributions as per the contractual agreement; several distributions were cancelled over the audit period. In addition, some distributions were called off in six refugee camps where beneficiaries refused to accept distributions between August and October 2018, due to a shift to

vulnerability-based assistance. In anticipation of these distributions, funds had already been transferred to the MMO. Except in one case, the CO management did not immediately request, following standard procedures, the reimbursement of funds advanced to the MMO for cancelled distributions on the assumption that the funds would be used for upcoming distributions. The request for reimbursement of the aggregated balance was made in March 2019 (i.e. more than eight months after the initial advance payments).

60. Discussions on the amounts to recover were taking place between the CO and the MMO at the time of the audit. Due to the lack of bank statements and reports from the MMO the reconciliation and determination of the amounts to recover were challenged by the MMO, further complexified when the MMO ownership changed early 2019. The distributions that had been cancelled by the MMO had also not been replaced by other forms of assistance to the beneficiaries, leaving a gap every time a cancellation occurred.

Underlying cause(s): Competing priorities in developing a detailed CBT strategy with a high pace of the CBT scale-up in the CO, transitioning to the CSP and move under the IRM, with unexpected shifts in programme; reactive approach to the CBT scale-up (alternative to in-kind, pressure from HQ or donors).

Agreed Actions [Medium priority]

The CO will:

- (a) Ensure that the distribution plan is regularly updated, through discussions via the Cash Working Group, heads of units and head of sub-offices meetings;
- (b) Alert CPs and sub-offices on the importance of timely informing the CO and head of programme about emerging issues;
- (c) Design a CBT strategy in line with the CSP and according to the RBD regional roadmap on CBT; and
- (d) Leverage from the recent Human Resources alignment review and identify key CBT positions in the Programme, supply chain and finance teams to strengthen staff capacity for CBT.

Timeline for implementation

- (a) 30 September 2019
- (b) 30 September 2019
- (c) 30 October 2019
- (d) 30 September 2019

Observation 5: Integrated resilience activities

61. Over the audit period, WFP and CPs had implemented an integrated package of resilience activities including asset creation, nutrition activities, school feeding, and lean season response in selected intervention areas. While recognized as a positive initiative – also piloted in other countries of the Sahel region – the CO was facing challenges in the early stages of 2019 to meet the CSP objective of 250,000 beneficiaries under Activity 7 (total for the CSP five-year period 2019-2023), with roughly 10 percent of this objective met so far. Not all the provinces and sites originally planned were included in the project in 2019 because of funding constraints, resulting in geographical refocusing for greater impact. The following shortcomings were noted with regard to the scale-up of resilience building activities in Chad.

62. *Incomplete community-based participatory planning* – The application of the Three-Pronged Approach (3PA) in the design of Food Assistance for Assets interventions seeks to ensure that resilience activities and assets constructed align with beneficiaries' needs and livelihoods. Based on a sample of ten resilience sites reviewed and visited, the audit noted that seven had not been subject to a formal community-based participatory planning, but rather built on planning exercises conducted with other communities in similar situations. During field visits, interviewed beneficiaries expressed their willingness to build different assets, pointing out to the opportunity to revise and amend existing programmatic documents.

63. *Low attendance to schools* – For a sample of schools which were part of the integrated resilience activities, distribution reports showed that absenteeism was up to 40 percent; results of CO's on-site monitoring activities confirmed this situation. Nonetheless, it was noted that monthly planning figures for concerned schools had not been adjusted, and dispatches were not reduced to account for undistributed commodities.



Underlying cause(s): Earmarked funding with short disbursement dates; lack of capacity at local government levels, inadequate distribution planning.

Agreed Actions [Medium priority]

The CO will:

- (a) Complete the community based participatory planning by including new areas; and
- (b) At the sub-office level, review planning figures and adjust distribution to caseloads of beneficiaries for school-meal activities accordingly.

Timeline for implementation

- (a) 01 June 2020
- (b) 01 June 2020

Observation 6: Accountability to affected populations

64. The CO did not fully operationalize all the components of its AAP policy.

65. *Information provision to beneficiaries* – In spite of existing mechanisms to engage with beneficiaries through community leaders and community-based committees, the audit could not fully confirm that the CO had met its responsibilities to affected populations regarding information provision. Post distribution monitoring showed that over half of the beneficiaries interviewed did not know their entitlement nor the transfer modality. A significant proportion of calls received through the beneficiary hotline (representing around 65 percent of calls in March 2019) were requests on distribution dates and criteria to access the assistance.

66. Given the volatile operational context and resource constraints, the CO had to switch in some instances from one assistance modality to another or cancel distributions. Out of the various stakeholders interviewed, one UN agency and one donor regretted the lack of information to beneficiaries in these circumstances.

67. *Complaints and feedback mechanisms (CFMs)* – The CO's CFM was mainly based on complaints and feedback desks, committees, or anonymous boxes set up at distribution sites. Interviews with staff members in one sub-office and a review of post distribution monitoring data showed that these CFMs were not always existing or fully operational. Also, sub-offices and the CO had not collected any information from these channels for analysis.

68. In May 2018, the CO introduced a beneficiary hotline as an integral part of its CFM for the Lake and southern regions. The audit noted that the process for follow-up on complaints was not robust enough to ensure that issues were consistently and timely addressed, and the CFM Technical Working Group set up at the CO-level to ensure proper follow-up of cases was not active during the audit period. The ability of the call centre staff to address information requests from beneficiaries was hampered by limited communication with other Programme units, as for instance they were for the most part of the audit period not aware of planned rations and distribution dates. The CO started addressing the issue at the time of finalizing the audit by reactivating the internal CWG as from April 2019; also ensuring that distribution plans with dates and rations would be shared with the CFM team at the beginning of each month.

69. *Protection from Sexual Exploitation and Abuse (PSEA)* – PSEA is a cross-cutting issue addressed in various corporate policies and guideline documents. The CO had made efforts to align its processes with corporate principles to prevent sexual exploitation and abuse, including the organization of trainings for CPs and the appointment of a dedicated staff for related matters. However, contrary to corporate policies, detailed assessments of CPs' PSEA-related framework and mechanisms had not been finalized by the CO in order to develop joint action plans with each one. Also, CPs' project proposals did not always include considerations for PSEA as required by WFP policies.

70. As of May 2019, the CO hotline operators reported to the Monitoring and Evaluation unit, who in turn reported to the Head of Programme, and ultimately to the Country Director and Deputy Country Director. Although the hotline did receive regularly calls for cases related to SEA and protection issues, communication channels with appointed PSEA focal points were not clear. The CFM Technical Working Group was finalizing revised Terms of Reference as of May 2019, and these did not include PSEA focal points or alternates.



Underlying cause(s): Lack of timely communication with partners and communities; recent introduction of the hotline; lack of communication between functional units; lack of CP capacity.

Agreed Actions [Medium priority]

The CO will:

- (a) Formulate a plan for each sub-office to reinforce existing communication strategies and improve beneficiaries' understanding of programmes;
- (b) Review the on-site CFM channels and reporting mechanisms to improve visibility on issues raised at CO-level;
- (c) Re-assess the reporting line of the call centre to ensure better communication with PSEA focal points;
- (d) Include hotline staff in all communications related to distribution planning and other relevant programmatic decisions.
- (e) Review the system for follow-up on complaints, ensuring consistent and timely responses with an audit trail that is maintained; and
- (f) Complete the assessment of CPs' PSEA framework and develop an action plan for each one.

Timeline for implementation

- (a) 30 September 2019
- (b) 30 September 2019
- (c) 30 September 2019
- (d) 30 September 2019
- (e) 31 December 2019
- (f) 30 November 2019



C: Resource management

71. The audit performed tests and reviews of financial and resource management including; allocation of costs in the context of funding constraints; resource mobilisation strategy and donor relations, specifically in the context of transition to the CSP priorities; and human resources management, including performance management.

Observation 7: Financial reporting

72. *Open items in WINGS (WFP's Enterprise Resource Planning system)* – Each month hundreds of open items were reported on the Minimum Monthly Closure process for the Chad CO. Due to low capacity of some partners working with WFP, the CO advanced funds in some cases to the CPs as per the FLAs. In addition to routine advances and monthly regular items, a significant number of long outstanding items persisted (a majority of which relating to CBT activities). Overall the audit work highlighted weak involvement of technical units in clearing open items, despite regular reminders from the Finance unit and the implementation of SOPs for clearing these. Following the audit, the CO reduced the amount of open items from USD 26 million in January 2019 to USD 5 million in July 2019.

73. *Financial reporting and cash advances* – The CO had experienced unexpected shifts in programme implementation in 2018 and early 2019. In the current set up with one MMO, the CO advanced the funds to the MMO before the distributions, funds which were not intended to remain more than one month on the MMO account. The CO had created multiple purchase orders (POs) in advance of upcoming distributions, sometimes for periods of 3-4 months with anticipated Service Entry Sheets (SES) and Invoices (LIV) raised in order not to lose donor grants that had close expiry dates.

74. When a distribution had been performed but the programme reconciliation had not yet been completed (month end), the CO created a SES covering 100% of the cycle and reversing it at the beginning of the following month once final numbers were known. This was done on the basis that distributions had been performed and confirmed by WFP and the CP. Due to the various shifts and cancelled distributions in 2018 and early 2019, some distributions did not occur eventually, hence there was no accounting rationale for raising estimated SES. As per IPSAS rules, expenses are recognized when goods are received, or the services performed. The CO leveraged a finance tool to cover for inconsistencies and reactive management of their supply chain, leading to inexact financial reporting.

75. *Finance alert process* – The Finance team in the CO regularly deals with a huge number of open items and has developed a monitoring and alert process across all units. However, the alert process to senior management, RBD and HQ was not functioning effectively as evidenced by the materiality of the amounts and the continued use of estimated SES and LIV. The Minimum Monthly Closure reports showed outstanding items in numbers, but not in absolute value, which might have led to it being overlooked by the RBD (overseeing 19 countries).

Underlying cause(s): Lack of discipline of technical units in monitoring and timely closing open items; heavy reliance on the Finance team to monitor, alert and chase open items; weaknesses in the management of distribution planning and various shifts in programmes leading to reactive management of grants and the creation of anticipated SES/LIVs in order not to lose funds; grants with short validity periods requiring broader corporate discussions with donors; lack of alerts to RBD despite constant reminders at sub-offices and head of units levels.

Agreed Actions [High priority]

The CO will:

- (a) Reinforce accountability of units by applying the existing open items SOPs and reporting regularly on long outstanding items to the heads of units;
- (b) Complete the ongoing reconciliation exercise with the FSPs and the accompanying accounting analysis (review of all estimated SES and corresponding LIVs across the period);
- (c) With HQ and RBD's support, assess the potential impact on financial reporting; and
- (d) Reinforce the alert process in consultation with RBD.

Timeline for implementation

- (a) 31 December 2019
- (b) 31 December 2019
- (c) 31 December 2019
- (d) 30 September 2019

Observation 8: Field Level Agreements

76. The Country Portfolio Budget Plan's cost category "FTC" – food transfer costs – is budgeted based on the supply chain matrix which includes all food distribution related costs, such as supply chain staff costs, transport, warehousing, as well as costs of WFP's CPs contracted to implement programmatic activities. In 2018, the CO paid over USD 13 million to CPs for both in-kind and CBT interventions.

77. *Field Level Agreement costs* – In a sample of FLAs reviewed, the audit noted significant discrepancies between rates charged by CPs implementing similar activities. For a large part, these differences were due to an inexact classification of costs in the budget template, rendering the benchmarking and analysis between CPs difficult. The CO explained that in some cases, discrepancies in rates were due to the fact that budgets of some CPs included the cost of tertiary transport, which was negotiated on a case by case basis with partners and based on their capacities. The FLA cost analysis done and validated by the Cooperating Partner Committee was not documented.

78. *Deficit on the food transfer costs* – Due to the IRM transition and a realignment of cost categories, the CO underestimated CPs' distribution costs for the CSP starting in 2019 up to 20 percent. It was estimated by the audit that the applied FTCs could lead to a deficit ranging between 150,000 to 500,000 USD per month since the start of the CSP. At the time of the review, the CO was starting a review of FLAs to amend the budgeted FTC.

79. *Distribution planning* – The changing operational context, and in particular the irregular assistance to refugees along the Sudanese border, may have further aggravated the risk of deficit as non-distributed commodities were typically replaced by transport- and labour-intensive activities with a higher associated FTC rate.

80. The CO had envisioned a joint strategy with UNHCR for refugees in a protracted situation. The CO however faced challenges in implementing it, in particular the vulnerability-based targeting in the north-eastern part of the country. This could further impact supply chain activities and costs that will potentially continue to be at risk of deficit.

Underlying cause(s): FLA cost reviews not documented; limited CP availability in parts of the country; budgeting of food transfer costs under the IRM transition not well understood by the CO; complex operational context with lack of predictability on programmatic changes; lack of strategy regarding the management of discontinued distributions.

Agreed Actions [Medium priority]

The CO will:

- (a) Perform a detailed analysis of CP costs to be submitted to the Cooperating Partner Committee before the next FLA renewal;
- (b) Complete the review of the FLA component of the supply chain matrix and, if needed, prepare a budget review of food transfer costs; and
- (c) Update the operational plan based on a realistic scenario regarding the situation in refugee camps in the East.

Timeline for implementation

- (a) 31 October 2019
- (b) 30 September 2019
- (c) 30 September 2019



D: Support functions

81. The audit reviewed the CO's framework for transfer modalities. The CO's management of support functions for food and cash deliveries to beneficiaries was tested. Key decisions were reviewed in the CO's supply chain management including procurement of food, non-food items, financial services associated with CBT, selection of transportation modalities, contracting modalities and transporters to move cargo, distribution planning and commodity management. The audit also reviewed the CO's management of security risks, including humanitarian access analysis, physical security, operational planning and crisis management.

Observation 9: Cash Based Transfer execution

82. At the time of the audit fieldwork, the CO was performing a detailed reconciliation with one MMO, covering distributions between July 2016 until March 2019. Between September 2018 and January 2019, a number of distributions had been unilaterally cancelled by the MMO or stopped due to some refugee camps' refusal to shift to vulnerability-based assistance. Weaknesses identified in the governance of CBT operations and the reconciliation process, together with unexpected shifts in the Programme implementation, further contributed to the instability of the CBT execution in the CO.

83. Since inception of its contract, in July 2016, the MMO has been unable to provide WFP regularly with supporting documents and statements to reconcile amounts transferred and cash assistance actually distributed. Furthermore, WFP learned in March 2019 that the MMO was being bought by a regional telecommunication group with no advance notification to WFP. Most of the MMO's staff and management, including the CO's focal points, were replaced by new staff with limited knowledge of the operations, delaying the ongoing reconciliation. Previously reconciled amounts on which both the CO and the MMO had agreed upon were unilaterally contested by the new MMO management and a new reconciliation exercise had been requested. All operations were stopped with the MMO at the end of March 2019.

84. *Absence of monthly reconciliation* – No reconciliation exercise was ever carried out with the MMO in a systematic or structured way since the signature of the contract in July 2016. The MMO never provided the required statements as per the contractual agreements, nor did the CO follow up to ensure these were provided. The CO carried out reconciliations for every month on a quarterly basis, relying on the amounts transferred to the MMO and the actual signed distribution reports, which are limited in their scope. Therefore, at the end of 2017 the operator and the CO agreed to reconcile in 6 month-batches from July 2016 to December 2017 transfers and corresponding fees on three global invoices. Unexpected shifts in programme in 2018 and distributions cancelled unilaterally by the MMO (see paragraph 59) complexified the reconciliation.

85. *Delays in distribution cycles* – The audit identified a number of delays in the management of the distribution cycle; sub-offices and/or the CP were late in providing the final signed summary distribution reports to the CO (over one month in some cases), impacting the reconciliation process that was centralised with the CBT Programme Team at CO level. The absence of regular strategic CWG meetings chaired by the Deputy Country Director also further delayed the resolution of the reconciliation issues.

86. *Methodology of reconciliation* – The CO developed SOPs at the end of 2018 in order to facilitate the reconciliation process with the MMO and ensure the terms of the contract were adequately followed. The SOPs highlight the importance of data triangulation, i.e. validating both the finance and programme reconciliations with third party information (in that case with the confirmation of the e-Wallet balance account of WFP at the MMOs). Given that the MMO did not provide these documents on a regular basis, the triangulation could not be carried out systematically.

87. *Existence of a dedicated e-Wallet account* – Furthermore, the audit could not confirm the creation of the dedicated e-Wallet account, as provided for in the contract, and whether its creation had ever been requested formally by the CO. The procurement file did not contain documents proving the existence of the dedicated e-Wallet account. The audit could also not confirm whether the MMO had officially refused to grant WFP access to their e-Money platform.

Underlying cause(s): Absence of regular and strategic CWG; lack of accountability of sub-offices and competing priorities; absence of CBT corporate reconciliation guidance (work in progress at the time of the audit); lack of understanding about the concepts and risks associated to e-Mobile Money; lack of knowledge around procurement requirements for e-Wallet account creation; weak performance and lack of accountability of the MMO.

Agreed Actions [High priority]

The CO will:

- (a) Complete the ongoing reconciliation exercise and review all existing standard operating procedures in light of the past issues; validate these with the support of HQ and RBD;
- (b) Review documents and statements obtained from the other MMO to ensure the existence of the dedicated e-Wallet account; and
- (c) Apply the revised MiFA tool along with guidance from RMFB to further enhance risk identification during the selection and contracting process of FSPs.

Timeline for implementation

- (a) 31 December 2019
- (b) 30 September 2019
- (c) 31 December 2019

Observation 10: Food safety and quality

88. Local food purchases amounted to 7,500 MT in 2018, representing 12.5 percent of total in-kind assistance distributed to beneficiaries. Plans for 2019 foresee that the CO will source locally 25 percent of its food requirements, mostly from smallholder farmers.

89. *Food safety and quality control activities* – The audit noted the following shortcomings:

- For sampled local food purchases, the audit could not get assurance that the inspection company had fulfilled its contractual obligations, including pre-visits to food suppliers and presence at loading and offloading of commodities due to lack of reports and information from the inspection company. In most cases, lack of coordination with the CO was the main impediment.
- Although the scope of work for the inspection company was laid down contractually, individual inspection reports did not disclose full details of laboratory tests results. In all reviewed files, fumigation certificates were not available. For one selected purchase, the impurity score was above established standards but accepted by the CO nonetheless.
- The audit noted a confusion of roles and responsibilities between units, with Programme acting as the certifying unit instead of Procurement for food suppliers' invoices, including the final inspection certificate.

90. *Contracting for food inspection services* – In the past years the CO had worked with a government counterpart to perform inspection services. In May 2019 it was in the process of launching a new tender for inspection services; however the CO lacked the skills to perform the assessment of potential suppliers' capacity to deliver quality and timely services. Also, corporate requirements for a contractor liability of up USD 5 million were not realistic in the Chad context, as most WFP suppliers had limited financial capabilities and cannot meet that condition.

Underlying cause(s): Lack of SOPs for food quality and safety at CO level; corporate organizational structure integrating Procurement and Logistics activities under a single Supply Chain unit not implemented in CO; lack of oversight from RBD on the area of food safety and quality; performance of inspection company not actively monitored and/or enforced by CO.



Agreed Actions [High priority]

- (a) The CO will:
- i) Implement a work order document used as a checklist to be filled in and signed for each local food purchase;
 - ii) Establish regular capacity and performance checks of inspection companies against contractual requirements; and
 - iii) Reassess the opportunity to integrate Procurement and Logistics units in one single Supply Chain unit.
- (b) RBD with OSCQ, will review the documentation for pre-qualification of laboratories assessed, following an inventory of existing laboratories, and checklist of their capacity and capability by the CO.

Timeline for implementation

- (a) i) 30 September 2019
ii) 30 September 2019
iii) 31 January 2020
- (b) 31 October 2019

Observation 11: SCOPE implementation

91. The CO started implementing SCOPE in 2016 and had registered close to 1 million beneficiaries by May 2019, of which 112,000 with biometric records. Since 2018, the CO was piloting SCOPE for distribution management, and 48,000 beneficiaries received CBT on their SCOPE card in the Lake and southern regions.

92. *Ineligible and inactive SCOPE Users* – By cross-checking the list of SCOPE users with the list of CO employees, it was noted that 39 of 95 active credentials should have been deactivated due to the following reasons:

- 13 users were no longer assigned to the Chad CO – although they were transferred to other duty stations, they still had access to the SCOPE domain for Chad;
- 10 active users had left WFP;
- 10 temporary accesses were given to external auditors and never deactivated after the audit;
- 6 were generic user accounts, which could be used without audit trail to verify which staff had performed transactions.

93. *SCOPE Segregation of Duties* – Comparing the CO users list (and associated roles) with the segregation of duties matrix, the audit noted that 13 users had two or more incompatible roles in the distribution planning, payment list, and/or retailer processes. In addition, the list of SCOPE users included associated roles that were not included in the official segregation of duties matrix provided by the SCOPE Service Desk; it was not possible to establish if conflicting profiles corresponded to operational requirements and had been approved at the appropriate level of authority.

Underlying cause(s): Ambitious corporate objectives to implement SCOPE strategy; non-application of corporate guidance; insufficient monitoring of users lists and access rights.



Agreed Actions [Medium priority]

The CO will

- (a) Immediately correct and/or delete SCOPE access and rights where not needed and carry out a periodic comprehensive review of SCOPE user access; and
- (b) In coordination with TECB, review the list of CO roles for compliance against the segregation of duties matrix.

Timeline for implementation

- (a) 30 September 2019
- (b) 30 September 2019



Annex A – Summary of observations

The following tables shows the categorisation, ownership and due date agreed with the auditee for all the audit observations raised during the audit. This data is used for macro analysis of audit findings and monitoring the implementation of agreed actions.

High priority observations	Categories for aggregation and analysis:					Due date(s)
	WFP's Internal Audit Universe	WFP's Governance, Risk & Control logic:		Implementation lead		
		Risks (ERM)	Processes (GRC)			
1	Management accountability and oversight	Governance	Governance & oversight risks	Risk management	CO	(a) 31 Dec 2019 (b) 30 Sep 2019 (c) 30 Sep 2019 (d) 30 Sep 2019 (e) 30 Sep 2019
7	Financial reporting	Financial management	Governance & oversight risks	Finance and budget	CO	(a) 31 Dec 2019 (b) 31 Dec 2019 (c) 31 Dec 2019 (d) 30 Sep 2019
9	Cash Based Transfer execution	CBT	Business process risks	Risk management	CO	(a) 31 Dec 2019 (b) 30 Sep 2019 (c) 31 Dec 2019
10	Food safety and quality	Food quality and safety	Beneficiary health, safety and security risks	Food	CO RBD	(a) i) 30 Sep 2019 ii) 30 Sep 2019 iii) 31 Jan 2020 (b) 31 Oct 2019

Medium priority observations	Categories for aggregation and analysis:					Due date(s)
	WFP's Internal Audit Universe	WFP's Governance, Risk & Control logic:		Implementation lead		
		Risks (ERM)	Processes (GRC)			
2	Risk management and compliance activities	Risk management	Governance & oversight risks	Risk management	CO	(a) 30 Sep 2019 (b) 31 Oct 2019 (c) 31 Dec 2019
3	Performance management	Performance management	Contextual risks	Performance management	CO	(a) 31 Dec 2019 (b) 31 Dec 2019 (c) 31 Dec 2019
4	Cash Based Transfer delivery and strategy	CBT	Programme risks	Intervention planning	CO	(a) 30 Sep 2019 (b) 30 Sep 2019 (c) 30 Oct 2019 (d) 30 Sep 2019
5	Integrated resilience activities	Asset creation & livelihood support	Programme risks	Intervention planning	CO	(a) 01 Jun 2020 (b) 01 Jun 2020



Categories for aggregation and analysis:						
Medium priority observations	WFP's Internal Audit Universe	WFP's Governance, Risk & Control logic:		Implementation lead		Due date(s)
		Risks (ERM)	Processes (GRC)			
6	Accountability to affected populations	Protection	Beneficiary health, safety and security risks	Beneficiaries management	CO	(a) 30 Sep 2019 (b) 30 Sep 2019 (c) 30 Sep 2019 (d) 30 Sep 2019 (e) 31 Dec 2019 (f) 30 Nov 2019
8	Field Level Agreements	Procurement - goods & services	Programme risks	Intervention planning	CO	(a) 31 Oct 2019 (b) 30 Sep 2019 (c) 30 Sep 2019
11	SCOPE implementation	Beneficiary management	Programme risks	Beneficiaries management	CO	(a) 30 Sep 2019 (b) 30 Sep 2019

Annex B – Definitions of audit terms: ratings & priority

1 Rating system

The internal audit services of UNDP, UNFPA, UNICEF, UNOPS and WFP adopted harmonized audit rating definitions, as described below:

Table B.1: Rating system

Rating	Definition
Effective / satisfactory	The assessed governance arrangements, risk management and controls were adequately established and functioning well, to provide reasonable assurance that issues identified by the audit were unlikely to affect the achievement of the objectives of the audited entity/area.
Partially satisfactory / some improvement needed	The assessed governance arrangements, risk management and controls were generally established and functioning well but needed improvement to provide reasonable assurance that the objective of the audited entity/area should be achieved. Issue(s) identified by the audit were unlikely to significantly affect the achievement of the objectives of the audited entity/area. Management action is recommended to ensure that identified risks are adequately mitigated.
Partially satisfactory / major improvement needed	The assessed governance arrangements, risk management and controls were generally established and functioning, but need major improvement to provide reasonable assurance that the objectives of the audited entity/area should be achieved. Issues identified by the audit could negatively affect the achievement of the objectives of the audited entity/area. Prompt management action is required to ensure that identified risks are adequately mitigated.
Ineffective / unsatisfactory	The assessed governance arrangements, risk management and controls were not adequately established and not functioning well to provide reasonable assurance that the objectives of the audited entity/area should be achieved. Issues identified by the audit could seriously compromise the achievement of the objectives of the audited entity/area. Urgent management action is required to ensure that the identified risks are adequately mitigated.

2 Priority of agreed actions

Audit observations are categorized according to the priority of agreed actions, which serve as a guide to management in addressing the issues in a timely manner. The following categories of priorities are used:

Table B.2: Priority of agreed actions

High	Prompt action is required to ensure that WFP is not exposed to high/pervasive risks; failure to take action could result in critical or major consequences for the organization or for the audited entity.
Medium	Action is required to ensure that WFP is not exposed to significant risks; failure to take action could result in adverse consequences for the audited entity.
Low	Action is recommended and should result in more effective governance arrangements, risk management or controls, including better value for money.

Low priority recommendations, if any, are dealt with by the audit team directly with management. Therefore, low priority actions are not included in this report.

Typically audit observations can be viewed on two levels: (1) observations that are specific to an office, unit or division; and (2) observations that may relate to a broader policy, process or corporate decision and may have broad impact.⁴

⁴ An audit observation of high risk to the audited entity may be of low risk to WFP as a whole; conversely, an observation of critical importance to WFP may have a low impact on a specific entity, but have a high impact globally.

To facilitate analysis and aggregation, observations are mapped to different categories:

3 Categorization by WFP’s audit universe

WFP’s audit universe⁵ covers organizational entities and processes. Mapping audit observations to themes and process areas of WFP’s audit universe helps prioritize thematic audits.

Table B.3: WFP’s 2019 audit universe (themes and process areas)

A	Governance	Change, reform and innovation; Governance; Integrity and ethics; Legal support and advice; Management oversight; Performance management; Risk management; Strategic management and objective setting.
B	Delivery	(Agricultural) Market support; Analysis, assessment and monitoring activities; Asset creation and livelihood support; Climate and disaster risk reduction; Emergencies and transitions; Emergency preparedness and support response; Malnutrition prevention; Nutrition treatment; School meals; Service provision and platform activities; Social protection and safety nets; South-south and triangular cooperation; Technical assistance and country capacity strengthening services.
C	Resource Management	Asset management; Budget management; Contributions and donor funding management; Facilities management and services; Financial management; Fundraising strategy; Human resources management; Payroll management; Protocol management; Resources allocation and financing; Staff wellness; Travel management; Treasury management.
D	Support Functions	Beneficiary management; CBT; Commodity management; Common services; Constructions; Food quality and standards management; Insurance; Operational risk; Overseas and landside transport; Procurement – Food; Procurement - Goods and services; Security and continuation of operations; Shipping - sea transport; Warehouse management.
E	External Relations, Partnerships and Advocacy	Board and external relations management; Cluster management; Communications and advocacy; Host government relations; Inter-agency coordination; NGO partnerships; Private sector (donor) relations; Public sector (donor) relations.
F	ICT	Information technology governance and strategic planning; IT Enterprise Architecture; Selection/development and implementation of IT projects; Cybersecurity; Security administration/controls over core application systems; Network and communication infrastructures; Non-expendable ICT assets; IT support services; IT disaster recovery; Support for Business Continuity Management.
G	Cross-cutting	Activity/project management; Knowledge and information management; M&E framework; Gender, Protection, Environmental management.

4 Categorization by WFP’s governance, risk & compliance (GRC) logic

As part of WFP’s efforts to strengthen risk management and internal control, several corporate initiatives and investments are underway. In 2018, WFP updated its Enterprise Risk Management Policy⁶, and began preparations for the launch of a risk management system (Governance, Risk & Compliance – GRC – system solution).

As a means to facilitate the testing and roll-out of the GRC system, audit observations are mapped to the new risk and process categorisations as introduced⁷ by the Chief Risk Officer to define and launch risk matrices, identify thresholds and parameters, and establish escalation/de-escalation protocols across business processes.

Table B.4: WFP’s new ERM Policy recognizes 4 risk categories and 15 risk types

1	Strategic	1.1 Programme risks, 1.2 External Relationship risks, 1.3 Contextual risks, 1.4 Business model risks
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⁵ A separately existing universe for information technology with 60 entities, processes and applications is currently under review, its content is summarised for categorisation purposes in section F of table B.3.

⁶ WFP/EB.2/2018/5-C

⁷ As per 1 January 2019, subsequent changes may not be reflected in 2019 audit reports.

2	Operational	2.1 Beneficiary health, safety & security risks, 2.3 Partner & vendor risks, 2.3 Asset risks, 2.4 ICT failure/disruption/attack, 2.5 Business process risks, 2.6 Governance & oversight breakdown
3	Fiduciary	3.1 Employee health, safety & security risks, 3.2 Breach of obligations, 3.3 Fraud & corruption
4	Financial	4.1 Price volatility, 4.2 Adverse asset or investment outcomes

Table B.5: The GRC roll-out uses the following process categories to map risk and controls

1	Planning	Preparedness, Assessments, Interventions planning, Resource mobilisation and partnerships
2	Sourcing	Food, Non-food, Services
3	Logistics	Transportation, Warehousing
4	Delivery	Beneficiaries management, Partner management, Service provider management, Capacity strengthening, Service delivery, Engineering
5	Support	Finance, Technology, Administration, Human resources
6	Oversight	Risk management, Performance management, Evaluation, Audit and investigations

5 Monitoring the implementation of agreed actions

The Office of Internal Audit tracks all medium and high-risk observations. Implementation of agreed actions is verified through the Office of Internal Audit’s system for the monitoring of the implementation of agreed actions. The purpose of this monitoring system is to ensure management actions are effectively implemented within the agreed timeframe to manage and mitigate the associated risks identified, thereby contributing to the improvement of WFP’s operations.

OIGA monitors agreed action from the date of the issuance of the report with regular reporting to senior management, the Audit Committee and the Executive Board. Should action not be initiated within a reasonable timeframe, and in line with the due date as indicated by Management, OIGA will issue a memorandum to Management informing them of the unmitigated risk due to the absence of management action after review. The overdue management action will then be closed in the audit database and such closure confirmed to the entity in charge of the oversight.

When using this option, OIGA continues to ensure that the office in charge of the supervision of the Unit who owns the actions is informed. Transparency on accepting the risk is essential and the Risk Management Division is copied on such communication, with the right to comment and escalate should they consider the risk accepted is outside acceptable corporate levels. OIGA informs senior management, the Audit Committee and the Executive Board of actions closed without mitigating t risk on a regular basis.



Annex C – Acronyms

AAP	Accountability to Affected Population
CBT	Cash Based Transfers
CFM	Complaints and Feedback Mechanism
CO	Country Office
CSP	Country Strategic Plan
CP	Cooperating Partner
CWG	Cash Working Group
DEV	Development Project
EMOP	Emergency Operations
FLA	Field Level Agreement
FSP	Financial Service Provider
FTC	Food Transfer Cost
HQ	Headquarters
IR	Immediate Response
IRM	Integrated Road Map
MaFA	Macro Financial Assessment
MiFA	Micro Financial Sector Assessment
MMO	Mobile Money Operator
PACE	Performance and Competency Enhancement tool
PO	Purchase Order
PRRO	Protracted Relief and Recovery Operation
PSEA	Protection from Sexual Exploitation and Abuse
RCA	Risk and Compliance Advisor
RBD	Regional Bureau Dakar
SCOPE	WFP's beneficiary information and transfer management platform
SES	Service Entry Sheet
SO	Special Operations
SOP	Standard Operating Procedures
3PA	Three-Pronged Approach
UNHCR	United Nations High Commissioner for Refugees
WFP	World Food Programme
WINGS	WFP Enterprise Resource Planning System