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Internal Audit of WFP Operations in Chad

Office of the Inspector General
Internal Audit Report AR/23/09



World Food
Programme

August 2023



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I. Executive summary

WFP Chad Country Office

1. As part of its annual workplan, the Office of Internal Audit conducted an audit of WFP operations in Chad which focused on beneficiary management, cash-based transfers, supply chain and monitoring; complemented by a tailored review of the management of non-governmental organizations, governance and risk management. The audit covered the period from 1 January to 31 December 2022.
2. With six strategic outcomes, the 2019–2023 Country Strategic Plan positions WFP in Chad as a key humanitarian contributor in achieving food and nutrition security, through key shifts that include a commitment 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.
3. The latest budget for the five-year country strategic plan was USD 1.6 billion, as per March 2023 budget revision. Over the audit period, WFP's total operational costs amounted to approximately USD 151.7 million, and the country office reached more than 2.9 million beneficiaries. The audit focused on strategic outcome 1: *Crisis-affected people in targeted areas are able to meet their basic food and nutrition needs during and in the aftermath of crises*; and strategic outcome 2: *Food-insecure people in targeted areas have access to adequate and nutritious food all year*.
4. The audit reviewed the following two activities, under strategic outcomes 1 and 2, which accounted for 69 percent of the country office's total expenditure and 72 percent of the beneficiary caseload in 2022:
 - (i) *Provide an integrated assistance package to crisis-affected people, including food assistance (conditional and/or unconditional), school meals, and specialized nutritious food to children and PLW/Gs and people living with HIV or TB for malnutrition prevention and treatment.*
 - (ii) *Provide unconditional food and nutritional assistance to meet the needs of severely food-insecure people in the departments declared in Phase 3 and above during the lean season.*

Audit conclusions and key results

5. Based on the results of the audit, the Office of Internal Audit reached an overall conclusion of **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.

Country office's achievements

6. Stakeholders met during the audit fieldwork all recognized WFP as a key humanitarian contributor and praised the country office's response to the 2022 heavy rains and flooding, with WFP emergency operations stepping up and assisting women, men, and children affected by the floods. From a strategic perspective, the country office has initiated efforts to tap into WFP's changing lives opportunities to operationalize new strategies, streamline activities and redefine approaches to meet the challenges ahead.
7. Since the last internal audit in 2019, the country office has invested in scaling up the use of the corporate system for beneficiary registration, identity, and transfer management for cash-based transfers. With headquarters' support, the country office also digitalized petty cash and operational advance procedures, and in January 2023, started the Global Payment Solution initiative to centralize disbursements at a corporate level. At the time of the audit fieldwork, the country office was strengthening its staffing capacity through training and recruitment of internal professional staff for its programmatic activities.



Beneficiary management

8. In a context of funding constraints and ration cuts, the country office needs to strengthen beneficiary targeting and prioritization to establish processes and consistent mechanisms to define target groups, targeting methods, and eligibility criteria. The audit also highlighted the need for protection analysis and evaluations across the country to identify and assign context-specific weights to protection risks and benefits in terms of safety and dignity, access, and data protection.

9. Current beneficiary identity management represented a challenge to programme design and implementation, particularly beneficiary data reconciliation processes, which were not carried out systematically. Other gaps in beneficiary identity management included (i) unclear roles and responsibilities in the management of beneficiary data; (ii) data quality issues in the beneficiary data collected; and (iii) incomplete information collected for in-kind beneficiaries.

10. At the time of the audit fieldwork, the WFP beneficiary information management and transfer management platform was only used for the cash-based transfer modality. Recommendations from the privacy impact assessment of beneficiary data had yet to be addressed, and the country office did not have data protection and privacy arrangements with the cooperating partners managing beneficiary data.

Cash-based transfer operations

11. Cash-based transfer mechanisms were impacted by the absence of a comprehensive risk-based strategy on the modality choice and delivery mechanism for different locations in Chad. In 2022, due to supply chain delays and a short funding life cycle, the country office shifted its modality choice from in-kind support to vouchers, with limited preparedness and inadequate staff training on cash-based transfer processes and tools. Reliance and dependency on one financial service provider also put WFP's cash-based transfer distributions at risk and significantly impacted the financial service provider's ability to pre-finance WFP operations and provide distributions in a timely manner.

Programme monitoring

12. Shortcomings in staffing, planning, and implementation of monitoring activities impacted the coverage and quality of monitoring activities. The collection and analysis of monitoring information, data, and issues were not structured in an effective way to capture, escalate, and follow up on trends, risks, and issues to inform programmatic decisions, correction, and/or strengthen internal controls.

Non-governmental organizations

13. Risk management processes related to WFP's delivery through non-governmental organizations need to be strengthened to ensure non-governmental organizations' selection, programme implementation, monitoring, and performance management processes adhere to corporate standards, particularly for risk-based oversight and assurance oversight activities.

14. Other issues were noted in risk management, monitoring, logistics, commodity management, and procurement planning, which collectively could jeopardize the country office's objectives.

Actions agreed

15. The audit report contains four high-priority and four medium-priority observations. Management has agreed to address the reported observations and to work to implement the agreed actions by their respective due dates.

THANK YOU!

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



II. Country context and audit scope

Chad

17. Chad is an arid, low-income and land-locked country, suffering from chronic food insecurity and extremely high levels of hunger. Structural development challenges, the high prevalence of food insecurity and malnutrition, gender inequalities, vulnerability to climate and weather-related crises and displacements driven by conflicts and insecurity in neighbouring countries are continuously hampering the country's development efforts and putting pressure on already vulnerable households and communities.

18. Chad is ranked last of 107 countries in the Global Hunger Index¹ and food insecurity has worsened by more than 60 percent since 2019.

19. The 2022 Chad Humanitarian Response Plan² highlighted that more than one in three people (6.1 million) needed humanitarian assistance. According to the humanitarian response plan, the country hosts the largest refugee population in the Sahel, with 536,000 refugees, including people from Sudan, the Central African Republic, Nigeria and Cameroon. In addition, as of February 2022, there were 407,000 internally displaced persons (IDPs) in the Lac province, representing 60 percent of the entire provincial population. This IDP population has increased by 72 percent since April 2020.

WFP operations in Chad

20. In 2022, the country office assisted approximately 2.9 million of beneficiaries with over USD 151.7 million spent over six programme activities.

21. In 2022, the country strategic plan's emergency response activities under strategic outcome 1 constituted 52 percent of WFP's total expenditure; resilience building and livelihood activities under strategic outcomes 2 and 3 accounted for 21 percent; livelihoods and national capacities strengthening activities under strategic 4 and 5 represented 7 percent; and strategic outcome 6 – common logistics and humanitarian air services – represented 9 percent.³

22. In 2022, WFP's six strategic outcomes were initially fully funded against the annual needs-based plan of USD 274 million, compared to 81 percent in 2021. Meanwhile, needs continued to increase significantly throughout the year by 33 percent. Therefore, the funds received did not fully cover needs in 2022. Limited resources caused pressure on the response as the number of refugees continued to rise in 2022, while the number of IDPs has more than doubled in three years.⁴

Objective and scope of the audit

23. 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.

24. The audit focused on activity #1 under strategic outcome 1, *Crisis-affected people in targeted areas are able to meet their basic food and nutrition needs during and in the aftermath of crises*; and activity #2 under strategic outcome 2, *Food-insecure people in targeted areas have access to adequate and nutritious food all year*, which accounted for 69 percent of the country office's total expenditure and 72 percent of the beneficiary caseload in 2022.

¹ The Global Hunger Index (GHI) is a tool that measures and tracks hunger globally as well as by region and by country.

² [2022 Chad Humanitarian Response Plan](#)

³ Strategic outcomes, expenditure (as of December 2021) from 2023 Evaluation of the Chad Country Strategic Plan.

⁴ Chad - Annual Country Report 2022.

- *Activity 1 – Provide an integrated assistance package to crisis-affected people, including food assistance (conditional and/or unconditional), school meals, and specialized nutritious food to children and PLW/Gs and people living with HIV or TB for malnutrition prevention and treatment.*
- *Activity 2 – WFP provides unconditional food and nutritional assistance to meet the needs of severely food-insecure people in the departments declared in Phase 3 and above during the lean season.*

25. As part of its scope for this audit, the Office of Internal Audit applied the focused audit approach developed in the COVID-19 context, focussing on five key areas of the end-to-end country office delivery process, complemented with a risk-based audit methodology to determine additional priority focus areas.

26. As a result, the six areas in scope for the audit include: (i) governance; (ii) beneficiary management; (iii) cash-based transfers (CBT); (iv) supply chain, including procurement, logistics, and food safety and quality; (v) non-governmental organization management, and (vi) monitoring, as detailed in Figure 1 below.

Figure 1: Areas covered by the audit



27. The audit mission took place from 27 February to 3 March 2023 at the country office in Ndjamena, including a visit to the Abeche area office and Baga Sola field office.

28. Reliance was placed on other assurance work, where possible and relevant, to minimize duplication of efforts. Finance activities were covered through a corporate 2021 oversight mission, with recommendations issued to the country office. Risks related to invoices management, payments to vendors and operational advances were covered in the different focus areas of this audit.

29. The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*.



III. Results of the audit

Audit work and conclusions

30. Eight observations arose from the audit, relating to governance and risk management, beneficiary management, cash-based transfers, supply chain, non-governmental organization management and monitoring.

31. A simplified standard process diagram is included for several functional areas audited. These diagrams indicate the key control areas reviewed and, when exceptions or weaknesses were noted, the audit observations to which they relate and their respective priority rating (red for high and yellow for medium-priority observations). Any other issues arising from the audit that were assessed as low priority were discussed with the country office directly and are not reflected in the report.

Governance

32. The audit performed tests and reviews of strategic planning and performance including organizational set-up for effective delivery; diversity including gender; and country office management's ability to properly identify and analyse risks and implement mitigation actions to achieve operational objectives.

33. At the time of the audit fieldwork, the country office was working towards a more gender inclusive/parity workforce. During the audit fieldwork, 20 female interns were recruited to support country office operations.

Observation 1: Governance and risk management

Planning of activities

34. The planning of programme activities was impacted by funding shortfalls, and delayed and earmarked contributions affected pipeline management, with the lack of flexibility of interventions putting pressure on field operations. WFP did not always effectively communicate these delays to its partners, impacting their ability to manage changes in distributions and inform beneficiaries about late distribution or reduced commodity quantities. Inefficiencies in internal coordination between the country office's programme and support units affected pipeline management and resulted in lost opportunities to optimize delivery and existing capacity. At the time of the audit fieldwork, the country office was working to improve communication between various stakeholders.

Staffing and structure

35. At the time of the audit fieldwork, persistent challenges related to staffing and structure continued to impact operations, with critical vacant positions both at head office and field office levels. The country office faced similar challenges to some other WFP operations in attracting qualified personnel, including international professionals. Previous reassignment exercises had not successfully filled all open positions, nor attracted the language skills needed. There were 50 vacant and readvertised positions at the time of audit fieldwork, some for extended periods, while some units reported insufficient staff to deliver on their work. The country office has not performed an organization realignment exercise since 2019, including the structured skills needs assessment and gap analysis needed to support changes in programmatic activities.

Risk management and oversight

36. While the country office's operations take place in a context with inherent high risks making it susceptible to fraud, no country-level fraud risk assessment had been carried out.

37. At the time of the audit fieldwork, the country office's risk register did not include several internal and external risks which were identified during the audit work that may significantly impact the achievement of the country office's objectives. These include critical risks related to Human Resources, funding shortages, asset management and accountability to affected populations that were not identified and properly mitigated and managed.



Underlying cause(s): Unpredictable and insufficient resources to respond to rising needs; earmarked funding, limiting the flexibility of interventions; absence of a dedicated risk officer; inadequate risk management process and mitigation actions not periodically assessed to monitor and update identified risks status; hardship duty station, leading to difficulties in attracting international professional candidates through corporate mechanisms; various non-conclusive re-assignments; and limited funding and changing priorities impacting previous organizational realignment.

Proposed Agreed Actions [Medium priority]

The country office, in consultation with relevant corporate units and in preparation of the new country strategic plan, will:

- (i) Reassess activities' planning process to improve coordination among stakeholders.
- (ii) Conduct a skill needs and gap assessment; reassess its ongoing recruitment efforts and need for existing vacancies; and, informed by recommended staffing and structure models, undertake an organizational realignment exercise for the new country strategic plan to deliver on its future priority objectives.
- (iii) With the help of the risk management division unit, implement a fraud risk assessment; establish a process to identify critical risks with appropriate mitigation actions to be tested periodically including completing physical inventory of assets and reconciling differences with WFP global equipment management system.
- (iv) Establish periodic meetings with cooperating partners, including local government, on activity planning and potential funding shortfalls.

Timeline for implementation

29 February 2024

Beneficiary management

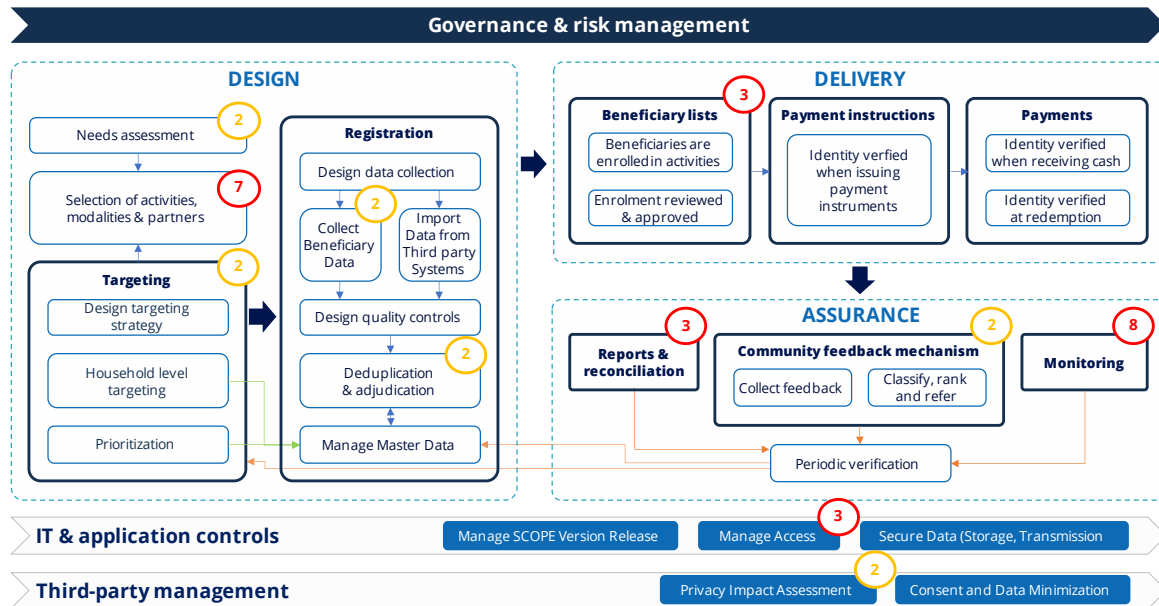
38. Of the 2.9 million beneficiaries assisted in 2022, 2.1 million (72 percent) received general food assistance; 0.5 million (17 percent) were assisted under nutrition activities; while the remaining 0.3 million beneficiaries (11 percent) were assisted under school feeding, resilience and livelihood interventions.

39. The country office used a combination of standard SCOPE⁵ solutions and a set of spreadsheets to support its beneficiary management processes. SCOPE was mainly used for management of cash assistance to beneficiaries.

40. In 2021, a privacy impact assessment on the use of beneficiary data was performed, as required by corporate guidance on the protection of beneficiaries' personal data. The country office was in discussion with the Regional Bureau for Western Africa and the WFP Global Privacy Office on how to address the recommendations arising from the assessment.

⁵ SCOPE is WFP's digital beneficiary information and transfer management platform.

Figure 2: Simplified process diagram and related audit observations for beneficiary management



Numbers in the diagram represent the related audit observations and their respective priority rating (red represents high-priority observations and yellow represents medium-priority observations).

Observation 2: Beneficiary targeting and accountability to affected population

41. At the time of the audit fieldwork, the country office had started to update its targeting approach by introducing a vulnerability-based targeting criterion for assistance to refugees and IDPs. During the audit period, there were gaps and inconsistencies in the targeting, implementation and verification of distributions and beneficiaries reached.

Beneficiary targeting strategy and approach

42. A comprehensive beneficiary targeting strategy, as required per corporate guidelines, was not available to establish processes and consistent mechanisms to (i) define target groups, targeting methods and eligibility criteria; (ii) identify eligible households and individuals; and (iii) monitor the outcomes of targeting decisions. Although targeting criteria were applied for the lean season and resilience activities, the process was not properly established for other programme activities.

43. According to the country office's strategic evaluation,⁶ conducted in 2021, vulnerability analyses and the targeting of beneficiaries have not been sufficiently thorough and dynamic. The results of a profiling exercise undertaken in 2017–2018 for the refugee camp remained highly contested, linked to a deficit in communication with partners and beneficiaries, which has limited WFP's ability to move from status-based to needs-based targeting.

44. WFP has yet to implement all the targeting and prioritization recommendations from their 2021 joint assessment mission in a consistent and effective manner, which are needed to collect updated information on refugees and ensure only the most vulnerable refugees are assisted. Continuous inclusion and exclusion errors in UNHCR databases were reported to be affecting planning and distributions. In February 2023, errors with beneficiary lists resulted in postponed assistance for some refugee camps in the east of the country.

⁶ [Evaluation of WFP Chad Country Strategic Plan 2019-2023.](#)



Protection and accountability

45. Limited analysis or evaluations were conducted across the country to identify and assign context-specific weight to protection risks and benefits in terms of safety and dignity, access, and data protection. The audit found no evidence of protection-based capacity assessments of cooperating partners during the selection process. Gaps were also noted in channel transmissions of feedback; and at the time of the audit fieldwork, roles and responsibilities for the community feedback mechanism were not aligned with the WFP accountability model for complaints management.

Underlying cause(s): Organizational changes leading to delays in implementing targeting and joint assessment mission recommendations; outdated beneficiary database; insufficient staffing and tools to implement protection activities across all regions and sites; and absence of an adequate process to integrate all aspects of accountability, monitoring issues and feedback collected by WFP and cooperating partners in the field into the community feedback mechanism.

Agreed Actions [Medium priority]

1) The country office will:

- (i) Implement a comprehensive targeting strategy based on corporate guideline and ensure it is aligned with and supports implementation of all programme activities.
- (ii) Implement comprehensive protection analysis and assessments for programme activities across the country. Review the Protection Unit's structure across the country office and regions and assign responsibility for the management of protection matters.

2) The country office will:

- (i) Establish a timeline with milestones for updating beneficiary data and implementing the joint assessment mission recommendations.
- (ii) Consolidate complaints from multiple sources into the same database and establish a structure based on the WFP accountability and responsibility model for the community feedback mechanism.

Timeline for implementation

1) 30 April 2024

2) 31 December 2023

Observation 3: Identity management

46. Approximately 0.5 million beneficiaries were recorded in the country office SCOPE platform as of March 2023, half of whom were classified as enrolled and active beneficiaries. The audit noted issues with identity management governance, quality, and reconciliation process; and the privacy impact assessment.

In-kind beneficiaries and data governance

47. All in-kind beneficiary data (1.4 million beneficiaries in 2022) were managed on Excel files by the different activities for planning and distribution. There was no consolidated list of in-kind beneficiaries with a defined and consistent process to track in-kind deliveries across programme activities. Approximately 90 percent of beneficiary household members had no biographic information, increasing the risk of duplications, especially for beneficiaries who know how to circumvent existing processes.

48. The country office had yet to implement, as planned, a strategy to utilize the WFP corporate solutions and tools to support the end-to-end in-kind programme intervention cycle, including beneficiary registration, intervention set-up, distribution planning, transfers, reconciliation, and distribution reporting.



49. The RACI model (responsible, accountable, consulted, and informed) for identity management and the use of SCOPE was not adequate and effective. The audit also noted unclear roles and responsibilities in the management of identities between Programme and the technology unit both at the country office and field offices levels. At the time of audit fieldwork, seven SCOPE users had two or more associated roles (in the registration, enrolment, distribution planning, payment list and/or retailer processes) which were incompatible with segregation of duties as per SCOPE corporate accountability framework.

50. There was no secured mechanism for data exchange between WFP, non-governmental organizations and UNHCR. Emails and Excel attachments were used to transfer data among WFP offices and third parties with no encryption in place. Discussions with non-governmental organizations also showed that they were not trained and aware of WFP's data confidentiality, data security, access and retention policies.

Implementation plan versus distribution plan versus actuals

51. There were no centralized tracking and structured reconciliations of implementation plans against distribution plans and actual post-distribution results. This resulted in the country office's inability to detect anomalies and underlying programmatic issues, as well as provide assurance that the actual targeted beneficiaries were assisted. In addition, distribution lists were sometimes changed by field offices without informing the activity managers. At the time of the audit fieldwork, there was no process to review and analyse variances before the consolidation and reporting process for the beneficiaries assisted.

52. In January 2023, the audit also identified inadequate beneficiary lists, which led to double assistance (vouchers) to a dozen of beneficiaries in Dar Al Kher & Daranaim. At the time of the audit fieldwork, a beneficiary lists de-duplication exercise had not been performed in these areas.

Underlying cause(s): Absence of an effective data governance working group involving both Programme and IT units for oversight and ownership of identity management; SCOPE implementation without a strategy to scale up in-kind activities, define roles and responsibilities, and take full advantage of SCOPE capabilities; absence of end-to-end monitoring and validation of planned versus assisted beneficiaries; lack of specific data-sharing agreement clause in field-level agreements; and inadequate process to identify duplicate lists of identities.

Agreed Actions [High priority]

1) The country office will:

- (i) Develop interim measures to strengthen beneficiary information management controls for in-kind data while the SCOPE registration scale-up for in-kind beneficiaries is being planned. These will include (a) establishing a data working group to ensure a coordinated approach to data governance; (b) establishing a consolidated database for in-kind beneficiaries; and (c) performing data quality checks including de-duplication and adjudication processes.
- (ii) Establish a clear strategy and road map for the implementation and full adoption of SCOPE as part of the current identity digitalization process.
- (iii) Review the list and allocation of the country office's roles in SCOPE to ensure proper segregation of duties as per the SCOPE corporate accountability framework.

2) The country office will:

- (i) Establish a data-sharing agreement with corporate partners and train them on managing identities.
- (ii) Assess the feasibility of establishing a mechanism (including sampling methodology) to track end-to-end beneficiary figures from implementation to distribution reports. Standardize a periodic process to review and challenge distribution reports and investigate deficiencies.

Timeline for implementation

- 1) 31 December 2023
- 2) 30 June 2024



Cash-based transfers

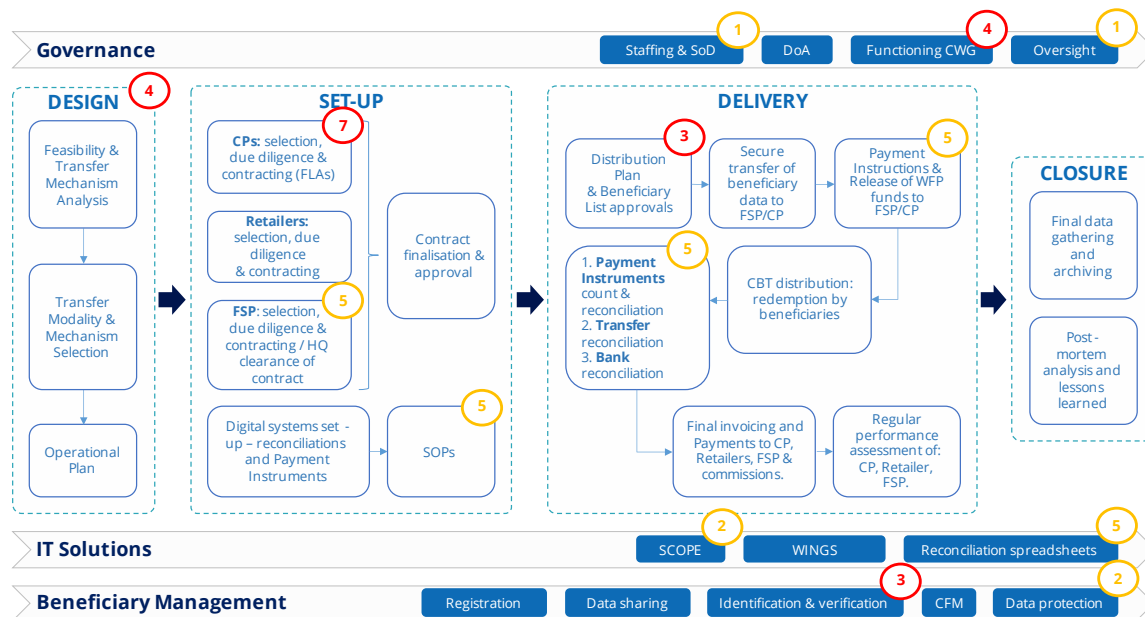
53. In 2022, the country office distributed USD 41.4 million in cash-based transfers, of which USD 22.2 million were cash transfers and USD 19.2 million voucher transfers. During the audit period, the country office engaged with two financial service providers, including one micro-finance institution and one mobile money operator, and worked with over 60 retailers.

54. The country office had a comprehensive risk register related to cash-based transfers. Key challenges, as highlighted by the country office, related to the limited number and capacity of financial service providers in the country; the risk of collusion between various stakeholders for voucher distributions; and low digital literacy in the country.

55. In addition to the limited number and capacity of financial service providers in the country, the country office ceased working with one financial service provider in 2019 because of weaknesses identified in cash-based transfer delivery and reconciliation processes.

56. In 2021, the regional bureau undertook a cross-functional cash-based transfer support mission and issued several recommendations to the country office pertaining to all functional cash-based transfer areas. As an example, the regional bureau recommended that the country office undertake assessments of the information and communication technology landscape at macro and micro levels; increase the capacity of the country office and field offices' supply chain staff for cash-based transfers; and ensure payments to the financial service provider were made in a timely manner.

Figure 3: Simplified process diagram and related audit observations for cash-based transfers



Numbers in the diagram represent the related audit observations and their respective priority rating (red represents high-priority observations and yellow represents medium-priority observations).



Observation 4: Preparedness for cash-based transfers

57. While recognizing the country office's work in identifying risks for cash-based transfer operations, the challenge remained in consolidating those risks to inform the selection of the most appropriate operational modalities and delivery mechanisms. At the time of the audit fieldwork, the country office was piloting a mobile money solution without sufficiently considering operational challenges in the country, such as low literacy of beneficiaries, absence of identification documents, weak mobile network coverage, and country office staff's capacity to implement mobile money operations.

58. In 2022, due to delays in receiving commodities from the Douala corridor or late confirmation of donor funding with short implementation deadlines, the country office shifted its modality choice from in-kind assistance to vouchers. Limited preparedness, including inadequate staff training on cash-based transfer processes and tools, to absorb the sudden change in modality resulted in additional pressure on field office staff, retailers, and the financial service provider. At the time of the audit fieldwork, with the regional bureau's support, the country office was preparing cross-functional staff training on cash-based transfers for country and field office staff.

59. The country office relied on one financial service provider for cash-based transfers during the audit period. This dependency on one financial service provider put WFP's cash-based transfer distributions at risk; significantly impacted the financial service provider's treasury situation to pre-finance WFP operations; and, in some instances, caused delivery delays.

60. The country office had worked with the same retailers for cash-based voucher transfers since 2016, extending the previous contracts several times. An expression of interest to select retailers for cash-based transfer distributions was launched in January 2022, and at the time of the audit fieldwork, the selection process for retailers still needed to be finalized, pending a decision on the choice of modality.

Underlying causes: Staff capacity; pipeline challenges resulting in a rapid change in the assistance modality without adequate preparedness for implementation; and changes in strategic road map for cash-based transfer distributions coupled with shift to new senior management.

Agreed Actions [High priority]

1) The country office will:

- (i) Establish a comprehensive risk-based strategy on the choice of modality and delivery mechanism for various locations in Chad, considering the variety of operational challenges and cost efficiency.
- (ii) Develop a cross-functional cash-based transfer training plan for country and field office staff.

2) The country office will:

- (i) Assess and implement alternative options to manage the risk of dependency on one financial service provider.
- (ii) Review causes of delays and expedite the procurement process for retailers.

Timeline for implementation

1) 31 December 2023

2) 31 May 2024



Observation 5: Cash-based transfer delivery and reconciliation

Delivery mechanism

61. In 2022, 46 percent of cash-based transfers were channelled through financial service providers to retailers for vouchers redeemed by beneficiaries. At the time of the audit fieldwork, more than 70 percent of the retailers selected for cash-based transfer distributions were registered in the WFP Enterprise Resource Planning system, a prerequisite for disbursing funds from WFP directly to retailers. The country office had established a standard operating procedure for cash assistance directly through retailers. The audit noted that the disbursement element of the standard operating procedure could be strengthened to ensure timely payments to retailers.

Justification of discrepancies in commodities price between retailers and market price

62. The country office did not maintain justification of the difference between the prices agreed with retailers and market prices. The market prices, used as the basis for negotiation, were obtained by the sub-office from the national structure in charge of monitoring key indicators for assessing the overall food security situation. In some instances, the time gap between the price certification meeting and distribution to beneficiaries was not optimal, reducing WFP's negotiation power with retailers.

Reconciliation

63. At the time of the audit fieldwork, 88 percent of cash assistance was undertaken through SCOPE with the aim of reaching 100 percent in 2023. The use of SCOPE eliminated the need for daily distribution reports because distributed amounts were automatically captured in the system. Based on a sample, the audit noted that consolidated distribution reports at the end of the distribution cycle per site, retailer and financial service provider were systematically signed off by all relevant parties and kept on file for audit trail purposes.

64. The country office did not perform reconciliations at the beneficiary level and was only analyzing if discrepancies between distributed and intended-to-distribute amounts were reported. At the time of the audit fieldwork, the country office had signed a service level agreement with the Headquarters' Cash-Based Transfer division and was developing dashboards for reconciliations at the beneficiary level.

65. Underlying causes: Staff capacity; pipeline challenges resulting in a rapid change in the assistance modality without adequate preparedness for implementation and changes in strategic road map for cash-based transfer distributions coupled with shift to new senior management.

Agreed Actions [Medium priority]

The country office will:

- (i) Establish an oversight mechanism of the commodity price certification process with retailers for cash-based transfer distributions by keeping track of the justification of agreed prices.
- (ii) Complete reconciliation dashboards to ensure that reconciliation at the beneficiary level is systematically undertaken.

Timeline for implementation

31 December 2023



Supply chain

66. Supply chain in the Chad Country Office includes procurement, food safety and quality, and logistics functions. The audit assessed supply chain key controls (see Figure 4 for results). During the audit period, food procurement amounted to USD 28.1 million with 46 percent representing local food purchased. Goods and services procured by the country office amounted to USD 15.8 million.

67. The Chad Country Office relies on the Douala corridor for in-kind shipments and leverages the Global Commodity Management Facility based in Chad for local cereal stock. Other essential commodities to complete the food basket are imported. The country office is looking at the possibility of the Global Commodity Management Facility providing the entire food basket to reduce the risk of lengthy lead time through the Douala corridor.

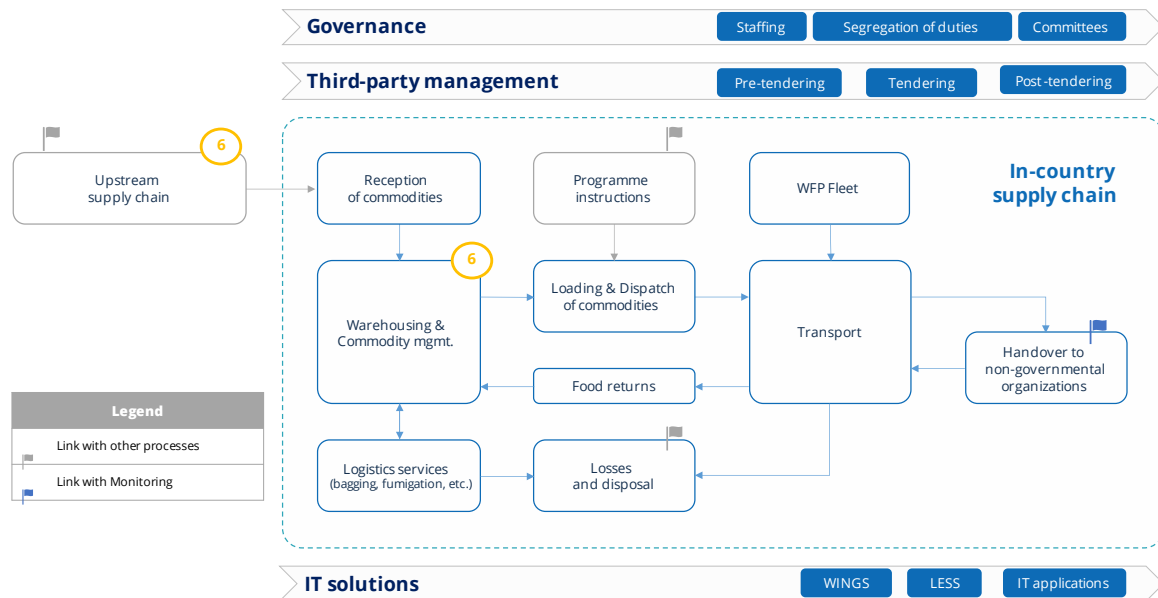
68. The country office receives some donor funding with short terminal disbursement dates, reducing opportunities for a supply chain strategy and increasing the risk of not fully implementing the grants prior to their expiry date.

69. As of February 2023, the country office had a stock of 13,887 metric tons of food stored in 23 WFP-managed warehouses, with the majority stored in the Ndjamenas warehouse. In 2022, recorded food losses were limited to USD 0.19 million (representing 0.3% of total food handed over), 75 percent of which occurred in warehouses.

70. Several food safety quality issues were raised in the 2019 internal audit of WFP operations in Chad.⁷ The country office contracted a food technologist, which contributed to addressing the deficiencies identified and reducing the level of food infestation and food losses.

71. The regional bureau has not undertaken a logistics oversight mission in Chad since 2019.

Figure 4 - Simplified process diagram and related audit observations for logistics



Numbers in the diagram represent the related audit observations and their respective priority rating (yellow represents medium-priority observations).

⁷ [Internal audit of WFP operations in Chad \(AR/19/16\)](#)



Observation 6: Supply Chain

Procurement plan and market assessment

72. The 2022 goods and services procurement plan was not approved in a timely manner and was not periodically reviewed or updated to guide, control, and optimize procurement activities and ensure efficient use of resources. Despite the local food procurement plan being formalized and supported by price market assessment and analysis of the food market, the country office did not systematically carry out comprehensive food market assessments across the country, which is key to understand market changes and identify new suppliers.

Food safety and quality

73. As noted during audit fieldwork, the country office had not prepared food safety and quality workplans for 2022 and 2023. The office did not complete oversight missions in the eastern field offices and only limited training was provided to Programme and Logistics units and non-governmental organizations to improve the food safety and quality culture across the organization. In addition, focal points were not identified in these different field offices.

Logistics assessment and contracting

74. The country office has not carried out a comprehensive logistics service market assessment since 2018, which is necessary to ensure supplier competition, achieve cost efficiency and understand the impact of WFP operations on local markets.

75. The justification for the use of tariff system contracting had been insufficiently documented. In addition, the following issues were noted: (i) the rationale for the allocation plan was not supported by adequate documentation; (ii) criteria for the allocation plans were limited to the declared transporter capacity and were not reviewed by the logistics contract committee; and (iii) the yearly review of the allocation plan was ineffective to monitor and apply changes to transport allocations.

Commodity management

76. Data reliability was impacted by the 20 percent of landside transport instructions not closed in a timely manner in the corporate system used for commodity management and a significant number of data entry errors for goods receipts. In addition, the last mile mobile application, which records the real-time transaction of food with WFP cooperating partners and improves the accountability and accuracy of commodity accounting information, was implemented in the Lac region but not in the rest of the country.

Warehouse management

77. Physical inspection of the warehouse in Ndjamena revealed over-stacking and bulging boxes, which reduced box strength for further handling, transportation, and distribution. In addition, the wiikhall⁸ warehouse in the Lac region was damaged and not fit for food storage.

Underlying cause(s): Funding constraints; unclear roles and responsibilities; staffing constraints and capacity to manage contracts and perform comprehensive market assessments; limited food safety and quality capacity to implement safety and quality controls; staffing constraints and capacity to perform logistics market assessment; limited implementation of the allocation plan process in alignment with WFP transport manual; limited commodity accounting training; and maximum storage capacity in warehouses and inadequate stacking practices.

⁸ A wiikhall is a mobile/re-locatable warehouse.



Agreed Actions [Medium priority]

1) The country office will:

- (i) Carry out a periodic and accurate update of the procurement plan with the involvement of all stakeholders and a comprehensive food market assessment to identify market changes and identify new suppliers.
- (ii) Formalize the food safety and quality strategy and systematically formalize a workplan to implement the strategy. Improve food safety and quality culture across the country office, drafting and implementing a training plan for key stakeholders.

2) The country office will:

- (i) Complete the logistics service market assessment; formalize and implement the standard operating procedure for the tariff system, including formalization of the allocation criteria, reviewed by the logistic contracting committee, and monitoring of allocation plan implementation.
- (ii) Provide commodity accounting training to staff and implement a monitoring control to detect and correct accounting anomalies. Include the LESS last mile solution in new field-level agreements with non-governmental organizations.
- (iii) Establish a process to improve commodities stacking and warehouse management.

Timeline for implementation

- 1) 31 December 2023
- 2) 31 December 2023

Non-governmental organization management

78. From January 2022 to December 2022, the country office entered into 60 field-level agreements and eight memoranda of understanding with 38 cooperating partners. At least 47 percent of the cooperating partners have experience or are working with other UN agencies.⁹ The total value of commitments over the audit period reached USD 21.2 million in annual implementation costs, with activity 1 and 2 accounting for 71 percent of the costs.

79. The audit assessed the governance mechanisms and key controls designed to mitigate risks related to gaps in non-governmental organizations management, including a review of the selection process; involvement of the cooperating partner committee; field-level agreement management; capacity building and strengthening activities; reporting and performance evaluation; and oversight of non-governmental organizations.

80. At the time of the audit fieldwork, country office management had approved the recruitment of international staff to provide guidance and oversight to the Cooperating Partners Unit.

Observation 7: Non-governmental organization management

Set-up

81. The country office Cooperating Partners Unit supported the field offices with field-level agreement management. Limited staffing capacities resulted in gaps in business processes related to the selection, due diligence, implementation of field-level agreements and evaluation of cooperating partners.

⁹ UNHCR, UNICEF, and UNFPA.



Partner selection

82. No technical review of partners' technical capacity and financial evaluation was conducted, which limited the country office's ability to assess and identify areas of improvement in the partners' internal control environment and develop tailored capacity strengthening and improvement plans and recommend risk mitigation measures.

83. Partners met during the field visit consistently provided feedback on the need for WFP to conduct capacity assessments and training on cash-based transfer modalities, gender and protection from sexual exploitation and abuse and tailored training on identified weak areas.

84. Whereas the endorsement of a field-level agreement by the cooperating partner committee is a mandatory requirement before any field-level agreement can be submitted for the country director's signature, of the selected sample of 16 cooperating partner committee meetings reviewed, 7 decision memos were not reviewed by the head of programme and 9 were not endorsed by management.

Implementation of programme activities and management oversight thereof

85. Corporate guidance for effective management of the life cycle of partnership management requires country and field office roles and responsibilities to be clarified through the documentation of standard operating procedures. At the time of the audit fieldwork, the country office had yet to finalize its standard operating procedures. This has led to laxity in the accountability and ownership of mandatory processes for capacity strengthening, performance evaluations and management oversight activities like spot-checks.

86. Management oversight activities and assurance covering programmatic, financial and administrative spot-checks are necessary for effective programme implementation and efficient use of resources by the cooperating partner.

87. The country office relied on field offices to provide management oversight over activities implemented by cooperating partners. While decentralization has increased responsiveness to operational needs, country office visibility and oversight of field office management, evaluation and capacity building activities were limited due to the country office insufficient capacity to do cooperating partner management. This negatively impacted on capacity building and performance monitoring due to the complexity and number of files.

Assurance activities

88. There was no risk-based assurance plan in place. For instance, there was no spot-checks of non-governmental organizations conducted to verify implementation progress of agreed activities and results reported to WFP. Of the 68 field-level agreements entered into with 38 cooperating partners, none of the latter underwent a spot-check in 2022. As part of its risk-based financial assurance, the country office needs to establish a risk-based guidance to sample and prioritize expenditures material to a project that should be the focus of monthly reviews, to confirm whether they are in accordance with programme workplans and WFP regulations.

89. In addition, the country office did not comply with corporate guidance that requires invoices to be received directly from vendors, including those from cooperating partners, at a central point in Finance. Non-governmental organization invoices were received by Finance after they were reviewed by field offices and country office programme staff. The country office did not capture the actual receipt date of the invoices in WFP corporate systems, risking the accuracy of payable balances and reliability of financial exception reports on outstanding invoices.

Performance evaluation

90. The country office did not systematically conduct performance evaluations on completion of field-level agreements and before the conclusion of any new agreement. Of the 38 cooperating partners with which the country office engaged during the audit period, only six performance evaluations had been finalized. There was also no tracking of the outcomes of these performance evaluations and reports of relevant field monitoring



visits, resulting in the absence of specific risk mitigation measures and weaknesses being addressed. The cooperating partners met during the audit fieldwork also requested WFP feedback for continuous improvement of their internal processes.

Underlying cause(s): Staffing constraints in the country office cooperating partners unit; lack of technical capacities to conduct risk assessments providing insight into the prioritization of assurance and spot checks; non-compliance with corporate guidance on spot checks and performance evaluations; no standard operating procedures to clarify roles and responsibilities for country and field office partnership management or for reviewing invoices, statements of expenditure and supporting documentation.

Agreed Actions [High priority]

The country office will:

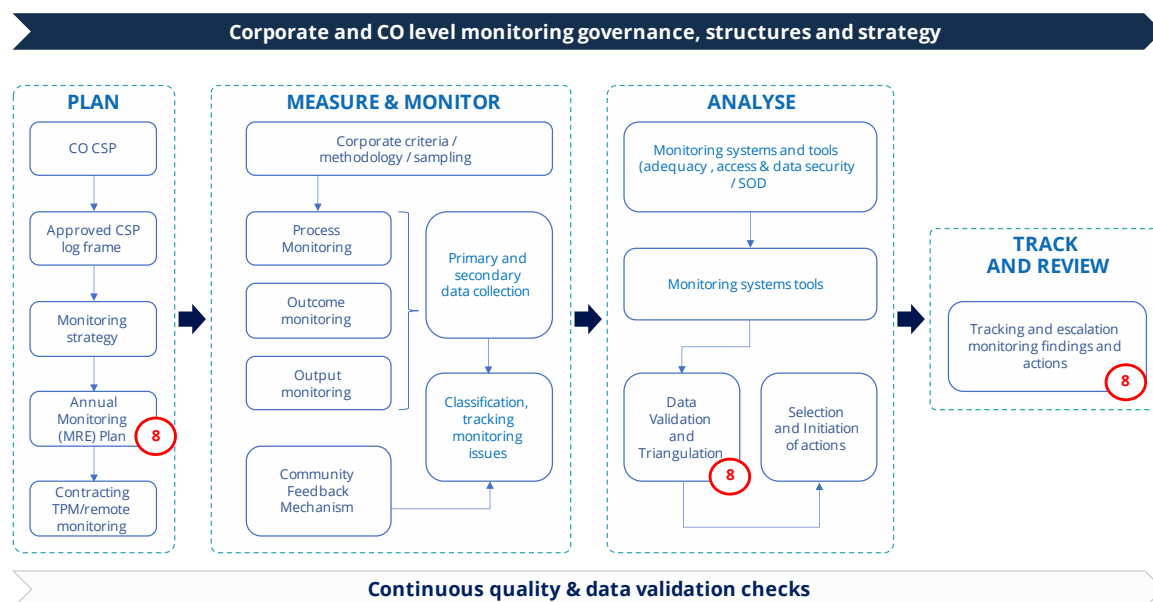
- (i) Establish a process to conduct comprehensive partner capacity assessments (including programmatic, protection, financial and administrative assessments), where relevant with other United Nations entities in country, and a process to systematically follow up on outcomes of recommendations from these assessments.
- (ii) Develop a risk-based management oversight framework for cooperating partner activities; which encompasses inter alia (a) spot-checks periodically performed to assess programme implementation and to assess whether there have been any significant changes to applicable internal controls; (b) criteria for the performance evaluation of cooperating partners; and (c) specific timelines and frequency of performance evaluations to inform future partner selection and/or renewal.
- (iii) Review and amend the invoice management process to comply with corporate guidance.

Timeline for implementation

30 June 2024

Monitoring

Figure 5: Simplified process diagram and related audit observations for monitoring



Numbers in the diagram represent the related audit observations and their respective priority rating (red represents high-priority observations)

Observation 8: Monitoring

91. The audit found shortcomings in the planning and implementation of monitoring activities, with inconsistencies noted in roles and responsibilities, monitoring tools, data quality validations, methodologies, practices, reporting and frequency of monitoring.

Structure, roles, and responsibilities

92. Monitoring assistants at the field office level were involved in programmatic activities, including programme implementation roles, due to limited resources. This adversely impacted the effective conduct of monitoring tasks and created inherent conflicts of interest.

93. At the time of the audit fieldwork, the country office was contemplating the use of third-party monitors to monitor remote activities in areas that are inaccessible for various reasons and to provide an independent perspective on programme performance.

Monitoring planning and coverage

94. Field office monitoring plans did not systematically comply with minimum monitoring requirements to ensure that common criteria for planning, coverage, baselines, data collection and frequency were adopted. In Abeche, for example, of 23 food distribution points planned for monitoring activities in February 2023, only six were visited due to changes in the area office's priorities and lack of resources.

95. The country office Monitoring Unit did not systematically review and analyze planned versus completed field office monitoring activities. The audit review of the Abeche area office's monitoring plan highlighted gaps and delays in implementing monitoring activities, with significant data missing for tracking and oversight of activities.



Monitoring data tools and validation

96. There was no documented and structured process/tools to validate, verify or crosscheck information reported by field offices against distribution planning figures, actual physical counts and data provided in monitoring reports. This was especially noted during the audit field visits in Baga sola and Abeche.

97. In addition, there was no documented process to triangulate and validate cooperating partners' reports and monitoring data to original and external data sources. Triangulation and validation are especially important as the country office is not always present during distributions and relies on partners' data in remote areas of the country.

Management of monitoring issues

98. Non-governmental organizations reported issues raised from the monitoring of distributions; however, structured process/tools were not used to aggregate and analyze the data and to identify, escalate and follow up on trends, risks and issues to inform programmatic decisions and strengthen internal controls.

Underlying cause(s): Staffing constraints at field office levels and limited capacity to implement monitoring activities; insufficient oversight of field office monitoring activities, results and feedback; and insufficient guidance and use of monitoring and reporting tools; non-compliance with minimum monitoring requirements per activity, per region.

Agreed Actions [High priority]

1) The country office will:

- (i) Address the staffing issues in field offices and establish roles and responsibilities and accountability framework in the collection, management, and reporting of monitoring data.
- (ii) Finalize a comprehensive monitoring plan considering all country strategic plan activities, reporting requirements and timelines; minimum monitoring requirements and coverage targets; information sources; and required human resources.

2) The country office will:

- (i) Establish a sampling methodology for selecting specific geographical sites for activity monitoring, including consideration of risk exposure.
- (ii) Establish periodic follow-up and reporting on monitoring activity implementation status and results.
- (iii) Develop a mechanism to systematically triangulate information and data obtained from different sources, such as distribution reports for analysis and follow-up.

Timeline for implementation

1) 31 December 2023

2) 31 December 2023



Annex A – Agreed Action Plan

The following table shows the categorization, ownership, and due date agreed with the audit client 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.

The agreed action plan is primarily at the country office level.

#	Observation (number/title)	Area	Owner	Priority	Timeline for implementation
1.	Governance and risk management	Governance	Country office	Medium	29 February 2024
2.	Beneficiary targeting and accountability to affected population	Beneficiary management	Country office	Medium	1) 30 April 2024 2) 31 December 2023
3.	Identity management	Beneficiary management	Country office	High	1) 31 December 2023 2) 30 June 2024
4.	Preparedness for cash-based transfers	Cash-based transfers	Country office	High	1) 31 December 2023 2) 31 May 2024
5.	Cash-based transfer delivery and reconciliation	Cash-based transfers	Country office	Medium	31 December 2023
6.	Supply Chain	Supply chain	Country office	Medium	1) 31 December 2023 2) 31 December 2023
7.	Non-governmental organization management	Non-governmental organization management	Country office	High	30 June 2024
8.	Monitoring	Monitoring	Country office	High	1) 31 December 2023 2) 31 December 2023



Annex B – Definitions of audit terms: ratings and priority

1 Rating system

The internal audit services of UNDP, UNFPA, 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.
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.
Major improvement needed	The assessed governance arrangements, risk management and controls were generally established and functioning, but needed 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: (a) observations that are specific to an office, unit, or division; and (b) observations that may relate to a broader policy, process or corporate decision and may have a broad impact.¹⁰

¹⁰ 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.



3 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.

The Office of Internal Audit monitors agreed actions from the date of the issuance of the report with regular reporting to senior management, the Independent Oversight Advisory 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, the Office of Internal Audit 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, the Office of Internal Audit continues to ensure that the office in charge of the supervision of the unit which owns the actions is informed. Transparency on accepting the risk is essential and the Enterprise 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. The Office of Internal Audit informs senior management, the Independent Oversight Advisory Committee and the Executive Board of actions closed without mitigating the risk on a regular basis.



Annex C – Acronyms

CBT	Cash-based Transfer
IDP	Internally Displaced Person
NGO	Non-Governmental Organization
SCOPE	WFP beneficiary information and transfer management platform
USD	United States dollars
WFP	World Food Programme

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