Internal Audit of the Republic of Ghana Country Office

August 2014

Office of Internal Audit
and Investigations (OIAI)
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Summary

The Office of Internal Audit and Investigations (OIAI) has conducted an audit of the Ghana Country Office. The audit took place from 28 April to 9 May 2014, and covered governance, programme management, and operations support during the period from 1 January 2013 to 28 April 2014.

The 2012-2016 UNICEF Board-approved 2010-2014 country programme consists of five main programme components: *Health and Nutrition*; *Water, sanitation and hygiene*; *Education*; *Child protection*; and *Advocacy, communication, monitoring and analysis*. There is also a cross-sectoral component. The country programme has a total budget of US$ 183 million for the five-year period. Of this, US$ 43 million is regular resources (RR) and US$ 140 million is other resources (OR). RR are core resources that are not earmarked for a specific purpose, and can be used by UNICEF wherever they are needed. OR are contributions that may have been made for a specific purpose such as a particular programme, strategic priority or emergency response, and may not always be used for other purposes without donor agreement. An office is expected to raise the bulk of the resources it needs for the country programme itself, as OR.

The UNICEF country office is based in Accra, and has a total workforce of 107 approved posts (27 international posts, 32 national officers and 48 general service staff). Of these approved posts, 77 are in Accra, with the remaining 30 stationed in the zone office in Tamale.

Action agreed following the audit

As a result of the audit, and in discussion with the audit team, the country office has decided to take a number of measures. Two are being implemented as high priority—that is, they concern issues that require immediate management attention. These issues were as follows:

- Some of the country programme's outputs and targets were not specific. The office has agreed to strengthen its work planning by ensuring adequate definition of baselines, indicators and targets.
- The office did not have a consolidated programme monitoring framework that assigned responsibility for assessing progress against targets and allowed for adjustments to programme designs when necessary. In addition, the office had not implemented end-user supply monitoring. The office agreed to implement a monitoring framework, including end-user monitoring where relevant.

Conclusion

The audit concluded that, subject to implementation of the agreed actions described, the controls and processes over the Ghana office were generally established and functioning. The measures to address the issues raised are presented with each observation in the body of this report. The Ghana country office has prepared action plans to address the issues raised.

The country office, with support from the West and Central Africa Regional Office (WCARO), and OIAI will work together to monitor implementation of these measures.

Contents

Objectives

The objective of the country office audit is to provide assurance as to whether there are adequate and effective controls, risk-management and governance processes over a number of key areas in the office.

The audit observations are reported upon under three headings: governance, programme management and operations support. The introductory paragraphs that begin each of these sections explain what was covered in that particular area, and between them define the scope of the audit.

Audit Observations

1 Governance

In this area, the audit reviews the supervisory and regulatory processes that support the country programme. The scope of the audit in this area includes the following:

- **Supervisory** structures, including advisory teams and statutory committees.
- **Identification** of the country office's priorities and expected results and clear communication thereof to staff and the host country.
- **Staffing structure** and its alignment to the needs of the programme.
- **Performance measurement**, including establishment of standards and indicators to which management and staff are held accountable.
- **Delegation** of authorities and responsibilities to staff, including the provision of necessary guidance, holding staff accountable, and assessing their performance.
- **Risk management**: the office's approach to external and internal risks to achievement of its objectives.
- **Ethics**, including encouragement of ethical behaviour, staff awareness of UNICEF's ethical policies and zero tolerance of fraud, and procedures for reporting and investigating violations of those policies.

All the areas above were covered in this audit.

The audit found that controls were functioning well over a number of areas. The office prepared an annual learning plan that defined learning priorities and was aligned to UNICEF's regional and global priorities. The learning plan was also aligned to a staffing skills gap assessment that was performed before the country programme started.

The work that UNICEF is performing in Ghana with the World Food Programme (WFP) under the Renewed Efforts Against Child Hunger (REACH) initiative was recognized in donor and government circles as a good example of UN coherence.

However, the audit noted the following.

Management priorities

UNICEF's Programme Planning and Policy Manual states that there should be a set of key programme management indicators, which should be regularly monitored by senior staff, the Country Management Team (CMT), and the Representative. The manual further explains that the agreed office priorities and results should provide the basis for the assignments of staff duties in the Performance Evaluation Reports (PERs).

The office had developed a two-year management plan for 2012 and 2013 and an annual management plan (AMP) for 2014 that included the key management and programme priorities for these years. In the 2012-2013 plan there had been 12 management priorities defined, for which staff had been assigned responsibilities; the majority of the priorities had indicators. The 2012-2013 plan also set out 25 programme priorities, four of which were specifically for the Tamale zone office, and five of which were described as under the Representative and Deputy Representative's office. The 2014 annual management plan also has 25 programme management priorities, and seven office management priorities.

For 2013, however, the audit found no evidence in the CMT minutes that most of the priorities had been specifically monitored or reported on. The same was true of the Zone Management Team (ZMT) meetings. The office informed the audit that this had since been reviewed and the CMT had delegated monitoring of performance indicators to the Programme and Operations groups; any decisions to be made would be brought to the CMT. However, the audit could again not find evidence of these decisions in the CMT minutes.

Agreed action 1 (medium priority): The office agrees to strengthen procedures and accountabilities for monitoring against the set office priorities by ensuring regular reporting to the Country Management Team (CMT) on the status of all the set priorities, and recording of that status in the CMT minutes.

Staff responsible for taking action: Representative, Deputy Representative, Chief of Operations, HR Specialist
Date by which action will be taken: December 2014, then ongoing

Risk management

Under UNICEF's Enterprise Risk Management (ERM) policy, offices should perform a Risk and Control Self-Assessment (RCSA). The RCSA is a structured and systematic process for the assessment of risk to an office's objectives and planned results, and the incorporation of action to manage those risks into workplans and work processes. The risks and their mitigation measures are recorded in a risk and control library.

To this end, a participatory exercise had been organized in December 2013 involving staff from both Accra and the Tamale zone office. Eleven risks were identified and, as required by UNICEF ERM guidelines dated August 2013, reflected in the Insight ERM module (part of UNICEF's management system, VISION). Moreover, the 'operationalization of the ERM' and 'the management of IT risks' were included as individual outputs for the year in the PERs of the Chief of Operations and IT officer respectively.

However, there were no defined deadlines, or responsibilities assigned, for the implementation of the actions to mitigate the risks that had been included in the ERM module. Neither was there any evidence that the action plan's implementation had been monitored, as required by UNICEF ERM guidelines.

In addition, the risks identified during the ERM exercise were not aligned to the priorities defined in the AMP, in that the medium and high risks in the RCSA were not reflected in the plan as management priorities.

Agreed action 2 (medium priority): The office agrees to:

i. Define deadlines and responsibilities for each risk-mitigation action, and ensure that their implementation is regularly monitored and assessed.
ii. Ensure that key risks in the Risk and Control Self-Assessment are linked to the priorities in the annual management plan.

Staff responsible for taking action: Chief of Operations, Finance Officer
Date by which action will be taken: December 2014

Zone-office oversight

The office's AMP defined an oversight mechanism that required senior and selected other members of staff to undertake a minimum number of visits to the zone office for monitoring, meeting or training purposes.

In 2013, visits to Tamale zone office were undertaken. However, the number of visits did not always meet the minimum defined in the AMP, and one section in the country office did not visit the zone office at all. Some of this was explained by the fact that there were changes in almost all the senior staff of the country office during the year. In any case, the number of zone-office visits stipulated in the AMP were not clearly linked to an assessment of the level and type of support that the field office required.

Committees were at country level but some included representation from the Tamale zone office. However, the role of the zone office and its representation in various management committees such as the CMT, PCARC[1] or the CRC[2] was not defined in writing, and zone-office staff participation in these meetings was *ad hoc*. In the PCARC, the zone office was only represented by one out of 10 members, and it was not represented at all in the Property Survey Board. Decisions could thus be made affecting the zone office without it having an adequate input.

Agreed action 3 (medium priority): The office agrees to:

i. Define an oversight plan for the zone office that is based on the zone offices' risk profile.
ii. Ensure that the zone office is adequately represented on the statutory committees.

Staff responsible for taking action: Deputy Representative; Chief of Field Office; Operations Manager; HR Specialist
Date by which action will be taken: August 2015 and ongoing

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[1] The Programme Cooperation Agreement Review Committee, which reviews proposed collaborative agreements with partners.
[2] The Contract Review Committee, which reviews all contracts entered into by the office above a certain value threshold.

Segregation of duties

UNICEF’s resource mobilization, budgeting, programming, spending and reporting are recorded in UNICEF’s management system, VISION, which was introduced in January 2012.

Access to VISION is given through the provisioning of a user identification (ID) that has “roles” assigned to it. Heads of Offices, and their delegates, approve the provisioning of VISION user IDs and their corresponding roles, using the guidelines in UNICEF Financial and Administrative Policy No. 1: *Internal Controls* and its supplements. An understanding of these roles, and the responsibilities assigned to staff, is essential in approving role assignments.

In its review of the VISION role-mapping table and the segregation of duties, the audit noted that there were nine segregation of duties conflicts; all but one were high risk. The office explained that some of these conflicts were due to the assignment of roles to staff on a temporary/acting basis, and that the risks presented by such conflicts were mitigated by temporarily assigning them to other staff members as well. However, these mitigating actions were not documented. They were also ineffective; in one case, a staff member, who was in an acting position, was able to provide two different levels of authorization for the release of a purchase order.

Agreed action 4 (medium priority): The office agrees to address segregation-of-duties conflicts by careful review of individuals’ roles prior to their assignment. Where potential conflicts may arise, compensatory controls should be put in place and documented.

Staff responsible for taking action: Chief of Operations, Operations Assistant
Date by which action will be taken: September 2014

Governance: Conclusion

Based on the audit work performed, OIA concluded that the controls and processes over governance, as defined above, were generally established and functioning during the period under audit.

2 Programme management

In this area, the audit reviews the management of the country programme – that is, the activities and interventions on behalf of children and women. The programme is owned primarily by the host Government. The scope of the audit in this area includes the following:

- **Resource mobilization and management**. This refers to all efforts to obtain resources for the implementation of the country programme, including fundraising and management of contributions.
- **Planning**. The use of adequate data in programme design, and clear definition of results to be achieved, which should be specific, measurable, achievable, realistic and timebound (SMART); planning resource needs; and forming and managing partnerships with Government, NGOs and other partners.
- **Support to implementation**. This covers provision of technical, material or financial inputs, whether to governments, implementing partners, communities or families. It includes activities such as supply and cash transfers to partners.
- **Monitoring of implementation**. This should include the extent to which inputs are provided, work schedules are kept to, and planned outputs achieved, so that any deficiencies can be detected and dealt with promptly.
- **Reporting.** Offices should report achievements and the use of resources against objectives or expected results. This covers annual and donor reporting, plus any specific reporting obligations an office might have.
- **Evaluation**. The office should assess the ultimate outcome and impact of programme interventions and identify lessons learned.

All the areas above were covered in this audit.

The audit found that controls were functioning well over a number of areas. In 2014 a programme group meeting with a rotating chair had been introduced, ensuring ownership and a participatory approach for all items covered in the agenda. The zone office had ensured linkage to programme monitoring in the cash advance liquidation process. There was close coordination with the Ghana Audit Service to provide assurance for government counterparts.

However, the audit made the following observations.

Work planning

According to UNICEF's Programme Policy and Procedure Manual, workplans provide detailed activity planning and set out what will be accomplished during specific time periods. Workplans, signed by UNICEF and a partner, provide the basis for the requisition of inputs (cash, supplies, contracts, travel and salaries) and disbursement of funds to carry out planned activities. Workplans should set out specific and measurable outputs, and can be signed for one output, multiple outputs or outcomes.[3]

A review of 2014 workplans noted the following.

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[3] UNICEF programmes plan for results on two levels. An outcome is a result of the country programme, against which resources will be allocated. An output is a description of a change in a defined period that will significantly contribute to the achievement of an outcome.

Indicators, baselines and targets: There was some lack of clarity in output indicators, baselines and targets. For example, in one sectional workplan, there was an output indicator that read "Sector coordination structures functional at national level and in five regions"; this had a baseline of "Sub-optimal national level coordination structures", an overall target of "Functional coordination structures at national level" and a 2014 target of "five RICCS[4] meetings quarterly". These statements are unclear about what the starting point is, what the overall target is and how the annual target will contribute.

A lack of reliable data at the sub-national levels was one of the factors that had an adverse impact on the definition of baselines. The audit found that, two years into the country programme, a number of baselines had yet to be defined or confirmed. This was noted in almost all sector workplans. In one programme, eight out of 13 baselines had yet to be determined or confirmed.

Programme convergence: The issue of programme cohesion had been noted as a priority in management plans since 2012. To this end, the Tamale zone office had mapped all of its activities; the country office, however, had not done this. A review of activities showed that the sections were implementing their activities on an individual project-like basis instead of adopting comprehensive interventions with geographic and/or activity focus.

A concept note on convergence in the northern regions had been presented to management in April 2014, but had not yet been approved for implementation at the time of the audit. Once it was approved by the CMT, the intention was to pilot it in the northern regions. Meanwhile, however, the audit noted that there was no evidence in the sectoral workplans that the different sections came together to consider opportunities for synergies across their workplans. The office stated that this would now be covered in the programme group meeting from 2014.

Input costing and budgets: The sections had estimated the costs of their workplan activities, but not linked them to the supply plan. The supply plan itself identified the workplan activities, but only gave supply quantities; their costs were not estimated.

Agreed action 5 (high priority): The office agrees to strengthen its work-planning process by:

i. Ensuring outputs, baselines and targets are clearly defined and data gaps are appropriately addressed.
ii. Mapping activities and identifying areas for synergy between programme activities and locations, to provide more coordinated and comprehensive interventions.
iii. Ensure that the costs of programme inputs (cash and supply inputs) are estimated and monitored to ensure they are within the overall plan.

Staff responsible for taking action: Deputy Representative; M&E Specialist; Chief of Field Office
Date by which action will be taken: March 2015, then ongoing

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[4] Regional Inter-Agency Coordinating Council on Sanitation.

Resource mobilization[5]

Ghana is a lower middle-income country, which may have had an impact on external donor fund inflows.

The country office had an approved OR budget of US$ 140 million over the 2012-2016 country programme cycle. For the period January 2012-April 2014, the office had raised a total of approximately US$ 52 million in OR. Moreover, the audit noted that there were imbalances between sectors in terms of funding secured. Out of the US$ 52 million so far raised, approximately one-third was for the WASH sector – which had an OR budget of US$ 21 million for the five-year country programme. The remaining two-thirds was shared by the other five sectors.

Funding discrepancies among the various sector outcomes were also noted. As of the beginning of 2014, the two *Child protection* outcomes had secured 79.1 percent and 91.9 percent of the funding required for the 2012-2016 country programme cycle; *Health and nutrition*, however, was only 30 percent funded. Although the two WASH outcomes were only 25.3 and 37.1 percent underfunded, certain outputs within the outcomes (such as 32, HH water treatment and safe storage and 37, drinking water quality) were 79.7 and 65.3 percent unfunded.

The office had developed a donor engagement plan, but this had not been formally approved at the time of the audit. The office had not assigned staff accountabilities for resources mobilization and for monitoring funding gaps

Agreed action 6 (medium priority): The office agrees to develop and finalize a resource and funding strategy that addresses funding requirements for all the programmes. The strategy will include:

i. Assignment of staff accountabilities for resource mobilization.
ii. Mapping of resource-mobilization partnerships and collaborative relationships.
iii. A monitoring process for all programme outputs funding requirements with a focus on underfunded programmes.

Staff responsible for taking action: Fundraising Specialist
Date by which action will be taken: December 2014, then ongoing

Management of cash transfers

The audit reviewed the management of cash transfers, which in UNICEF are made according to a framework called the Harmonized Approach to Cash Transfers (HACT). With HACT, the office relies on implementing partners to manage and report on use of funds provided for agreed activities. This reduces the amount of supporting documentation UNICEF demands from the partner, thus cutting bureaucracy and transaction costs.

HACT makes this possible by requiring offices to systematically assess the level of risk before

[5] While the terms “resource mobilization” and “fundraising” are often used interchangeably, the former is slightly broader; although fundraising is its largest single component, it also includes mobilizing resources in the form of people (volunteers, consultants and seconded personnel), partnerships, or equipment and other in-kind donations.

making cash transfers to a given partner, and to adjust their method of funding and assurance practices accordingly. HACT therefore includes micro-assessments of the individual implementing partners that are either government entities or NGOs. There should also be audits of implementing partners expected to receive more than US$ 500,000 during the programme cycle. There should also be a macro-assessment of the country's financial management system. As a further safeguard, the HACT framework requires offices to carry out assurance activities regarding the proper use of cash transfers. Assurance activities should include spot checks, programme monitoring and special audits.

HACT is required for two other UN agencies (UNDP and UNFPA), and country offices should coordinate with them to ensure best use of resources.

The audit noted the following with reference to cash transfers.

Macro-assessment: A performance review of public expenditure and financial accountability had been performed in 2012. As allowed by the HACT framework, the UN Country Team (UNCT)[6] used this as a macro-assessment.

Micro-assessments and assurance activities: The office had an assurance plan in which the risk rating of partners was based on their micro-assessments. Those that had not had a micro-assessment performed during the year were ranked high risk and subject to at least three spot checks each year. (Medium-risk partners were to have at least two spot-checks a year, and low-risk at least one.) The office also had a comprehensive spot-check format that involved the team discussing recommendations with the partner before both they and the UNICEF team signed off on the report. The zone office went further, consolidating all the recommendations in one tracking file and regularly following up their implementation with the client, in some cases withholding further advances if significant issues were not addressed.

However, the country office was not meeting its own criteria for spot checks. For 2013, based on the risk ratings of 94 partners on the assurance plan, 260 spot checks should have been undertaken. The office had achieved 24 percent of this; moreover, what had been undertaken was not linked to the risk rating of partner as planned, or to the amount of cash transfers received by such partners. For example, based on the assurance plan provided, the audit found that, of the 13 partners rated high/significant risk that had received over US$ 100,000 in 2013, only one had been spot-checked. The office stated that six other partners had also been checked, but those were not in the original summary given to the audit. Moreover, the country office's record of spot checks performed did not include those done by the zone office, so the office did not have an overall summary of the actual assurance provided.

The audit also noted that programme monitoring was not integrated into the assurance-activities plan. The zone office did ensure the programmatic monitoring of an activity was reported at the time of liquidation and attached to the liquidation documents. However, no consolidated summary of the link between liquidations and monitoring was maintained at country-office level, and the link was not reflected in the overall plan of assurance activities. (The office stated that this was being addressed.)

The audit noted one instance where the zone office withheld further transfers if recommendations were not addressed. However, the country office as a whole had no

[6] UNCT stands for UN Country Team, and is an internal UN term to refer to the joint meeting of all the UN agencies or bodies active in a given country.

feedback mechanism for assurance activities, by which their findings could lead to a review of the partner's risk rating, or the methodology of input (i.e. continued cash transfers, or a change to reimbursement or direct payments).

Finally, the audit noted some differences between the partner risk ratings in VISION and those in the assurance plan. The office stated that some arose because of inconsistencies between the names of the partners, or either VISION and/or the plan needing to be corrected or updated. Furthermore, not all the partners in the assurance plan had a risk rating. Of the 110 listed, 94 were rated. The office stated that this was because not all were active partners.

Agreed action 7 (medium priority): The office should strengthen the cash transfer assurance process by ensuring that:

i. Overall summary of actual assurance activities is maintained and its implementation is closely monitored by the programme group.
ii. Programmatic monitoring is included in the assurance plan.
iii. The results of spot checks and programme monitoring are fed back into an updated risk rating of the partner, and where appropriate a change of cash-transfer methodology (i.e. direct payment, reimbursement etc.) for that partner.
iv. The updated risk ratings are properly reflected in VISION.

Staff responsible for taking action: Operations Manager, Finance Officer, Planning Specialist
Date by which action will be taken: March 2015

Programme and supply monitoring and reporting

Country offices are expected to monitor both the progress of supported activities in the field, and the use of UNICEF-provided supplies. UNICEF's Programme Policy and Procedures Manual emphasises that several elements are needed for an effective monitoring framework. They include detailed plans and schedules, field visits, analysis of information, progress reporting and monitoring of action taken.

Programme monitoring: Field visits are meant to provide feedback on programme indicators, and identify problems before it is too late; they are an important tool for an office to keep track of programme implementation, making adjustments when necessary. A robust monitoring plan should clearly outline who requires the information, how frequently and in what form.

The audit found that the office did not have a monitoring framework. No monitoring plans were drawn up in 2013 or 2014 and field monitoring visits were on an *ad hoc* basis. Neither was there a process to consolidate, review and follow up on issues that arose from monitoring visits.

Supply monitoring: The audit noted that in 2013 the supply unit performed what was termed a cradle-to-grave review of supply in one region. The zone office performed two reviews of supply in different districts in the North at the end of 2012. The 2013 review found that medical supplies were expiring, distribution plans were not in place, districts were not aware of the availability of supplies and there were some problems with warehousing. In 2014 the supply unit recommended to management that an end-user supply monitoring procedure be established.

Agreed action 8 (high priority): The office agrees to:

i. Put in place a programme monitoring framework that includes the key indicators to be monitored, and ensure that the monitoring plan is monitored and recommendations from field visits are addressed.
ii. Implement an end-user monitoring process and use the information gathered from monitoring visits to provide regular feedback on the efficiency of the supply chain.

Staff responsible for taking action: M&E Specialist and Supply/Procurement Manager
Date by which action will be taken: December 2014

Integrated Monitoring and Evaluation Plan (IMEP)

Contrary to UNICEF requirements, no five-year IMEP had been prepared for the current country programme. The office therefore used an IMEP covering 12 or 24 months (depending on the length of the current management plan), and updated it quarterly after discussions between the monitoring and evaluation (M&E) officer and each Head of Section. However, the changes and the reasons for them were neither presented to the CMT nor officially endorsed by management. Also, although there were a number of M&E activities planned, there had been no prioritization of implementation of these activities or consideration of the resources available.

The plan did not include an evaluation for all programme components of the current country programme. For example, there were no evaluations planned to cover *Education* or *Child protection*.

Agreed action 9 (medium priority): The office agrees to:

i. Prepare an integrated monitoring and evaluation plan (IMEP) to cover the remainder of the current country programme.
ii. Prioritize monitoring and evaluation (M&E) activities so that the IMEP can be adjusted to the office's capacity in terms of human resources and funding; but also ensure that all programme components are evaluated in the course of the country programme.
iii. Ensure that implementation of the annual and multi-year IMEP is monitored and updated regularly, and that the reasons for any changes are endorsed by management.

Staff responsible for taking action: M&E Specialist
Date by which action will be taken: March 2015 and then on-going

Programme management: Conclusion

Based on the audit work performed, OIAI concluded that the controls and processes over programme management, as defined above, needed improvement to be adequately established and functioning.

3 Operations support

In this area the audit reviews the country office's support processes and whether they are in accordance with UNICEF Rules and Regulations and with policies and procedures. The scope of the audit in this area includes the following*:*

- **Financial management**. This covers budgeting, accounting, bank reconciliations and financial reporting.
- **Procurement and contracting.** This includes the full procurement and supply cycle, including bidding and selection processes, contracting, transport and delivery, warehousing, consultants, contractors and payment.
- **Asset management**. This area covers maintenance, recording and use of property, plant and equipment (PPE). This includes large items such as premises and cars, but also smaller but desirable items such as laptops; and covers identification, security, control, maintenance and disposal.
- **Human-resources management.** This includes recruitment, training and staff entitlements and performance evaluation (but not the actual staffing structure, which is considered under the Governance area).
- **Inventory management.** This includes consumables, including programme supplies, and the way they are warehoused and distributed.
- **Information and communication technology (ICT)**. This includes provision of facilities and support, appropriate access and use, security of data and physical equipment, continued availability of systems, and cost-effective delivery of services.

All of the above areas were covered in this audit (excluding asset management, human-resources management and information and communication technology, which had been assessed as low risk).

The audit found that controls were functioning well over a number of areas. There were adequate procedures in the area of financial management, with appropriate control of bank reconciliations and liquidity levels. The office received regular reports on supplies in Government warehouses, and performed annual stock counts, which were reconciled to VISION records. There was an updated business continuity plan (BCP) at country-office level, and it had been tested.

However, the audit made the following observations.

Unreconciled balance

Prior to 2013, there were UN volunteers working in the office. They were paid through the UNDP country office, and the UNICEF office made an advance payment, which was expensed in the books when the corresponding supporting documentation was received.

During the 2013 year-end accounts closure, it was found that there was an amount of US$ 143,000 that had arisen between 2004 and 2012, and could not be reconciled after the migration of the accounts to VISION in 2012. The UNDP office could not provide the relevant supporting documentation. In the framework of the 2013 closure, this issue had been reported to the Division of Financial and Administrative Management (DFAM) as a dispute; but no support had been sought specifically for resolution of that dispute, and at the time of the audit the balance remained unreconciled.

Agreed action 10 (medium priority): The office agrees to formally escalate for resolution to the Division of Financial and Administrative Management (DFAM) the dispute on the unreconciled salary advance balances totalling US$ 143,000 paid for UN Volunteers managed by UNDP.

Staff responsible for taking action: Chief of Operations, Finance Officer
Date by which action will be taken: December 2014

Cash transfer transactions

The total expenses on direct cash transfers (DCTs) from January 2013 to April 2014 was US$ 17.7 million. As of April 2014, the office had US$ 3.7 million in unliquidated cash advances. The office monitored its DCTs regularly and at the time of the audit less than one percent of DCTs outstanding were older than 60 days. However, the audit tested a sample cash transfers and liquidations, and noted the following.

Fund management: The audit noted a case where the second tranche to be paid under a PCA was delayed because there were no funds available.

Another partner signed a PCA with the office under which the first instalment was to be paid in November 2013. However, it was not paid until three months later, in February 2014. The office said that this was because the office had had to work with the partner on the scope and preparation of the DCT application, and this had run on into the holiday period so that the funds could not be released.

A similar case arose in respect of a new NGO partner, where the funds related to the period September 13 to December 2013 were transferred in December. Again, the office informed audit that this was because they had had to help the partner scope the DCT. In the case of a further partner, the second tranche request was submitted in January 2014, after the expiry of the PCA – which had run from June to November 2013.

In general, a number of payments to the sampled NGO partners were not made according to the plans in the PCAs.

Refunds: One Government partner had made two refunds to UNICEF, one five months after the advance had been received and the other three months afterwards. However, at the time of the audit no liquidations had been processed, though one of the DCTs was by then over six months old and the other five months old. The office stated that these refunds had been effected when the partner recognized that it would not be able to spend the funds, and the liquidations were now in process. The audit also noted an NGO that refunded 50 percent of the cash transfer almost a year after they received it in July 2012.

Liquidations: Relatively few DCTs had been outstanding for more than 60 days at the time of the audit. However, the audit's review of a sample of liquidations in 2013 and 2014 found that, over time, cash transfer liquidations had taken between 6.1 and 9.9 months. In a visit to a new partner, the audit heard that there had been a verbal agreement that the liquidation for a DCT received in December 2013 should be effected by the end of June 2014; and yet the PCA had specified that payments would be made in instalments, but that payments would not be made if previous CT had not been liquidated. Quarterly payments were specified, which would mean that liquidations would have had to be done within three months.

Agreed action 11 (medium priority): The office agrees to ensure that:

i. Cash transfers are released based on agreed budget estimates that have been reviewed against carefully scoped workplan activities.
ii. Cash transfer amounts released are based on the partner's capacity to implement the agreed activities within the agreed timeframes.

Staff responsible for taking action: Chiefs of Sections
Date by which action will be taken: December 2014 and onwards

Contracting

The audit reviewed the contracting documents related to six corporate contracts and noted the following weaknesses.

Finalization of contracts: It took too long to finalize a contract. On average, it took nine months from the launch of the tender to the signature of the contract and seven months from the launch of the tender to the meeting of the Contract Review Committee (CRC).

Progress payments: UNICEF guidelines on progress payments require 'contracting authorities to negotiate a payment schedule that pays suppliers a percentage of the contract in proportion to the percentage of supplies delivered or work performed'. In five out of the six cases reviewed, the payment schedule defined in the terms of reference differed from that the contract. The differences observed always resulted in an increased percentage paid for the inception phase. For example, in one case 30 percent was paid at inception instead of the 20 percent specified in the contract. Moreover, the actual percentage paid upon receipt of the inception report varied a lot from one case to another (from 10 to 35 percent). The audit could not therefore confirm that the payment schedules applied were in accordance with the UNICEF principles on progress payments.

Agreed action 12 (medium priority): The country office agrees to:

i. Establish a process to ensure that contracts are issued in a timely manner in accordance with the planned activity dates.
ii. Ensure that contract payment schedules are linked to specific outputs/deliverables that are specified in the contracts, and the outputs are established following UNICEF principles.

Staff responsible for taking action: Chiefs of Sections, Supply/Procurement Manager
Date by which action will be taken: December 2014 onwards

Vendor account management

The audit reviewed the vendor accounts in VISION, and noted the following.

VISION and assurance plan: The audit could not reconcile the names and the numbers of partners on the assurance plan to the VISION report of DCT by partner for 2013 and 2014. The cash-transfer assurance plan listed 110 partners; VISION had 123. The office stated that although the zone office listed all its partners for 2012-2013, the country office itself had listed only those who had received above US$ 50,000 in 2012. It also stated that there were new partners, and some that were on Small-Scale Funding Agreements (SSFAs) that would not be on the assurance plan. The office did however agree that there needed to be consistency between the names in VISION and those on the assurance plan.

Government partners: As the office deals with different government counterparts at sub-national level, accounts are opened for each entity with which UNICEF transacts. However, the office did not have a mechanism that linked each partner-related vendor account in VISION to the parent Ministry or Statutory body with whom the workplan has been signed. This would have enabled monitoring of total cash transfers to the parent body.

Such tracking would have helped each section ensure its total cash transfers were within the workplan budget, and avoid account duplications (the audit noted one government counterpart that had two separate accounts in VISION; according to the office, although the counterparts had exactly the same name, they were actually two entities in different regions).

Non-Government Organizations: The office did not systematically check that accounts for NGOs in VISION had a signed PCA or SSFA. Payment could therefore have been made erroneously to a partner with no active PCA, or fraudulently to inactive accounts.

The office had a procedure and workflow for the registration of new vendors, but it did not include a check to ensure that the vendor did not already exist. In addition, the procedure did not provide for periodic clean-ups of the vendor database.

Agreed action 13 (medium priority): The office agrees to strengthen management of partner vendor accounts in VISION by:

i. Regularly reconciling all partner accounts to signed workplans, Programme Cooperation Agreements or Small-Scale Funding Agreements.
ii. Putting in place a tracking mechanism for government partners at sub-national level that enables clear identification of the parent account.
iii. Performing regular clean-ups of the vendor database, eliminating duplicates, inconsistencies in names, etc.
iv. Amending the vendor registration procedure so that it includes a check as to whether an entry already exists for the vendor.

Staff responsible for taking action: Chief of Operations, Operations Assistant
Date by which action will be taken: September 2014 onwards

Logistics capacity

The country office's 2013 annual report stated that during the year the office had procured and supplied cold chain equipment and temperature-monitoring devices, and assisted with the procurement of vaccines and other major items on behalf of the Government of Ghana; the value of the equipment and supplies involved totalled US$ 33.4 million. However, the audit found that the office's logistics capacity assessment was not up-to-date; it also omitted a cold-chain assessment, although the office provided procurement services for vaccines.

Agreed action 14 (medium priority): The office agrees to update its logistics capacity assessment and, in coordination with the Government, organize an in-country cold-chain capacity assessment.

Staff responsible for taking action: Supply/Procurement Manager
Date by which action will be taken: December 2014

Operations support: Conclusion

Based on the audit work performed, OIAI concluded at the end of the audit that the controls and processes over operations support, as defined above, were generally established and functioning during the period under audit.

Annex A: Methodology, definition of priorities and conclusions

The audit team used a combination of methods, including interviews, document reviews, testing samples of transactions. It also visited UNICEF locations and supported programme activities. The audit compared actual controls, governance and risk management practices found in the office against UNICEF policies, procedures and contractual arrangements.

OIAI is firmly committed to working with auditees and helping them to strengthen their internal controls, governance and risk management practices in the way that is most practical for them. With support from the relevant regional office, the country office reviews and comments upon a draft report before the departure of the audit team. The Representative and their staff then work with the audit team on agreed action plans to address the observations. These plans are presented in the report together with the observations they address. OIAI follows up on these actions and reports quarterly to management on the extent to which they have been implemented. When appropriate, OIAI may agree an action with, or address a recommendation to, an office other than the auditee's (for example, a regional office or HQ division).

The audit looks for areas where internal controls can be strengthened to reduce exposure to fraud or irregularities. It is not looking for fraud itself. This is consistent with normal practices. However, UNICEF's auditors will consider any suspected fraud or mismanagement reported before or during an audit, and will ensure that the relevant bodies are informed. This may include asking the Investigations section to take action if appropriate.

The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditors. OIAI also followed the reporting standards of International Organization of Supreme Audit Institutions.

Priorities attached to agreed actions

High: Action is considered imperative to ensure that the audited entity is not exposed to high risks. Failure to take action could result in major consequences and issues.

Medium: Action is considered necessary to avoid exposure to significant risks. Failure to take action could result in significant consequences.

Low: Action is considered desirable and should result in enhanced control or better value for money. Low-priority actions, if any, are agreed with the country-office management but are not included in the final report.

Conclusions

The conclusions presented at the end of each audit area fall into four categories:

[Unqualified (satisfactory) conclusion]

Based on the audit work performed, OIAI concluded at the end of the audit that the control processes over the country office *[or audit area]* were generally established and functioning during the period under audit.

[Qualified conclusion, moderate]
Based on the audit work performed, OIAI concluded at the end of the audit that, subject to implementation of the agreed actions described, the controls and processes over [audit area], as defined above, were generally established and functioning during the period under audit.

[Qualified conclusion, strong]
Based on the audit work performed, OIAI concluded that the controls and processes over [audit area], as defined above, needed improvement to be adequately established and functioning.

[Adverse conclusion]
Based on the audit work performed, OIAI concluded that the controls and processes over [audit area], as defined above, needed **significant** improvement to be adequately established and functioning.

[Note: the wording for a strongly qualified conclusion is the same as for an adverse conclusion but omits the word "significant".]

The audit team would normally issue an ***unqualified*** conclusion for an office/audit area only where none of the agreed actions have been accorded high priority. The auditor may, in exceptional circumstances, issue an unqualified conclusion despite a high-priority action. This might occur if, for example, a control was weakened during a natural disaster or other emergency, and where the office was aware the issue and was addressing it. Normally, however, where one or more high-priority actions had been agreed, a ***qualified*** conclusion will be issued for the audit area.

An ***adverse*** conclusion would be issued where high priority had been accorded to a significant number of the actions agreed. What constitutes "significant" is for the auditor to judge. It may be that there are a large number of high priorities, but that they are concentrated in a particular type of activity, and that controls over other activities in the audit area were generally satisfactory. In that case, the auditor may feel that an adverse conclusion is not justified.