

# Internal Audit of the Republic of Pakistan Country Office

December 2014

Office of Internal Audit  
and Investigations (OIAI)  
Report 2014/34



## Summary

The Office of Internal Audit and Investigations (OIAI) has conducted an audit of the Pakistan Country Office. The audit took place from 19 August to 11 September 2014, and covered governance, programme management, and operations support during the period from 1 January 2013 to 15 August 2014.

The 2013-2017 UNICEF country programme has six programme components: *Health, Nutrition and Polio; Education; Water, sanitation and hygiene; Child protection and Strategy; and Planning, Monitoring and Evaluation*. There is also a cross-sectoral component. The country programme has a total budget of US\$ 389 million for the five-year period. Of this, US\$ 91 million is regular resources (RR) and US\$ 298 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 Islamabad, and has a total workforce of 308 approved posts (46 international posts, 135 national officers and 127 general service staff). Of these approved posts, 147 are in Islamabad, with the remaining 161 stationed in the four zone offices (Peshawar, Karachi, Lahore and Quetta).

### 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:

- The office agrees to map all existing and potential partners, update the information periodically and reconcile the active partner list with VISION. It also agrees to immediately identify all single-signatory accounts and replace them with accounts with a minimum of two recognized signatories before further payments are made.
- The office had made modifications to the Funding Authorization Certificate of Expenditure (FACE) form, and the cash advance processes did not always comply with the Harmonized Approach to Cash Transfers (HACT). The office agrees to review the cash transfer process, ensure clarity and consistency of requests and liquidations, and comply with the HACT guidelines and standard formats.

### Conclusion

The audit concluded that, subject to implementation of the agreed actions described, the controls and processes over the Pakistan office were generally established and functioning. The country office, with support from the Regional Office for South Asia (ROSA), and OIAI will work together to monitor implementation of these measures.

# Contents

<b>Summary</b>	<b>2</b>
<b>Objectives</b>	<b>4</b>
<b>Audit Observations</b>	<b>4</b>
<b>Governance</b>	<b>5</b>
Oversight of zone offices	5
Staffing structure	5
Delegation of authorities	7
Risk management	8
Governance: Conclusion	9
<b>Programme management</b>	<b>10</b>
Situation analysis	11
Work planning	12
Resource mobilization	14
Partnerships	14
Harmonized Approach to Cash Transfers	16
Polio programme	18
Programme monitoring	19
Donor and annual reporting	20
Programme management: Conclusion	21
<b>Operations support</b>	<b>22</b>
Processing of cash transfers	22
Contracting	23
Vendor master records	25
Travel	26
Common premises	27
Warehouse and inventory management	27
Property, plant and equipment	28
Official vehicles	29
Information and Communication Technology	30
Operations support: Conclusion	31
<b>Annex A: Methodology, and definition of priorities and conclusions</b>	<b>32</b>

## 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. In addition to this assurance service, the audit report identifies, as appropriate, noteworthy practices that merit sharing with other UNICEF offices.

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. For instance, the office identified and communicated priorities in the multi-year workplan. It had issued updated versions of the terms of reference (ToRs) for the various governance teams and committees in August 2014. This included the country management team (CMT), which helps the Representative oversee the day-to-day running of the office and programme. The updated ToRs specified, among other things, the purpose, functions and composition of the teams and committees.

The office also ensured that staff performance evaluation reports were included in the office's priorities and were prepared on time. During 2013, the Ethics Officer from NYHQ presented the UNICEF ethics policy to staff members.

However, the audit also noted the following.

## Oversight of zone offices

Country offices are expected to set key performance indicators (KPIs) to monitor and report on the performance of zone offices. Accountabilities of zone offices should be clearly defined and communicated.

In 2013, there was no annual management plan (AMP) and therefore no document that clearly defined the oversight mechanisms of zone offices. The office prepared an AMP in 2014, but the oversight mechanisms referred mainly to remote oversight such as the Chiefs of Field [zone] Offices (CFOs) teleconference. The latter, held weekly, reviewed a set of KPIs, such as the number of field trips undertaken by the zone offices, the number of spot checks and direct cash transfers outstanding, funding status and grant expiries. However, no province-specific programme priorities were in the AMP or tracked in the CFO teleconference. Further, sampled annual workplans did not include baselines and indicators for all programme results. It was therefore unclear how the office would monitor progress.

The programme and operations specialists/officers in the zone offices had reporting lines to the programme section chiefs in the country office. However, there was no formal mechanism for assessing the performance of either the specialists in the zone offices, or the chiefs of zone offices themselves.

Programme section chiefs were expected to support zone offices through visits or other means. However, a sample of 10 trip reports reviewed by audit showed that most were not related to the zone offices and when they were, they did not always provide recommendations to improve performance. It was therefore not possible to assess the quality of technical support provided to programme specialists in the zone offices during onsite visits. The audit was also unable to assess the extent of support provided remotely.

The office stated that zone-office visits were sometimes also used for oversight. In this respect, the office was developing a database called Track-It to allow oversight and technical issues stemming from field visits to be recorded, followed-up and accessible to all.

**Agreed action 1 (medium priority):** The office agrees to:

- i. Clearly articulate the oversight mechanisms of zone offices in the annual management plan (AMP) and link them in the personal evaluation reports of programme and operations section chiefs.
- ii. Develop province-specific priorities with respect to programmatic opportunities, environment and area-specific risks, thereby ensuring oversight of the zone offices is based on clear performance indicators and targets.
- iii. Regularly monitor, and assess the adequacy of, the onsite support provided by programme section chiefs to zone offices.
- iv. Ensure programme and operations section chiefs provide feedback on the technical capacities of relevant field staff for use in their performance appraisals.

Staff responsible for taking action: Representative, Deputy Representative, Chief of Operations, Chief of Field Offices, Programme Section Chiefs and Chiefs of Field Offices

Date by which action will be taken: 28 February 2015

## Staffing structure

At the time of the audit the Pakistan Country Office had 308 approved posts, of which 65 were

vacant – placing them at a staffing strength of 79 percent. Eighteen vacant posts were frozen due to the creation of UNICEF’s Global Shared Service Centre, which will process some transactions on behalf of country offices from 2015. A further 10 posts were vacant due to funding constraints. The office stated that a number of the other vacancies were recent; however, it added that there were challenges in recruiting the right international staff at the right time due to a deterioration in the conditions of service in the country.

The audit reviewed the staffing structure and noted the following.

**Programme:** The audit looked at the respective size of the country office and the four zone offices. In so doing, it kept in mind that in 2010 Pakistan passed a constitutional amendment that enhanced provincial autonomy. This, and a change in programmatic thrust to upstream work (e.g., policy and advocacy activities, rather than direct service delivery), required higher technical capacities in provincial capitals where decisions were now being made. Despite this, 46 percent of the total fixed-term posts were still in Islamabad. The audit also noted inconsistencies in the programme structure. There were separate units for Health and Nutrition at country-office level, but the zone offices had a single Health & Nutrition unit. The reporting lines were therefore convoluted.

During the PBR<sup>1</sup> for the 2013-2017 programme, the office performed an in-depth review of the staff post requirements for UNICEF Pakistan in February and March 2013 respectively. However, there were still gaps relating to staff capacities, and there were no linkages between the gaps identified in the review and the office’s staff learning plan. The Education Team had noted capacity gaps as critical following a retreat and self-assessment in August 2013. With management support, an agreement had been signed with UNESCO for a capacity needs assessment and subsequent capacity building of the Pakistan Country Office Education Team at both federal and provincial levels. At the time of the audit, other sections had yet to perform similar assessments.

**Operations:** The Operations section in Islamabad had 62 staff posts, of which seven were vacant and on hold, and a further seven were temporary assignment (TA) positions. Although a detailed review was performed of the required posts, there had yet to be an overall needs analysis on the various technical capacities in operations.

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

- i. Undertake a technical capacity analysis and skills gap assessment for all sections and ensure that the results inform the training plan.
- ii. Review and rationalize the distribution and reporting lines of programme staff at country-office and zone-office level.
- iii. Seek the advice of the Division of Human Resources on ways to address the recruitment challenges.

Staff responsible for taking action: Deputy Representative, Chief of Operations, Chief of Field Operations, Programme Section Chiefs and Chiefs of Field Offices

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<sup>1</sup> The programme budget review (PBR) is a review of a UNICEF unit or country office’s proposed management plan for its forthcoming country programme. For a country office, it is carried out by a regional-level committee, which will examine – among other things – the proposed office structure, staffing levels and fundraising strategy, and whether they are appropriate for the proposed activities and objectives.

Date by which action will be taken: 30 April 2015

## Delegation of authorities

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. Each office is also required to maintain a manual Table of Authorities (ToA); the Head of the Office should review the ToA periodically (preferably quarterly) to confirm its continued accuracy and appropriateness. An understanding of these roles, and the responsibilities assigned to staff, is essential in approving role assignments.

The audit reviewed the VISION role mapping, ToA, and delegation of financial signing authority.

**Assignment of roles:** A number of roles assigned to staff were not aligned with their functional responsibilities. For instance, the approving role was assigned to 19 programme staff including programme assistants, while programme staff could approve transactions in VISION. Further, the accounts receivable L2 role was assigned to programme assistants and programme specialists; non-operations staff could therefore post parked invoices and clear customer open items in VISION. In another case, travel administrator role was assigned to seven programme staff and one accounting and finance assistant, and they could amend and post travel expenses in VISION.

**Segregation of duties:** Some duties were not adequately segregated. For example, two staff members had been assigned both approving and paying roles, and could thus pay invoices that they themselves had posted in VISION. In another case, the approving role was assigned to a staff member who was also assigned authorizing and paying roles, so that they could authorize budget, post invoices and pay invoices all on their own in VISION.

The audit also noted that the administration assistants and IT assistants in the country office had the rights to maintain/modify asset records in VISION. In many instances, their names also appeared under "responsible person for the count", which is an inadequate segregation of duties. Inadequate segregation of duties increased the risks of irregularities and errors.

**Accuracy of recording roles in VISION:** Roles registered in VISION did not always match with the approved ToA. For example, the approving and authorizing roles were recorded in VISION but not in the ToA for 16 and 20 staff respectively. Conversely, the approving role was manually delegated to six staff members in the ToA, the authorizing role to 18 staff members, the certifying role to five, the paying role to three, the programme L2 role to 10 and the receiving role to 17 staff members. However, these roles were not recorded in VISION for these staff members.

**Signatory panel:** The authority to amend signatories for the UNICEF bank account is vested in the Comptroller, Division of Finance and Administrative Management (DFAM), and delegated to the Deputy Director Finance of DFAM and the Heads of UNICEF offices. However, the office sent letters of amendment to the signatory panel signed jointly by two signatories – one

national and one international staff member; they did not include the Representative, and neither he nor DFAM had endorsed them. The office also did not follow up with the bank as to whether the changes had been made, particularly the deletion of staff from the signatory panel. During the audit the office confirmed with the bank that such changes should be effected within four to five business days.

**Acknowledgement of authorities:** UNICEF's Financial and Administrative Policy No. 1, supplement 1 states specifically that those delegated as authorizing, purchase order (PO) releasing, receiving, certifying, approving and paying officers must formally acknowledge their understanding and acceptance of this delegation in writing. The office did not issue letters of delegation to individual staff members for them to sign.

A new ToA was issued after the completion of the audit field work on 16 September 2014, and the office was in the process of regularizing the roles in VISION and issuing letters of delegation of authority.

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

- i. Ensure periodic review of the delegated authorities, segregation of duties and the mapping of functional roles by the Representative, and put in place and document compensatory controls where segregation-of-duties conflicts cannot be avoided.
- ii. Review the registration of the Table of Authorities (ToA) and the functional roles in VISION to ensure consistency of delegated authorities and assigned roles with the manual ToA.
- iii. Formalize accountability to individual staff members through letters of delegation that should be signed by the relevant staff in acceptance of the roles.

Staff responsible for taking action: Representative and Chief of Operations

Date by which action will be taken: 30 November 2014

## 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.

The audit found that the office had developed a methodical analysis and action plan on residual risks<sup>2</sup> in 2011; this had been updated in May 2012. In July 2014 a detailed assessment was performed in Islamabad and three of the four field offices (Karachi, Lahore, and Peshawar). A total of 201 risks were identified, with one rated as extreme, 14 as very high, 78 as high, a further 78 as medium, and 30 as low or very low. At the time of the audit, the office had refined the assessment and reduced the risks to a total of 70 key risks. It stated that this would be reviewed further. In the meantime, mitigation action plans were developed for all risks, with responsible staff and target dates for implementation and review.

However, the audit noted the following.

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<sup>2</sup> The residual risk is that remaining when actions to mitigate a risk have been taken.

- The office did not include all the zone offices in the risk assessment and did not state clearly why. The province omitted was Balochistan, which had significant issues including staffing access.
- The risk assessment was performed in isolation from work planning, so the office's workplans were not risk-informed (see also observation *Work planning*, p13 below).
- The risk assessment section in the Performance Management dashboard was not filled in. The office stated that the approved assessment would be documented in the corporate systems as a next step.
- There was no clear definition of what type of risks would need to be escalated.

**Agreed action 4 (medium priority):** The office agrees to:

- i. Ensure that risk assessments are entered and regularly updated in UNICEF's corporate management systems in accordance with the relevant guidance.
- ii. Incorporate all zone offices and related risks into the risk assessment, including mitigation measures and any risks that need to be escalated as appropriate.
- iii. Monitor and document the implementation of the mitigation action plan, and ensure that key risks and the status of the action plan are regularly reviewed by the country management team.

Staff responsible for taking action: Representative and Chief of Operations

Date by which action will be taken: 31 January 2015

### 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 with the exception of Evaluation, which was rated low risk.

In 2006 the Government of Pakistan requested that UN assistance to the country be based on the Delivering as One principle (DaO). DaO aims at a more unified and coherent UN structure at the country level, with One Leader, One Programme, One Fund and, where appropriate, One Office. The aim is to reduce duplication, competition and transaction costs. Originally launched in 2007 in eight pilot countries, DaO has also been adopted voluntarily by UN agencies in a number of others.

As part of DaO in Pakistan, an UNDAF<sup>3</sup> was agreed that included the first “One Programme” – initially for a two-year period (2009-10), and extended through December 2012 to align with the national planning cycle. Meanwhile, the United Nations Development Programme (UNDP), United Nations Population Fund (UNFPA) and UNICEF proposed to the Government of Pakistan that a common country programme document (CCPD) be developed. This single document takes the place of three separate country programme documents<sup>4</sup> for presentation to the respective Executive Boards of the Agencies. This was approved by the three organizations’ Executive Boards in February 2013.

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<sup>3</sup> The United Nations Development Assistance Framework (UNDAF), which is a broad agreement between the UN as a whole and the government, setting out the latter’s chosen development path, and how the UN will assist.

<sup>4</sup> The country programme document (CPD) is the paper in which a UNICEF country office sets out what it intends to do in the next five-year country programme cycle, and with who and what it will do it. The CPD is then submitted to UNICEF’s Executive Board and any amendments requested by the Board will be incorporated; the CPD then becomes the office’s core programme document.

The audit found that controls were functioning well over a number of areas. The office was developing a system to improve partnership management and programme trip reporting. This Partner Management Information System will be web-based and has already generated interest from other UN organizations. The office was also developing what it called the Track It information system to provide information about in-country travel and ensure that programmatic issues for follow up are recorded.

The office had performed audits of each project cooperation agreement (PCA) of any NGO partner that had received over US\$ 500,000 in the prior programme period, thus fully complying with the relevant requirement under HACT (see observation *Harmonized Approach to Cash Transfers*, p17 below).

A matrix had been prepared to ensure alignment of programme activities under DaO with UNICEF's 2014-2017 strategic plan outcomes.

However, the audit made the following observations.

### Situation analysis

Country offices are expected to prepare a new or updated situation analysis of children and women (SitAn) —using new statistics, national policies, laws and trends—at least once in the course of a country programme cycle. The SitAn should identify and analyze barriers and bottlenecks that prevent disadvantaged children and families from benefiting from required interventions and services.

**SitAn data:** In 2012, the office prepared SitAns for all provinces of Pakistan. The SitAns acknowledged a number of constraints, particularly with respect to reliability, completeness and disaggregation of data. The last Multiple Indicator Cluster Survey (MICS)<sup>5</sup> for most provinces had been completed in 2007/8 and due to lack of available funding, no MICS had ever been performed in Gilgit-Baltistan. Although the office was able to use the more recent 2011 National Nutrition survey for nutrition, most other data sources were between two and five years old, such as the Demographic Health Survey (2007) and Annual Status of Education Report (2010).

A new MICS process had begun in some but not all provinces. The office confirmed the lack of progress in some of them was due to lack of funds from provincial governments. However, due to advocacy by the office, a MICS was scheduled for Gilgit-Baltistan towards the end of 2014. Up-to-date data would increase the validity of baselines and targeting of most vulnerable children to ensure equity programming.

**Bottleneck analysis:** The SitAns were not informed by bottleneck analyses in 2013, but the office had subsequently decided to carry them out. However, programme sections performed the analyses differently, with some covering their entire sector, whilst others were specific to what the office deemed priority outcomes. The audit was not given evidence that there had been a bottleneck analysis of the polio programme.

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<sup>5</sup> The MICS is a survey technique developed by UNICEF to provide rigorous data across a range of fields from households, from women, from men and concerning under-fives. MICS is designed to provide internationally comparable data on the situation of children and women.

UNICEF's 2012 guidance on SitAns<sup>6</sup> is rights-based and equity-focused. In light of this, a bottleneck analysis should include the relationship between those who have rights and those whose duty it is to fulfil them.<sup>7</sup> In general, however, although some references were made to limitations in capacity, the analysis was not comprehensive in looking at relevant influencers and decision-makers.

A bottleneck analysis should also include supply determinant issues, including both services and the supply of (for example) vaccines or learning resources.<sup>8</sup> These were not dealt with comprehensively. For example, in one programme section, the 2013 provincial analysis was based only on one outcome – community-based counselling – and was not an overarching sectoral analysis. The analysis just referred to the lack of human resources under bottlenecks; there was no consideration of continuous availability of essential materials or inputs such as learning materials and financial resources, or analysis of logistics necessary to provide services for children given the geographic access.

**Agreed action 5 (medium priority):** The office agrees to:

- i. Develop an advocacy strategy to ensure sufficient funds are allocated by the Government for the conduct of regular Multiple Indicator Cluster Surveys in the provinces.
- ii. Ensure any upcoming SitAn updates and programme reviews include comprehensive up-to-date data and analyses of the situation of children and women to ensure that design of programmes is rights-based and equity-focused.

Staff responsible for taking action: Representative, Deputy Representative, Chief of Field Operations and Chiefs of Field Offices  
Date by which action will be taken: 31 March 2015

## Work planning

The audit reviewed the office's work-planning process, and noted the following.

**Annual management plan (AMP):** The AMP is an internal document that seeks to ensure that its human, material and financial resources of the office remain focused on the planned strategic results for children. An AMP is expected to be risk-informed, i.e. to consider significant risks to the achievement of the office's objectives in accordance with UNICEF risk management standards. The office did not prepare an AMP in 2013. It did do so for 2014, but the plan was not risk-informed (see observation *Risk management*, p9 above). Also, there was no indication as to what the objectives to be achieved were.

Also, the absence of a 2013 AMP was a disadvantage in preparation of that for 2014, as an assessment of the previous year's progress towards objectives would have helped better define the targets for the current year in relation to what still needed to be achieved by the end of the programme. The 2014 AMP was also not informed by the UN's internal DaO annual review, as it had taken place in the second half of the year.

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<sup>6</sup> *Guidance on conducting a situation analysis of children's and women's rights*, UNICEF Division of Policy and Strategy, March 2012.

<sup>7</sup> Sometimes referred to as a role-pattern analysis. See *Guidance on conducting a situation analysis of children's and women's rights*, para 34 (p15).

<sup>8</sup> *Guidance on conducting a situation analysis of children's and women's rights*, para 42 (p17).

The office had also not submitted the 2014 AMP to the Regional Office for review in accordance with UNICEF policies.

**Programme convergence:** There should be an analysis during annual programme reviews of new opportunities for convergence or synergies across programmes. The audit reviewed a sample of annual workplans at both federal and provincial level, and found that there was no documented analysis of programme convergence or at least geographic convergence, except in one workplan. The office informed the audit that convergence was now being actively undertaken in specific projects, such as Polio Plus, and that it intended to systematically implement it across all programmes.

**Emergency preparedness and response plan (EPRP):** The 2013 and 2014 EPRPs indicated that a number of requirements, including the logistics/cold chain capacity assessment essential for emergency response, had not been updated. Although some of the requirements, such as the surge roster, were available at the time of the audit, the EPRPs had not been amended. The cold-chain capacity assessment had been completed in 40 percent of the districts. In respect of the logistics chain, the office had yet to obtain updated information.

**Input planning:** Country programmes should plan for procurement of inputs in terms both of technical assistance and supplies. The audit found that supply plans were not all clearly linked to workplan activities and their structures were inconsistent among programme sections.

Although the need for consultants was identified in some annual workplans, only two sections had prepared plans for the procurement of consultants' services. Consultant input plans allow for the early development of terms of reference and selection of potential experts, particularly in new and/or undeveloped areas of expertise. In addition, country offices are expected to maintain rosters of candidates that have been pre-screened (for example, reference checks performed) so as to improve the efficiency of the contracting process. The audit found that rosters were not in place.

**Alignment of programmes:** Country offices are expected to use the UNICEF Programme Information Database (PIDB) coding system, together with the recently introduced Equity and Gender Equality Markers, for results-based planning and for monitoring and reporting on UNICEF plans, expenditures and key results. They are also expected to undertake a mid-year and end-year review of the accuracy and appropriateness of the PIDB codes (for larger offices, such as Pakistan, this should be done more frequently). At the time of the audit, the office had not completed its alignment of the programmes with PIDB codes.

**Agreed action 6 (medium priority):** The office agrees to strengthen its work-planning processes by taking the following steps:

- i. Ensuring that annual management plans are risk-informed (i.e. consider significant risks to the achievement of the office's objectives) and identify key priorities, and that their implementation is monitored regularly.
- ii. Continuing to identify and explore opportunities for programme or geographic convergence, and reflect them in the office's and zone offices' annual workplans.
- iii. Including updated logistics capacity and cold-chain assessments in the emergency preparedness and response plan.
- iv. Maintaining, and regularly reviewing and updating, a consolidated roster of consultancy service providers.

- v. Linking supply plans to workplan activities and ensuring that their structures are consistent among the office and zone offices.
- vi. Aligning programmes with UNICEF Programme Information Database codes to secure accurate reporting on expenditures and results.

Staff responsible for taking action: Deputy Representative, Chief of Operations and Chief of Field Operations

Date by which action will be taken: 31 May 2015

### Resource mobilization<sup>9</sup>

The office had a resource mobilization strategy and a One Fund has been set up under the DaO arrangement. The One Fund is intended to assist and streamline the provision of donor resources to UN Joint Programmes under the One UN Programme, as well as to simplify substantive and financial reporting. However, in discussions with the UN Resident Coordinator office, it was noted that the One Fund had challenges in attracting enough donors, as most were focused on particular provinces. The agencies therefore used their individual fundraising strategies to raise funds for the activities they were undertaking under the Delivering as One programme.

At the time of the audit, there were significant funding gaps, particularly in UNICEF's capacity building and communication for development (C4D) programmes. For example, the C4D output of the child protection programme, which had a budget of US\$ 5 million for 2013 and 2014, was 72 percent unfunded. Further, the health and nutrition capacity building component, which had a budget for 2013 and 2014 of US\$ 27 million, had a funding gap of 68 percent. The office stated that a donor had recently approved funds for the entire country programme that would be allocated to underfunded areas; however, this would not cover all of them. Pakistan is a lower middle-income country, which affects donors' interest, and a more concerted effort was needed to secure continuing funding.

**Agreed action 7 (medium priority):** The office, with support from the Regional Office, agrees to put additional efforts into advocacy with donors and to create strategic alliances to raise sufficient funds to implement critical components of the country programme.

Staff responsible for taking action: Representative and Deputy Representative

Date by which action will be taken: 31 January 2015

### Partnerships

Based on VISION accounts for the period January 2013-July 2014, cash transfers worth US\$ 57.6 million and supplies worth US\$ 30 million were processed through UNICEF partners. The audit reviewed partnership management and noted the following.

**Mapping:** Offices should undertake periodic surveys of NGOs to help identify potential new prospective partners and their comparative advantages for working in a particular thematic or geographical area. Such surveys should also be done as part of the SitAn (see also *Situation*

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<sup>9</sup> 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.

*analysis*, p11 above). As of the time of the audit, the Balochistan and the Khyber Pakhtunkhwa offices had completed such an exercise. The country office stated that it would ensure that the other zone offices also did so.

**Assessing partners:** Country offices are expected not to enter into contracts and partnerships with individuals or partners that are on the terrorist sanctions list in accordance with the UN Security Council resolution 1267. The audit noted that only the 2013-2014 HACT<sup>10</sup> micro-assessments had examined the governance structure of the partner as well as information on the directors and key persons invested in the entity. As most of the partners were contracted from 2012 and earlier, this key information on these partners was not available and therefore could not be checked against the sanctions list.

**Recording:** At the time of the audit the office had 420 active partners recorded in VISION, including 167 NGOs, 251 Government partners, one UN agency and one other. However, the office stated that it had only 214 partners, according to their PCA database. In addition, although the basic information on advances and their liquidation was entered in VISION, numerous fields in VISION had not been completed. Further, the office recorded the PCA information in an external database.

**VISION vendor registration forms and single signatory accounts:** The audit noted that the information provided on VISION vendor account registration forms, particularly for Government entities, was not always supported. For example, an account for a public engineering division was opened on the basis of a letter from the Bank stating that the account was in that name. In addition, single signatory accounts continued to be operated, particularly below provincial level. At the time of the audit the office had begun to take steps to ensure all accounts operated with a minimum of two signatories.

In another case, the form claimed to relate to an account for a UN agency. However, the account was actually not for that agency but related to a Government unit for which the monies were placed in a single-signatory account. The office recognized this as an error; it had arisen because the Government project office had previously been in partnership with the UN agency in question on an unrelated project, and had continued to use their name.

**Agreed action 8 (high priority):** The office agrees to take the following steps:

- i. Ensure that all zone offices perform a survey of potential NGO partners that is consolidated at the federal level and periodically updated.
- ii. Regularly reconcile the partners recorded in VISION with an active partner list (using project cooperation agreements and other agreements) to confirm accuracy; and ensure that the names of actual partners are recorded accurately in VISION.
- iii. Regularly update implementing partners' profiles, and check them against the UN1267 sanctions list.
- iv. Maintain a separate record of partners assessed as non-performing or no longer suitable for partnership, indicating the reasons why they have been so listed.
- v. Ensure that VISION vendor registration forms for Government counterparts are supported with documentation from the line ministry that confirms the account and the names of the signatories.
- vi. Immediately identify all single-signatory accounts, and put procedures in place to

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<sup>10</sup> The micro-assessments are part of the HACT process. See observation *Harmonized Approach to Cash Transfers*, p16 below.

replace them with accounts with a minimum of two recognized signatories supported by sufficient appropriate documentation. This will be done prior to further payments.

Staff responsible for taking action: Representative, Deputy Representative, Chief of Operations, Chief of Field Operations and Chiefs of Field Offices

Date by which action will be taken: 30 April 2015

### Harmonized Approach to Cash Transfers (HACT)

For the period 2013 to July 2014, US\$ 57 million was expensed<sup>11</sup> as direct cash transfers. Of this amount, US\$ 20 million was to Government counterparts.

Offices are required to implement 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 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, both Government entities and NGOs. There should 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.

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

A revised Harmonized Approach to Cash Transfers (HACT) framework, endorsed by UNDP, UNFPA and UNICEF, was adopted on 6 February 2014. UNICEF asked all regional offices to develop a regional HACT action plan for 2014-2015, against which headquarters was to allocate an approved amount for implementation. In addition, UNICEF issued new agency-specific HACT guidelines to all regional and country offices effective 1 August 2014. At the time of the audit, staff had not been trained on the new guidelines.

**Macro-assessment:** A performance review of public expenditure and financial accountability had been performed by World Bank in 2012. Although HACT procedures allowed the UNCT<sup>12</sup> to treat this as the macro-assessment, they had decided not to use it, and had excluded Government partners from HACT. According to the HACT guidelines, even without a macro-assessment, the office is still expected to implement HACT with Government partners. At the

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<sup>11</sup> An item of spending is considered expensed when it is confirmed that the item or service has been received and the money paid. An un-expensed commitment can occur when an office commits itself to a purchase and allocates the money, but has not yet certified receipt of the good or service and paid for it. An unexpensed commitment may also arise because a cash transfer has been made or is scheduled to be made, but has not yet been liquidated (e.g. it is confirmed that the purpose for which the cash transfer was made has been fulfilled, and the money spent as agreed).

<sup>12</sup> 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. The UNCT is convened by the UN Resident Coordinator. Its ToR, and division of responsibilities with individual agencies, vary from country to country.

time of the audit, the office was conducting a macro-assessment.

**Micro-assessments:** The previous HACT guidelines specified that micro-assessments be performed once during the five-year programme cycle for all partners receiving more than US\$ 100,000 in a year. The new guidelines omit this threshold and instead expect micro-assessments to be conducted annually, based on priority.

The audit reviewed a sample of six NGOs that had received amounts ranging from just over US\$ 100,000 to US\$ 1.5 million to between 2013 and 2014. Of these, only one (the one receiving the lowest amount) had been micro-assessed in 2014. The rest had last been assessed in 2011. In fact, with respect to NGOs, the office performed micro-assessments only when partners were brought on board. Hence NGOs micro-assessed in 2011 were not reassessed, irrespective of the amounts received in the intervening period. The audit also noted that the recommendations from micro-assessments were not systematically followed up.

The office was already in the process of micro-assessing Government partners. At the time of the audit, 70 Government counterparts out of 93 had been micro-assessed.

**Assurance plans:** As a further safeguard, the HACT framework requires offices to carry out assurance activities regarding the proper use of cash transfers. Assurance plans are expected to include not only micro-assessments, but also spot checks, programme monitoring and scheduled audits. As stated earlier (see p11 above), the office had audited the PCAs of NGOs above a certain funding level. However, the audit also noted the following.

The office had developed assurance plans for both the Islamabad office and the zone offices. However, as the structures of assurance plans differed by province and were not consolidated, the office had not determined the overall implementation rate against plan. Moreover, the plans were incomplete. For instance, the results of the micro-assessments were not included and reflected in the plan, and the plans for spot checks were separated from the ones for programme monitoring.

The audit also noted that neither the country office's nor the zone offices' plans were risk-based. In Islamabad, a high-risk partner was checked three times – but so was a partner rated as low risk. The Khyber Pakhtunkhwa plan did not include risk ratings at all, so that it was unclear what the number of spot checks was tied to. The Balochistan plan required two spot checks at a minimum and was not linked to risk. Also, the details on the assurance plans had not been entered into in VISION to enable electronic monitoring of their implementation.

In visits to partners, the liquidation of cash advances was tied to spot checks. One partner stated that they had not been able to liquidate a cash transfer and get the next instalment because the UNICEF staff had not yet performed their spot check, although the partner was rated as low risk. Feedback from spot checks was dealt with partner-by-partner, and key issues were not collated and used to re-prioritize assurance activities. The new guidelines specifically require key issues be logged and tracked centrally (see observation *Programme monitoring*, p19 below).

**Special audits:** A special audit is required when specific issues or concerns regarding the activity or partner arise during the programme cycle. The office conducted special audits of specific partners in the previous programme cycle when it was concerned about their performance. As a result, in some instances, the office had suspended dealings with the

partners and taken action to recover funds.

**Funding of assurance activities:** Assurance activities were funded from various programme funds and no specific fund was set aside. The new guidelines reinforce the requirement that funds be specifically set aside for assurance activities. At the global level in UNICEF, the percentage of funds allocated to assurance activities is one of the key performance indicators used to monitor HACT implementation.

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

- i. Train staff and partners on the new HACT guidelines.
- ii. Standardize the structure of assurance plans to include all required assurance activities, namely spot checks, programme monitoring and scheduled audits.
- iii. Ensure all Government partners are included in the office's and zone offices' assurance plans.
- iv. Clarify the basis for ranking priority for micro-assessments of partners and setting the frequency of spot checks, which should be linked to risk ratings of partners; and define how the key spot-check issues will be logged and centralized.
- v. Systematically follow up the results of the micro-assessments.
- vi. Specifically set aside funds for assurance activities.

Staff responsible for taking action: Deputy Representative, Chief of Operations, Chief of Field Operations and Chiefs of Field Offices

Date by which action will be taken: 1 February 2015

## Polio programme

The Independent Monitoring Board for the Global Polio Eradication Initiative, in their May 2014 report, acknowledged the progress made by the doorstep polio programme in the three endemic countries (Afghanistan, Nigeria and Pakistan). It confirmed that the number of children going unvaccinated had been cut in half, and UNICEF data from social mobilisers showed potential in reaching children missed in vaccination campaigns. Despite these successes, the report underlined that, with the end-2014 deadline approaching, Nigeria and Pakistan were both at risk of failing to stop transmission in time (with Pakistan's risk being extreme).

**Capacity:** On the back of this report, the Technical Advisory Group (TAG) on Polio Eradication for Pakistan conducted a meeting in June 2014; this identified a number of challenges that needed to be addressed by the Government of Pakistan and its supporting partners. The TAG recommended the Government of Pakistan form a multidisciplinary team that would have the capacity to coordinate and follow up with implementing partners such as the World Health Organization (WHO) and UNICEF. At the time of the audit, the Government had begun forming these multi-disciplinary teams, which will be housed in the emergency operation centres (EOCs) under the leadership of the National Steering Committee, the Government body responsible for coordinating polio eradication.

The TAG also recommended that WHO and UNICEF urgently review their current staffing and optimize their own capacity to fully support the establishment of robust emergency operations management. In this respect, the UNICEF office reviewed its current set-up and concluded that there was currently sufficient staff strength, but that it would consider whether it might need additional capacity to respond to the new emerging challenges with

the EOCs and new strategic shifts. In addition, the office informed the audit that it would need to review the roles and numbers of the C4D specialists within UNICEF *vis-à-vis* the communication specialist institutions carrying out the campaigns and social mobilization in the polio programme, to ensure 360-degree communication in a joint structure. At the time of the audit, the polio programme was drafting a shift in approach and strategies that would be discussed with WHO.

**Vaccine supply:** UNICEF procures polio vaccines on behalf of the government of Pakistan. At the time of the TAG review, the stock levels of vaccines were estimated to be adequate for 2014, but there was a need to ensure funding to avoid interruptions in supply in 2015. However, the increases in cases in Pakistan during 2014 had reduced the stocks of vaccines in the country.

At the time of the audit's visit to Sindh Province, the polio vaccines had not been available for over two weeks. The office informed the audit that the delay was due to non-compliance with established procedures for requesting and releasing vaccines stocks by the Sindh Extended Programme on Immunization. This could not be confirmed at the time of the audit.

**Agreed action 10 (medium priority):** The office agrees to:

- i. Urgently address the recommendations from the Technical Advisory Group (TAG), in particular the need to review its capacity and clarify responsibilities for supporting the emergency operation centres and for coordinating placement of staff.
- i. Advocate that the National Steering Committee assign responsibility to National Vaccine Management Committee to:
  - a. ensure the implementation of the Vaccine Management Standard Operating Procedures, and
  - b. ensure regular reporting on the Vaccine Management Indicators set out in the 2014 National Emergency Action Plan 2014.

Staff responsible for taking action: Deputy Representative, Chief of Polio and Chief of Health  
Date by which action will be taken: 31 March 2015

## Programme monitoring

Country offices are expected to monitor progress of supported activities in the field and the use of UNICEF-provided supplies. In particular, they are expected to prepare detailed monitoring plans and schedules, conduct periodic field visits, and report on progress. Field visits are meant to provide feedback on programme indicators, and identify problems before it is too late; they also enable offices to keep track of programme implementation, making adjustments when necessary.

A robust plan for monitoring would clearly outline who requires what information, how frequently and in what form. However, the office had not prepared a consolidated monitoring plan, and programme monitoring activities were not directly linked to the HACT assurance plan (see observation *Harmonized Approach to Cash Transfers*, p16 above). This had reduced the office's capacity to identify risk areas requiring more frequent field-monitoring visits. Further, as noted earlier in this report, the annual workplans sampled by the audit did not include baselines and indicators for all programme results. This made the planning of monitoring activities more difficult.

The office regularly monitored implementation of PCAs and prepared monitoring plans for each one. However, programme monitoring focused more on implementation of activities than on achievement of results.

Field monitoring was conducted by partners' staff, third-party monitors and UNICEF staff. Interviewed partners indicated that certain programme activities could be monitored by partners themselves and third-party monitors, and only occasionally by UNICEF staff. Third-party monitors regularly prepared progress reports. However, the office did not collate and analyze key programmatic issues stemming from their reports.

The office had not prepared a consolidated plan for end-user monitoring of programme supplies.

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

- i. Develop a risk-based field-monitoring plan that is linked to the Harmonized Approach to Cash Transfers (HACT) assurance plan and focuses on monitoring achievement of results, together with relevant indicators and baselines.
- ii. Review, consolidate and share key programme issues stemming from third-party monitors, and follow up as needed.
- iii. Develop and implement an overall plan for end-user monitoring of programme supplies, to provide regular feedback on their efficient use.

Staff responsible for taking action: Deputy Representative, Chief of Field Operations, Chiefs of Field Offices, and Programme section chiefs

Date by which action will be taken: 31 March 2015

## Donor and annual reporting

Country offices are expected to adequately report on the use of funds and achievement of results to the Executive Director and donors. The audit noted that, out of a total of 142 reports due from 2013 to July 2014, six (four percent) were sent after the due date. Based on the sample selected by audit, the delay was not significant, ranging from two to 15 days.

The audit reviewed a sample of four donor reports from 2013-2014, and the office's 2013 annual report to the Executive Director. It noted the following.

**Donor reports:** Reported achievements during the reporting period were not adequately substantiated with sufficient appropriate supporting documentation. The audit tested a sample of three reported achievements among the four sampled donor reports. The reported achievements and results to donors relied mainly on partners' and third-party monitor reports. There was no documented evidence to demonstrate that the office reviewed the quality of reporting performed by partners and third party monitors. Adequate validation of the quality of reported achievements by partners and third-party monitors would reduce the risks of inaccuracies that could undermine future fundraising initiatives.

Further, three of the four sampled donor reports did not meet some of the UNICEF reporting standards. For instance, they did not emphasize partnership (e.g. DaO). None of the four sampled reports explained the UNICEF comparative advantage in implementing the activities being funded by the donors.

The audit also noted that the Programme Policy and Procedures Manual (PPPM) encourages Regional Offices to conduct an annual quality assurance review of the quality of donor reports as a best practice. The audit found that the Regional Office had not reviewed sampled donor reports in 2013 and 2014. It informed the audit that it had planned to conduct a quality assurance of sampled donor reports in 2014 and that it intended to share the results with country offices and to present key findings at relevant regional network meetings.

**Annual report:** The audit reviewed the 2013 annual report and noted that it reported UNICEF as having supported almost 190,000 children (38 percent girls) in crisis and flood-affected areas across Pakistan to continue their education. However, the office provided supporting documents for 176,152 children.

The value of programme supplies was reported at US\$ 14.8 million in the 2013 annual report, but other reports available showed that programme supplies amounted to US\$ 21.1 million.

**Agreed action 12 (medium priority):** The office agrees to establish mechanisms to ensure that donor reports and annual reports are prepared in accordance with UNICEF reporting guidelines, that results disclosed in these reports are supported with sufficient appropriate, validated documentation, and that the information presented in the reports is consistent with those supporting documents.

**Agreed action 13 (medium priority):** The Regional Office for South Asia agrees, as a best practice, to conduct periodic review of sampled reports submitted to donors and provide comments to the country office for quality improvements.

Staff responsible for taking action: Deputy Regional Director, Deputy Representative and Programme Section Chiefs

Date by which action will be taken: 30 June 2015

### 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.

The audit found that controls were functioning well over a number of areas. For instance, bank reconciliations were performed on time, with open items being followed up for early closure. Long-term agreements (LTAs) had been signed with logistics and transportation companies to transport supplies country-wide as and when needed.

However, the audit made the following observations.

#### Processing of cash transfers

For the year ended 31 December 2013 cash transfers to Government partners was US\$ 13.9 million, and to NGOs it was US\$ 26.5 million. The audit sampled cash transfers released to 10 implementing partners – six NGOs, three Government partners and one UN agency. The review of the sample transactions noted the following shortcomings:

**Disbursements:** The office had amended the standard FACE form<sup>13</sup> to record the itemised budget or statement of expenditure (SoE). The audit also noted that as the FACE did not have the columns for reporting cumulative expenditure, it was difficult for the office to know funds utilized and balance funds available against an approved budget. In addition, the "Type of

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<sup>13</sup> The Funding Authorization Certificate of Expenditure (FACE) form is used by the partner to request and liquidate cash transfers. It is also used by UNICEF to process the requests for and liquidation of cash transfers. The FACE forms should reflect the workplans, which set out the activities for which funds are being requested, or on which they have been spent. The FACE form was designed for use with the HACT framework, but can also be used outside it.

Request” and “Certification” boxes were not ticked.

For Government partners, instead of issuing a single “Request for Advance”, a separate submission was made for each activity, even though funds were released in a single tranche. This increased staff time spent on a single advance. Additionally, the budget break-down from Government partners was broad and provided insufficient detail for monitoring.

The audit noted a number of instances where the Cash Advance (CA) policy on the tenure of the advance was not complied with. In one example, it was noted that a programme section issued four down-payments for different activities to a partner that had cash transfers outstanding for over nine months. It was also observed that most CA requests mentioned the length of the activity’s implementation but not the start or end date. In those cases where the dates were given, the office had not always released the funds on time.

**Liquidation:** The audit observed that, as for advances, the Government partners submitted activity-wise “Statements of Expenditure” instead of a single comprehensive “Statement of Expenditure”. The audit also observed two instances where the liquidation was performed without the financial documents received from the partner being certified and approved. At the time of the audit, no explanations were provided for this.

**Reprogramming and refunds:** The office did not record, or provide an explanation for, reprogramming and high-value refunds on the FACE form. The audit reviewed four sampled transactions in which the financial documents did not contain reasons for the reprogramming or refunds. On enquiry by the audit, the office provided a Note for the Record for one partner, but the note did not provide a clear explanation for the reprogramming.

In another instance, a refund of 23 percent made by a particular partner was reissued to the same partner for civil works that it subsequently completed. However, this information was not made available during the audit’s verification. These instances indicated a possible lack of thorough analysis of the budgets presented to UNICEF and of the absorptive capacity of the partner in implementing the programmes.

**Agreed action 14 (high priority):** The office agrees to:

- i. Review the cash transfer process and ensure clarity and consistency of requests and liquidations, and that the Harmonized Approach to Cash Transfers guidelines and standard formats are complied with.
- ii. Ensure cash transfers are released based on agreed budget estimates that have been thoroughly reviewed for reasonableness, and that the amounts released are based on the partner’s capacity to implement the activities within the agreed timeframes.

Staff responsible for taking action: Deputy Representative, Chief of Operations, Programme Section Chiefs and Chiefs of Field Offices

Date by which action will be taken: 28 February 2015

## Contracting

Country offices are expected to properly plan, implement and the procurement of programme supplies and services. The office procured goods and services valued at US\$ 34.1 million in 2013 and US\$ 17.5 million in 2014.

The office had established supply plan for 2013 and 2014, and had a contract review committee (CRC) that made recommendations to the Representative. The audit review of procurement and contracts noted the following.

**Market survey:** The office had last performed a market survey of potential suppliers in December 2012, and had issued an Expression of Interest for Non-Food Items in July 2014. The audit noted that the office did not undertake, as a best practice, any joint procurement processes with other UN organizations, such as shared procurement and logistical arrangements (i.e. market survey, feedback on suppliers' performance, bidding processes, supplier database, etc).

**Programme supplies:** The audit sampled five purchase orders (POs) for programme supplies (goods). In one case that had been agreed in local currency, the supplier later asked UNICEF to change this in light of exchange-rate fluctuations. The PO was also increased by US\$ 60,000 (8 percent) based on a Note for the Record, without relevant approval for the change in condition from a local currency contract to a dollar-denominated contract. It was also noted that the supplier did not comply with the agreed specifications and this was noted in the pre-delivery inspection report. The supplier also delayed delivery of school furniture by over four months. The office stated that the disparities and delays were due to minor changes in the specifications that had been agreed with the programme section, but without formal amendment of the contract.

A sample of nine POs was selected to test timeliness of delivery. None of them had been delivered on time. The delay ranged from seven days to 126 days, with an average of 45 days. In addition, significant delay was noted in recording goods received in VISION, ranging from four to 98 days with an average of 38 days. The office stated that there were various reasons for such delays, such as sudden security situations, last-minute changes in distribution plans and late receipt of exemptions.

**Individual contracts:** Contrary to UNICEF guidelines, two out of four sampled individual consultancies were single-sourced and the justification not documented. In one instance, a contract of US\$ 81,000 was offered to and accepted by an international consultant a week prior to the actual CRC meeting being held. The other single-sourced contract was not submitted for CRC review. In this case, the consultant completed two years' consultancy, with mandatory break but without performance evaluations. These were also not done for another consultancy that lasted over a year.

**Institutional contracts:** Institutional contracts were inadequately managed. The audit reviewed a sample of three vendors, selected on the basis of the number and value of institutional contracts signed with them. Five institutional contracts valued at US\$ 3.3 million in total had been awarded to one vendor during the period reviewed. The terms of reference for the five contracts had not been clearly defined and payment was not linked to deliverables. Of the five contracts, two were awarded to the supplier in 2014 even though no performance evaluation had been prepared for the three contracts awarded in 2013.

Another eight institutional contracts valued at US\$ 1.6 million had been awarded to a supplier using four Long Term Agreements (LTAs) covering all the zone offices, even though the supplier was not the lowest bidder in two of the zone offices (Punjab and Khyber Pakhtunkhwa). The office did not comply with the CRC recommendation signed by the Representative, which requested the contracts be awarded to the lowest bidder in the said provinces. The price differential between the actual lowest bidder and the supplier's quote

was approximately US\$ 239,000.

**Performance evaluation:** For institutional contracts, the UNICEF Supply Division's supply manual requires the preparation of an evaluation report as to the performance of the contractor, to be used for future reference. (The manual does not indicate how often this should be done.) Best practice in such a case would be for a key deliverable to be used to prepare this report. For individual contracts, evaluation reports are expected to be related to the terms of reference used for the assignment. Of the 17 contracts and POs sampled for review by audit, 16 of them had no performance evaluation report.

**Payment processing:** On 20 February 2014 an amount of US\$ 564,368 was paid as an advance to an institutional contractor. The audit found that the amount had been expensed instead of charging it to prepaid expenses. Additionally, as the advance was more than US\$ 70,000, the office should have sought the approval of the Division of Financial and Administrative Management (DFAM) prior to payment.

**Recording in VISION:** Programme supplies and contract records in VISION were not complete and up to date. The audit noted that some important information, such as that on the CRC, selection process, and performance evaluations, was not entered in VISION. In addition, completed contracts, including 55 contracts from 2012 and 40 contracts from 2013, were still open in VISION. This can result in funds not being released from open fund commitments and purchase requisitions. As at August 2014, the audit noted open requisitions worth US\$ 27.4 million, of which US\$ 2.3 million related to expired Programme Budget Allocations.

**Agreed action 15 (medium priority):** The office agrees to train staff on contracting, and to:

- i. Regularly collaborate with other UN agencies in identifying potential new suppliers and pre-qualifying suppliers to update rosters.
- ii. Follow policies on contract review committee (CRC) submission and adhere to approved CRC recommendations for awarding contracts.
- iii. Periodically evaluate the performance of suppliers and base future business decisions on satisfactory performance in terms of timeliness of delivery, adherence to specifications, etc.
- iv. Update important information about purchase orders (POs) and contracts, record goods receipt, and close completed contracts promptly in VISION.
- v. Ensure the procurement of consultancy services is done in accordance with UNICEF Administrative Instructions on consultants and individual contractors.
- vi. Ensure that the payment of advances complies with UNICEF Administrative Instructions and relevant approval is sought for amounts beyond the office's delegated authority.

Staff responsible for taking action: Chief of Operations, Chief of Supply and Logistics and Budget owners

Date by which action will be taken: 31 January 2015

## Vendor master records

The creation of vendor master records is expected to be performed centrally by the designated staff member(s). The country office is also expected to ensure the completeness of the vendor's details in the master records – particularly the banking details, as this information is required for processing payments.

The office had established a standard process and documentation for the maintenance of vendor master records. This included creation, modification and deactivation of vendor accounts. The process of vendor master records was centralized and only one staff member was assigned this role in VISION. The office registered 2,620 vendors as of September 2014 in VISION. However, the account group for some vendors was not always accurately registered. The audit noted an instance where a UN organization was not registered as such, and another where a Government entity was registered as a UN organization.

The vendor master records were repeated for 69 vendors, totalling 141 records out of the 2,620 vendor accounts (5 percent). Of the 69 vendors, 14 had been blocked for payment, another was blocked for payment and marked for deletion, and one had only been marked for deletion. The remaining 53 vendors were neither blocked for payment nor marked for deletion. The office stated that although the 53 vendors were not blocked, they were without banking data and therefore payments could not be made against the account. While the audit observed no duplicate payments due to duplicate vendor master records, the risk of duplicate payment or incorrect charges still exists.

**Agreed action 16 (medium priority):** The office agrees to periodically review the vendor master records for duplications and timely blocking or deletion of any records that are not valid and ensure the vendor master records are accurate and complete.

Staff responsible for taking action: Chief of Operations

Date by which action will be taken: 30 November 2014

## Travel

The audit reviewed nine trips undertaken between January 2013 and August 2014 and noted the following.

**Travel Authorizations (TA):** The best ticket prices can only be achieved if bookings are made in advance, and if the TAs are raised at least 14 days in advance as required by the travel. This was not done in six out of nine sampled TAs.

**Multi-trip/blanket trip TAs:** The office did not raise blanket/multi-trip TAs to increase the efficient use of travel resources, even in case of frequent travellers. Among the samples tested, two staff members travelled more than once in the same month, so this could have been done. Further, the office did not prepare quarterly/monthly travel plans, which would have helped it raise multi-trip TAs.

**Open TAs:** At the time of the audit, the office had 88 TAs that had remained open for more than 30 days after completion of the trip. Eight of them, amounting to US\$ 4,285, were from programme budget allotments that had already expired. The office did not have a system to monitor open TAs by sending alerts, or reminders to the travellers concerned and their supervisors. As the TAs had not been certified and closed, it was not known if the staff members still had outstanding claims to the office.

**Agreed action 17 (medium priority):** The office agrees to:

- i. Consider putting in place regular travel plans, particularly for staff who travel frequently on regular travel, to allow for the opening of blanket TAs and for the

- booking of travel 14 days in advance to increase economic use of travel resources.
- ii. Establish systems to regularly generate (from either inSight or VISION) reports of open TAs, and notify the staff concerned for certification and closure.

Staff responsible for taking action: Chief of Operations

Date by which action will be taken: 30 November 2014

### Common premises

During the period under audit, the office entered into eight Memorandums of Understanding (MoUs) for UN common premises. Six were signed *post-facto*, and three were signed by staff members other than the Representative or their OIC. Further, the MoU extensions specified the duration but not the starting date and the cost sharing.

The audit found that the office did not issue quarterly invoices on time to agencies sharing common premises, resulting in delays in recovering the costs. For instance, in one zone office the invoice for January to August 2014 was only issued to the tenant in August 2014 and payment was made in early September. In another office, reimbursements from two organizations had been pending since January 2014. Additionally, the office created the receivables in VISION only when the funds were received, and not when they fell due (as required by the International Public Sector Accounting Standards).

**Agreed action 18 (medium priority):** The office agrees to ensure that:

- i. Memoranda of understanding are always signed by the appropriate official.
- ii. Cost-sharing charges are issued promptly and the corresponding receivable recorded accurately in VISION.

Staff responsible for taking action: Representative, Deputy Representative, Chief of Field Operations and Chief of Field Offices

Date by which action will be taken: Immediately

### Warehouse and inventory management

Country offices are expected to efficiently and effectively manage warehouse and inventory of programme supplies. Controls are expected to cover independent physical count of inventory, inventory reporting, recording of receipt of goods, and authorization of dispatch.

The office maintained programme supplies in four warehouses in Islamabad, two in Karachi and one (temporary) in Lahore. It had conducted a physical inventory count of the supplies in December 2013. The value of the inventory in the warehouses was US\$ 4.5 million as of August 2014. The audit review of warehouse management noted the following.

**Warehouse management:** The office contracted management of the Islamabad warehouses to a third party. Seven out of 12 sampled items selected from VISION records could not be matched to the details maintained by the warehouse management. On enquiry the office provided proof of delivery documents (waybills) for five of the seven items; however, two items had not been properly tracked by the end of the audit fieldwork.

**VISION records:** The office had not updated VISION for some supplies already delivered to partners, and therefore such supplies still appeared as inventory in the warehouse and on the

inventory record. For instance, inventory valued US\$ 106,000 appeared as expired in the inventory report, but had in fact been dispatched to partners.

**Expired supplies:** In cases where the Property Survey Board (PSB) recommends write-off of inventory items with an individual carrying value greater than US\$ 5,000, the Representative should seek the approval of the Comptroller. At the time of the audit, the Islamabad and Karachi warehouses had expired programme supplies valued at US\$ 88,000. The audit noted that the PSB had recommended the disposal/write-off of US\$ 66,000 worth of expired supplies without this approval being sought.

**Agreed action 19 (medium priority):** The office agrees to:

- i. Perform periodic reconciliations of VISION inventory records with third-party contractor warehouse records, and investigate any differences.
- ii. Ensure VISION inventory records are updated promptly upon acknowledgement of receipt of supplies by partners.
- iii. Ensure appropriate approval is sought for the write-off of inventory amounts above the corporate benchmark.

Staff responsible for taking action: Chief Supply and Logistics

Date by which action will be taken: 31 December 2014

## Property, plant and equipment (PP&E)

The audit reviewed the recording, management, disposal and physical inventory count and noted the following.

**Asset master data in VISION:** As of 22 August 2014, the office had in VISION 1,725 items listed as fixed assets, with a total carrying value of US\$ 1.2 million. It had procured some IT equipment in 2011 and 2012 that not been recorded in VISION or assigned an inventory number.

Though the office had done an inventory physical count, this was not reflected in VISION, with some assets still showing count date/year as 2011 or 2012. During 2013-2014, the office deactivated 204 assets; however, the property survey board (PSB) status for several items had not been updated in the asset master.

The IT section in Islamabad office recorded and maintained IT-related records in a Lotus Notes Inventory System. This could be partly why insufficient attention had been paid to maintenance of the asset master records in VISION. At the time of the audit, the office had initiated the process of updating the asset master database and relieving the IT staff from maintaining the asset database.

**Tagging:** Inventory numbers used to identify the items in the PP&E master record were not indicated for 109 out of 1,725 items, and in 445 items, the serial numbers were not indicated. Further, the tagging used by the office was not synchronized.

It was also noted that the office did not key-in the personnel numbers of staff members to whom laptops and other moveable assets had been issued. The current location of the assets within the Islamabad office had also not been identified.

During the audit's physical verification of sampled assets, eight of the 10 items were in different locations from those shown in the asset master data in VISION. The office also could not establish the whereabouts of a number of laptops. The office indicated that an inventory count would be conducted to update all PP&E items and action taken to write off any missing assets. In the case of the missing laptops, the office informed the audit that it would investigate and report to OIAI on action taken.

There were inconsistencies observed in the asset description and serial numbers between the fixed asset schedule, VISION and physical check performed by the office on 3 September 2014. For example, one asset with the same asset master record (AMR) and inventory tag number had different asset descriptions and serial numbers.

**PSB records:** There were five PSB meetings held in 2013 and three in 2014. Various recommendations were made regarding PP&E items. However, the PSB minutes did not make any reference to AMR number, inventory number, serial number, make, year or value of the asset. In the absence of direct reference to the assets in the minutes, or with unsigned submissions by the PSB members, the wrong asset could be disposed of.

PSB in their meeting no. 2013/02 reviewed a submission of the admin section where it was proposed that the T-Walls and Security equipment that were installed in the year 2008 and 2009 in the earlier office building be given away free of cost, on condition that the vendor bear the cost of dismantling and transportation cost by himself. The PSB minutes indicated that the equipment was worth US\$ 50,000 and was in good condition. Agreeing to the proposal, the PSB recommended that the removing party bear the cost of any damages to UNICEF property or the boundary wall of the premises. However, as the equipment was valued at US\$ 50,000 and was considered in good condition, the office should have obtained approval from the Comptroller before approving the scrapping. This was not done.

**Agreed action 20 (medium priority):** The office agrees to strengthen the management of property, plant and equipment by:

- i. Establishing effective controls over tagging of PP&E and the physical count, and over entries to, and maintenance of, the asset master data in VISION.
- ii. Investigating the missing laptops and other items, and reporting to OIAI on the action taken.
- iii. Ensuring that property survey board (PSB) decisions are well-documented and also comply with UNICEF policy and the PSB's mandate.

Staff responsible for taking action: Representative, Chief of Operations, and Chair of the Property Survey Board

Date by which action will be taken: 30 November 2014

## Official vehicles

Country offices are expected to manage office vehicles efficiently and in accordance with UNICEF policies.

**Sale of vehicles:** The Government of Pakistan approves the import of UN vehicles for official use within the country. However, there are conditions set, such as the amount of duty to be paid, that makes the purchase prohibitive for any prospective buyer. This applies to all UN organizations in Pakistan, and the audit was informed that the UN Resident Coordinator is in

discussion with the Government to find a solution for this issue.

The office had purchased a number of vehicles during its response to various emergencies. This had resulted in the office to having excess official vehicles. There were 81 vehicles and 33 drivers, 32 of which are full-time staff members. Of the 81 vehicles, six were not in working order. However, the office was unable to sell them as scrap, as approval was required from the Ministry of Foreign Affairs; so the vehicles remained in storage. The office informed the audit that the Ministry had initially declined to approve the sale of the vehicles for scrap, and that the office had re-submitted the request.

**Personal use:** According to UNICEF policy, the Representative, or the designated officer in charge, is the only staff member to whom an official UNICEF vehicle can be individually assigned for official purposes. However, when not in use by the Head of Office, the vehicle is expected to be made available for other official duties. The policy also notes that in exceptional situations (and emergency duty stations), when local circumstances so warrant, and consistent with the best interest of the organization, the Representative or the designated official may authorize and assign UNICEF vehicles for non-official use. However, such exceptions must be documented with proper justification. Depending on local circumstances and availability of vehicles, the Head of Office may also authorize the use of a vehicle, for the first three months, to newly-arrived international staff members.

The office provided official vehicles to international staff members who were new in-country, for the period of two to three months without charge as stated by the current UNICEF policy. However, some international staff had been assigned official vehicles permanently, and were being charged monthly based on an approved amount for each kilometre travelled. Additionally, security officers had been assigned an official vehicle for their personal and official use. The office noted that assignment to the security officer was critical, given the operational and security environment and the need for the security officers to respond quickly.

**Agreed action 21 (medium priority):** The office agrees to:

- i. Together with the United Nations Country Team, identify practical options for disposing of obsolete vehicles.
- ii. Establish mechanisms to comply with UNICEF requirements regarding the personal use of UNICEF official vehicles, and ensure appropriate approval and documentation.

Staff responsible for taking action: Representative and Chief of Operations

Date by which action will be taken: 28 February 2015

## Information and Communication Technology (ICT)

The audit noted that the office adequately managed data backup and the security of the server room. An electronic standard application form (eSAF) was used to request the provisioning and de-provisioning of users access to core UNICEF systems.

However, the audit also noted the following shortcomings:

- The office provided access to shared drives to non-staff (consultants) without being given special approval.

- The office maintained its secondary server and data backup off-site. However, at the time of the audit, it had not signed a MoU with the service provider to clarify responsibilities with respect to off-site data storage.
- The office approved its disaster recovery plan only after the completion of the audit fieldwork. It had not switched over from the primary to the secondary server in 2013 and 2014.
- Access to the server room was digitized and was accessible only by ICT staff. Appropriate cooling, fire detection and auto fire response arrangements were in place. However, the entrance door to the ICT server room was wooden (not fireproof).
- The office monitored the field offices' infrastructure remotely using corporate tools. However, it had not documented its evaluation of the zone offices' ICT environment in 2013 and 2014; this should have been done to obtain assurance on access to ICT systems, physical security, disaster response and the overall ICT operational environment.

**Development of ICT tools:** The office had developed various databases for programme purposes. At the time of the audit, the PolioInfo database was under development. The office had paid about US\$ 181,000 for these locally-developed tools. However, it had not obtained the endorsement of the regional head of ICT and/or Information Technology Solutions and Services Division at headquarters for the Nutrition Information System and PolioInfo, as required by UNICEF standards. Further, the programme sections did not involve the ICT team in the development and evaluation of these tools. The ICT team was only approached for service support after these tools were launched. The office also had not determined whether Government or other partners could have strengthened or developed government systems to build capacity.

**Agreed action 22 (medium priority):** The office agrees to:

- i. Implement a process for granting access to ICT systems and applications in compliance with the ICT policy.
- ii. Ensure the ICT disaster recovery plan (DRP) is regularly updated alongside the Business Continuity Plan, and simulate the DRP periodically.
- iii. Replace the wooden door of the ICT server room with a fireproof door.
- iv. Ensure that the UNICEF ICT environment in zone offices is evaluated regularly for adequacy and compliance and that the evaluation is documented.
- v. Urgently finalize a memorandum of understanding that clearly delineates the responsibilities of the service provider and UNICEF with respect to the off-site data storage.
- vi. Involve the office's ICT in the development of ICT tools to ensure adequate support services can be provided in-house, and provide justification to, and obtain endorsement of, regional ICT and/or Information Technology Solutions and Services Division for developing such tools in-house.

Staff responsible for taking action: Chief of Operations and ICT specialist

Date by which action will be taken: 31 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, and 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.