

# Internal Audit of the Kenya Country Office

June 2015



Office of Internal Audit  
and Investigations (OIAI)  
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## Summary

The Office of Internal Audit and Investigations (OIAI) has conducted an audit of the Kenya country office. The audit sought to assess the office's governance, programme management and operations support. The audit team visited the office from 9 February to 4 March 2015, and the audit covered the period from January 2014 to February 2015.

The 2009-2013 country programme was extended to mid-2014. It had four main components: *Child Survival* (including health, nutrition, water, sanitation and hygiene); *Education*; *Child Protection*; and *Planning, Monitoring and Evaluation*. The total approved budget for the country programme 2009-2013 was US\$ 205 million. The July 2014-June 2018 country programme has four main programme components: *Inclusive Environment* (including behaviour and social change, child-responsive budgeting, evidence-based approaches and social protection); *Protective Environment* (child protection and HIV & AIDS); *Healthy Environment* (including health, nutrition, water, sanitation and hygiene); and *Learning Environment* (including education and early childhood development). These four components had 11 outcome areas between them.

The total budget for the 2014-2018 country programme is US\$ 178.6 million, of which US\$ 56.6 million is regular resources (RR) and US\$ 124 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 total budget for 2014 amounted to US\$ 83.1 million.

The country office is based in Nairobi, with three zone offices (Garissa, Lodwar, Kisumu), and one sub-office, in Dadaab. As of March 2015, the country office had 206 established posts: 39 international professional (IP), 77 national professional (NO), and 83 general service staff (GS), and seven UN Volunteers.

### Action agreed following the audit

In discussion with the audit team, the country office has agreed to take a number of measures. Four are being implemented by the country office as high priority – that is, to address issues that require immediate management attention. These are as follows.

- The office agrees to review the role of the zone offices, and establish clear responsibilities and accountabilities for them, with specific deliverables and performance targets that contribute to achievement of programme results. The office will also ensure that the zone offices have adequate capacity and delegated authorities for discharging their responsibilities, including increased involvement in matters of management of partnerships, consistent sharing of field-monitoring reports and better coordinated field monitoring by the sections.
- The office agrees to review and strengthen the governance and oversight mechanisms for the Harmonized Approach to Cash Transfers (HACT). It will ensure that the HACT governance committees are functioning as per terms of reference; seek the support of the Regional Office, as necessary, to get a macro-assessment of the public financial management systems; prioritize conducting micro-assessment, assurance activities and

partner capacity building; and ensure a systematic process is established for tracking status of recommendations from micro-assessment and scheduled audits.

- The office agrees to review and strengthen monitoring of programme activities, including: improved preparation and implementation of results-based and risk-informed field monitoring plans; better coordinated end-user monitoring of effectiveness of programme inputs (cash and supplies); and ensuring that staff reports on the findings from field-monitoring visits are followed up so corrective actions are implemented in a timely manner.
- The office agrees to review and improve the preparation and implementation of Integrated Monitoring and Evaluation Plans (IMEPs). It will ensure that the IMEPs are prepared on time, contain budgeted activities that are included in the rolling workplans, and are monitored for timely implementation. The office also agrees to ensure that significant programme components will be evaluated during the country programme cycle in accordance with the evaluation policy, and will ensure that management responses for completed evaluations are prepared and action plans are drawn up to implement acceptable recommendations.

## Conclusion

Based on the audit work performed, OIAI concluded that the controls and processes over the country office, as defined above, needed improvement to be adequately established and functioning during the period under audit.

The Kenya country office, the Regional Office and OIAI intend to work together to monitor implementation of the measures that have been agreed.

## Contents

<b>Summary</b>	<b>2</b>
<b>Objectives</b>	<b>5</b>
<b>Observations</b>	<b>5</b>
<b>Governance</b>	<b>5</b>
Management of zone offices	6
Delegation of authorities	7
Risk management	9
Human resources management	10
Staff welfare and ethics	11
Governance: Conclusion	12
<b>Programme management</b>	<b>13</b>
Baseline data and indicators	13
Work planning and budgeting	14
Grants management	16
Management of programme cooperation agreements	16
Partners' capacity for financial management	17
Harmonized Approach to Cash Transfers (HACT)	19
Programme monitoring	21
Programme evaluation	23
Programme management: Conclusion	25
<b>Operations support</b>	<b>26</b>
Management of cash transfers	26
Contracts for services	27
Procurement of supplies and logistics	28
Inventory management	30
Records management	31
Information and communication technology	32
Vendor master records	34
Operations support: Conclusion	35
<b>Annex A: Methodology, and definition of priorities and conclusions</b>	<b>36</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.

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 reviewed 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.
- **Human-resources management.** This includes recruitment, training and staff entitlements and performance evaluation.
- **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.

The audit reviewed all the above areas, apart from those related to the identification of office priorities, performance measurement and functioning of the Country Management Team (CMT). These were reviewed in the recent audit of the Water, Sanitation and Hygiene (WASH) programme conducted in December 2014, and were therefore excluded from the scope of this audit. As of the time of the audit, the office had started implementing the agreed actions included in the report (2015/03) issued on 12 February 2015.

For the areas covered in this audit, some controls were found to be functioning well. For example, staff performance was managed, measured and reported through the performance appraisal system on a timely basis, in accordance with the organizational cycle of planning, mid-term review and year-end evaluation. New recruits were given an appropriate induction and signed their oath of allegiance to UNICEF.

However, the audit also noted the following.

## Management of zone offices

Country offices that have zone offices are expected to provide them with adequate technical support. They should also clearly assign responsibilities and accountabilities, and delegate adequate of authority to them. Offices should also ensure that the zone offices have an appropriate staffing structure and human resources.

The Kenya country office is in Nairobi, but has three zone offices, in Kisumu, Lodwar and Garissa; these were established to provide close support in day-to-day monitoring of the implementation of programme activities at the counties in Northern, Western and Eastern Kenya. Each of the zone offices was responsible for programme implementation in specifically assigned counties. The audit review noted the following.

**Deliverables:** Although the rolling workplans (RWPs)<sup>1</sup> were prepared and signed with partners at the national level, their preparation had involved participation of staff and partners from the counties and staff from the zone offices. However, the RWPs did not clearly define the zone office's specific deliverables to the country programme. Also, their deliverables to the office priorities were not clearly defined in the Annual Management Plan (AMP).<sup>2</sup> In addition, the country office had not established key performance indicators and targets against which the performance of the zone offices could be assessed.

**Partnership management:** Zone offices were not always consulted when identifying implementing partners or signing agreements with them. In some instances, cash transfers were made by Nairobi office to the partners (government and NGOs) in the counties without the knowledge of the zone offices. This reduced benefit from zone offices' local knowledge of partners and other factors in the field, and also reduced their capacity to effectively monitor implementation of activities agreed with partners.

**Human resources:** The three zone offices in Kisumu, Garissa and Lodwar had 14, 18 and 12 established posts respectively. However, vacancy rates were high. As of February 2015, six of the 14 posts in Kisumu were vacant; seven of the 18 in Garissa; and six of the 12 in Lodwar. This affected the performance of zone offices – in particular, their capacity to support implementation and monitor programme activities and results. (See also observation *Human resources management*, pg. 10). Zone offices relied heavily on staff from the country office. The audit noted that the capacity of partners at the county level was very weak and therefore more support in capacity building was needed at the field level, particularly in the context of newly decentralized government structures in Kenya.

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<sup>1</sup> UNICEF offices agree workplans with their implementing partners. According to UNICEF's Programme Policy and Procedure Manual (PPPM), workplans can be developed on an annual or multi-year basis, or as rolling workplans. In the latter case, the workplan is subject to interim review – for instance, it may be for 18 months, but the government and UNICEF will agree to periodic technical review of its outputs, say every six months, with an adjustment based on the review of the remaining 12 months. At the same time, an additional six months will be added on to the rolling workplan to make up a new 18-month cycle.

<sup>2</sup> An office's Annual Management Plan ensures that that office's human, financial and other resources remain focused on the country programme and its hoped-for outcomes for children and women. To this end, it establishes key priorities, and assign staff responsibilities for them. Progress on these priorities should normally be monitored by an office's country management team (CMT), which advises the Representative on the management of the country programme and on strategic programme and operations matters. It consists of senior staff from Programme and Operations sections, and staff representatives.

**Oversight and technical support:** A review of the office's travel plans and trip reports showed that the Nairobi office's staff did not provide on-site oversight and technical support to staff in zone offices. This was due to weak supervision of, and lack of strategy for, oversight and technical support to zone offices.

In interviews with staff at the zone offices, the audit noted that field monitoring visits by staff from the country office in Nairobi were not properly coordinated with the zone offices. This made it hard for the latter to ensure adequate logistical support for such visits without unnecessary disruption to ongoing zone-office operations. The office did require all travel to the field to be approved in consultation with the responsible zone offices, but this was not always done. Further, field trip reports of Nairobi staff travelling to field locations were not systematically shared with the zone offices, limiting knowledge sharing and learning opportunities.

**Agreed action 1 (high priority):** The office agrees to strengthen oversight and quality assurance, and to:

- i. Review and clearly define responsibilities and accountabilities of zone offices, with specific deliverables and performance targets that contribute to the achievement of the office's objectives and expected programme results.
- ii. Establish mechanisms to involve zone offices in matters of management of partnerships and cash transfers to partners in zone locations.
- iii. Establish a plan of action with specific timelines to fill vacant posts in zone offices, to ensure optimal staff capacity to support partners in programme implementation (including monitoring of activities).
- iv. Establish a structured and systematic process and standards for effective oversight and technical support to zone offices.
- v. Establish mechanisms to ensure effective coordination of field monitoring of Nairobi staff, including sharing of field monitoring trip reports with relevant staff at the zone offices.

Staff responsible for taking action: Chief of Field Operations; Chiefs of Field Offices and Chief of Operations

Date by which action will be taken: September 2015

## Delegation of authorities

Each office is required to maintain a Table of Authority (ToA), setting out the authorities delegated to each staff member. The Representative should review the ToA periodically (preferably quarterly) to confirm its continued accuracy and appropriateness. The ToA should be reflected in the roles assigned within UNICEF's management system, VISION (from Virtual Integrated System of Information), which was introduced in January 2012.

Resource mobilization, budgeting, programming, spending and reporting are all recorded in VISION, along with much else. Representatives approve the provisioning of VISION user IDs and their corresponding roles, using the guidelines in UNICEF Financial and Administrative Policy No. 1: *Internal Controls and its supplements*. An understanding of these roles, and the responsibilities assigned to staff, is essential in approving role assignments. A key requirement is to ensure, as far as possible, adequate segregation of duties, so that no single staff member can carry out a whole process (for example ordering, receiving and payment) without checks and balances.

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

**Assignment and delegation of roles:** The office had assigned 68 functional roles to 77 staff members through the ToA. However, the audit noted 14 inappropriate assignments. For instance, the Treasury Field role was assigned to three programme and non-finance staff. This role allows the field office to create a treasury transaction for account replenishment and should be assigned to staff who are responsible for the bank account replenishment function in an office.

**Consistency between the ToA and VISION roles:** There were several inconsistencies between the roles delegated in the latest ToA and the roles assigned in VISION. For instance, the roles of authorizing, receiving and programme level two (L2) were assigned to a Water, Sanitation and Hygiene (WASH) specialist in VISION, although these roles were not delegated to the staff member in the ToA. Similarly, the roles of certifying and receiving officers were delegated to programme assistant and WASH specialist respectively in the ToA, but were not entered in VISION. These inconsistencies were due to staff changes, weak oversight, and absence of periodic review and update of the ToA. Inconsistencies in the authorities delegated in the Manual ToA and VISION increased the risk of inappropriate transactions.

**Segregation of roles:** Based on the review carried out on 11 February 2015, the audit noted 20 cases of segregation-of-duties conflicts (five high risk, five medium risk and 10 low risk). For instance, bank reconciliation, general ledger and paying officer roles were assigned to a finance officer in VISION. Conflicting roles increased the risks for misconduct and inappropriate transactions being processed without being detected.

**Implementation of release strategy:** According to the office's release strategy, which defines the process and authority for approving sales orders and purchase orders, all sales orders exceeding US\$ 50,000 required third release (approval) by the Chief of Operations. However, the third release was not done as required in any of the 11 cases sampled. The release strategy also required the fourth release (approval) by the Representative for sales orders that exceed \$100,000. In two of seven such sales orders sampled, unauthorized staff members performed the fourth release.

**ToA review and update:** Heads of offices are expected to review the ToA periodically, preferably quarterly. The office did not do this; the last two updates had been done in June and July of 2013 and 2014 respectively. The supporting documents used in updating the ToA in 2014, and which served as a basis for registering the approved roles in VISION, could not be found in the file and were therefore not provided to the audit team.

The office acknowledged the above weaknesses and stated that it had started to address them. For example, it reviewed and updated the ToA during the audit in February 2015.

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

- i. Ensure roles are appropriately assigned in VISION in accordance with staff member's functions and responsibilities, and that roles assigned in the Table of Authority (ToA) are correctly registered in VISION.
- ii. Establish a process to ensure adequate segregation of duties is maintained and any conflicts are removed or mitigated.



- iii. Comply with the release strategy for approval of sales orders by ensuring that only authorized staff approve (release) sales orders.
- iv. Assign responsibilities and conduct a regular review and update of the ToA, preferably quarterly, including the mapping of functional roles in VISION to ensure their continued accuracy and appropriateness.

Staff responsible for taking action: Chief of Field Operations and Chief of Operations

Date by which action will be taken: June 2015

## Risk management

Offices are expected to put in place systems and processes for identifying, assessing and managing risks that threaten the achievement of the objectives of the country programme. Offices are also expected to implement action plans to mitigate identified risks.

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 office had conducted an RCSA in 2013 and identified 37 risks, of which 19 were assessed as significant. The five most significant risk areas were identified as: fraud and misuse of resources; funding and external stakeholder relations; budget and cash management; natural disasters and epidemics; and devolution of the government structure. The office drew up an action plan with mitigating actions, and included the most significant five risk areas in the Country Programme Management Plan (CPMP).<sup>3</sup> It also reported them in the ERM reporting module in the UNICEF performance management system.

However, the audit also noted the following.

**Risk analysis:** The office included, in the July 2013-June 2014 workplans, a risk profile for each programme with specific mitigating actions. However, the risk profiles of five of the eight sections (Education, Nutrition, WASH, Advocacy and Partnership, Planning Monitoring and Evaluation) lacked a risk analysis and assessment in terms of likelihood and impact of each risk. (Those for the other three sections – Health, Child Protection and Communication for Development – did have them.) In addition, the risk analysis for the July 2014-June 2016 RWPs had not been updated as of February 2015.

**Monitoring mitigating actions:** Senior management monitored the implementation of mitigating actions pertaining to the five most significant risk areas, while those for the other 32 risk areas were monitored by programme sections. However, progress made against mitigating actions was not well enough documented to enable an independent review at the programme section level.

The office was aware of the above weaknesses. During the audit in February 2015, it updated the risk profile and uploaded it to the ERM portal of the UNICEF intranet. It also held an ERM

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<sup>3</sup> When preparing a new country programme, country offices prepare a country programme management plan (CPMP) to describe, and help budget for, the human and financial resources that they expect will be needed.

workshop on 19-20 February 2015 to improve risk management skills of staff.

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

- i. Ensure that the risk profile of each programme section includes an assessment of likelihood and impact of each risk and is regularly updated to reflect changes in the risk environment.
- ii. Establish oversight and accountability mechanisms to ensure progress against mitigating actions is adequately monitored and reported to the country management team for review.

Staff responsible for taking action: Outcome Team Leads; Deputy Representative and Chief of Operations

Date by which action will be taken: June 2015

## Human resources management

As of 26 February 2015, the office had 206 established posts comprising of 39 international professional (IP), 77 national professional (NO), 83 general service staff (GS) and seven UN Volunteers.

The office had set a standard duration for completing the recruitment process – three months for both national and international staff. There was a Central Review Body (CRB) to review appointments. The office completed 59 recruitments between January 2014 and February 2015.

The audit noted the following.

**Vacancies:** At the time of the audit, 73, or 35 percent, of total established posts were vacant. About a quarter of the vacant posts were in the three zone offices; those had been vacant for an average of more than seven months at the time of the audit. Vacant posts put strain in the existing staff and affected their ability to fulfil their monitoring responsibilities, including oversight and technical support to staff located in zone offices. Given the huge number of recruitments (over 80 posts) at the start of the country programme, the existing capacity of the human resources unit was overstretched. These delayed recruitments were likely to affect programme implementation.

**Timeliness of recruitment:** Although the office maintained a talent group, a review of a sample of eight recruitments noted that in five of the eight cases, it took between four to five months to complete a recruitment. The average was four months, which exceeded the office's own standard of three months. This was due to inadequate recruitment planning -- including non-availability of selection panel and contract review body (CRB) members.

**Composition of selection panel:** In six of the eight cases reviewed, the office did not ensure that the composition of the selection panel was gender-balanced as required by the executive directive on staff selection (CF/EXD/2013-004). For instance, a selection panel of three would be comprised of all male or all female panel members.

**Evaluation criteria:** The office did not ensure that the evaluation criteria were consistently established prior to commencement of assessment. Where the criteria were established before the assessment, they were not always adhered to. For instance, in two of the eight

samples reviewed, a candidate who did not meet the threshold after the written test was later included for the competency-based interview. The justification given for such inclusion was that the candidate “slightly missed the cut-off mark”. In another example, two candidates were rated equally in the four competencies evaluated during the competency-based interview. However, one was found suitable for the post while the other was considered unsuitable without sufficient rationalization.

In addition, the evaluation matrix in six instances did not include justification for the ratings given for developing proficiency (DP) and not-proficient (NP). The selection procedures require justification to be documented whenever DP or NP is given. Failure to establish and consistently apply evaluation criteria increased the risk of incorrect decisions on selection of candidates.

**Training:** The office had a learning and training committee (LTC) with appropriate terms of reference and adequate membership composition. It had produced a training plan for 2014; however, the implementation rate was about 33 percent by the end of the year. The plan had been developed without anticipating the impact of the changes in staff and programme priorities relating to the end of the country programme and the start of a new one in July 2014. In addition, the LTC lacked a system for capturing and monitoring all training undertaken by staff, including self-directed activities.

**Agreed action 4 (medium priority):** The office agrees to strengthen the oversight of the application of expected controls in recruitment, and to:

- i. Prioritize filling of the vacant posts.
- ii. Identify the causes of delays in recruitment and take measures to ensure is completed within the established timeline.
- iii. Ensure selection panel membership is gender-balanced.
- iv. Establish selection criteria prior to commencing assessments and ensure they are adhered to.
- v. Ascertain the root causes of low implementation of the training plan and establish a mechanism to prevent its recurrence, including ensuring plans are realistic and attainable.

Staff responsible for taking action: Human Resources Manager

Date by which action will be taken: October 2015

## Staff welfare and ethics

Offices are expected to establish mechanisms to enhance understanding between management and staff. They should also systematically promote ethical standards, including awareness of UNICEF’s ethical policies, and procedures for reporting and investigating violations of those policies by staff, consultants and implementing partners.

The office had a Staff Association and a Joint Consultative Committee (JCC) to serve as a two-way channel between staff members and management. The office also had two peer support volunteers who had been trained. However, the audit noted the following.

**Staff Association:** According to the constitution, the Staff Association was required to hold elections for its executive committee members every two years. However, the executive committee members in 2014 and 2015 had been in their positions for the last three years.

The office explained that elections for the new leadership of the Staff Association were not held in 2014 due to staffing changes related to the start of the new country programme. Also, according to the constitution, the Staff Association's executive committee was to meet once every month, but it met only eight times in 2014. The office stated that there would be an election in 2015 and that nominations were being sought for candidates for the new leadership of the Staff Association in March 2015.

In addition, although the zone offices had focal points for the staff association, they did not actively participate in the Staff Association meetings held in Nairobi.

**Joint Consultative Committee (JCC):** The JCC held meetings according to its terms of reference. However, the deliberations from the JCC meetings and progress on implementation of action points were not properly communicated to all staff. For instance, an action point agreed in the JCC meeting in September 2014 related to improving sharing of information on progress of recruitment had not been fully implemented as of February 2015. Insufficient communication of information on progress of recruitment of 83 abolished posts increased the risk of low staff morale, which could affect productivity. Further, although the JCC minutes were posted into an electronic "blackboard" in the shared drive, the Staff Association told the audit that notification of such postings was not emailed to all staff. In addition, while the action points from previous meetings were reviewed in subsequent JCC meetings, there was no mechanism for communicating progress on them to all staff.

**Ethics awareness:** There has been no formal training on ethics for staff at the country and zone offices in 2014. In addition, 53 of the 157 active staff in Kenya country office had not undertaken the on-line integrity awareness training; at the Lodwar zone office, only one of the 10 staff had done so. Further, the office had not systematically verified whether the partners and contractors had adopted anti-fraud and whistleblower protection policies. It had also not taken steps to share UNICEF's anti-fraud and ethics-related policies with partners.

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

- i. Support the Staff Association in strengthening its functioning to ensure that elections are held as per the constitution and the executive committee meets as expected, and encourage and assist active participation of the zone offices in the Staff Association.
- ii. Establish a mechanism to ensure timely communication to all staff of minutes of Joint Consultative Committee meetings and implementation of agreed actions.
- iii. Conduct ethics training and ensure that all staff at the country office and zone offices undertake the online integrity awareness training course.
- iv. Verify partners' adoption of anti-fraud and whistleblower policies, and, as appropriate, share copies of UNICEF's anti-fraud policy and whistleblower protection policies with partners, consultants and contractors.

Staff responsible for taking action: Human Resources Manager

Date by which action will be taken: November 2015

## Governance area: Conclusion

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

## 2 Programme management

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

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

All the areas above were covered in this audit.

The audit found that controls were functioning well in some areas. The country programme was aligned with the United Nations Development Assistance Framework (UNDAF)<sup>4</sup> and the national priorities in Kenya.

The country office had established mechanisms and effective controls on donor reporting and annual reporting. Out of 56 donor reports due during the period from January 2014 to February 2015, 55 (98 percent) were issued on time. A sampled review of seven donor reports established that the results presented in the reports were duly supported with means of verification. Similarly, the annual report for 2014 was timely and was prepared in accordance with established guidelines.

However, the audit also noted the following.

### Baseline data and indicators

The quality of baseline data used in establishing targets for results in workplans was unreliable. Some data were up to six years old, and in most cases the source and baseline year was not provided in the monitoring tools used by the sections.

In a few cases, the baseline figures were equal or greater than the target. For example, the

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<sup>4</sup> The United Nations Development Assistance Framework (UNDAF) 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.

baseline for “Human Immunodeficiency Virus (HIV)-positive pregnant women receiving antiretroviral therapy to prevent mother-to child HIV transmission” in one county was 133 percent against the four-year target of 90 percent. In several cases, the baseline data was not available at all.

Lack of, or unreliable, baseline data led to unrealistic targets and made it hard to measure actual progress against expected results. For example, at the start of the country programme in July 2014, the baseline for “percentage of births attended by skilled health personnel” in one county was 7 percent and the target at the end of four years in June 2018 was 12 percent. However, the progress recorded in the assessment module in January 2015 showed an increase to 66 percent, exceeding the four-year target by 54 percent just in six months.

These weaknesses were partly due to inadequate prioritization of studies and related activities aimed at establishing current data for planning. Although the office had supported partners in conducting studies and surveys geared towards addressing gaps in data, these should have been given greater priority and undertaken much earlier in order to inform the planning process and establish targets and milestones for the new country programme that started in July 2014. In addition, inadequate oversight and quality assurance on work planning may have had contributed to the gaps noted on incomplete information on baselines and absence of outcome indicators.

The audit also noted that there were no indicators and targets established in the Results Assessment Module (RAM) for assessing progress on achievement of results at the outcome level for Health and Communication for Development (C4D) programmes (the other programmes had them).

**Agreed action 6 (medium priority):** The office agrees to strengthen its work planning process, oversight and quality assurance mechanisms to ensure that:

- i. Studies and surveys needed to address gaps in baseline data are carried out on a priority basis.
- ii. The source of data and baseline year are provided in the results-monitoring tools and in the Results Assessment Module.
- iii. Performance indicators for outcomes are established and entered into the Results Assessment Module for the Health and Communication for Development programmes.

Staff responsible for taking action: Research and Evaluation Officer; Outcome Leads; Chief of Planning, Monitoring and Evaluation; Chief of Health; and Chief of Communication for Development

Date by which action will be taken: June 2015

## Work planning and budgeting

The audit reviewed the adequacy of controls in programme planning for the periods 2013-2014 and 2014-2016, and noted the following.

**Timeliness in signing workplans:** The office prepared annual workplans (AWPs) with partners for the period July 2013 to June 2014. However, these AWPs were only signed with partners in December 2013. At the start of the new country programme in July 2014, the office

prepared two-year RWPs<sup>5</sup> for the period from July 2014 to June 2016, but they were not signed with partners until eight months after the start of the implementation period.

The office explained that the delays in signing of the RWPs for July 2014 to June 2016 were partly due to delays in signing of the first all-UN-wide workplans under Delivering as One (DaO), which had not been signed until February 2015. Further, the office noted that despite delays in signing the workplans, the implementation of activities continued based on the draft workplans in anticipation that they would eventually be signed without major changes. However, there was neither agreement with partners on such interim measures nor consultation with the Regional Office on whether to proceed with programme implementation without signed workplans. UNICEF's Programme Policy and Procedure Manual (PPPM) requires an approved workplan before making any disbursement. However, the PPPM does not provide guidance to country offices in case of protracted delays in signing workplans, such as was the case here.

**Budgeting:** The budget estimates for programme results and activities in the RWPs were not supported with evidence-based unit costs. This limited the office's ability to demonstrate a clear linkage between inputs and outputs and ensure efficient use of resources to achieve results. The office stated that weaknesses in budgeting for workplan activities and results was mainly due to a lack of tools for costing activities and results in preparing workplans. There was no organization-wide guidance and tools for results-based budgeting and costing of activities by the country offices.

In addition, the actual funding allocations for some outputs recorded in the system (VISION) significantly exceeded the budget estimates reflected in the RWPs. For example, under Health, while the total budget for output 7.4 (delivery of child health services) as per RWP was US\$ 1.7 million, the total amount allocated to the output in VISION was US\$ 2.9 million. Partners visited at the Ministry of Health and the Ministry of Education indicated that although the RWPs contained budget amounts for outputs and activities, it had not been clarified to the partners what specific expenditure line items and amounts were admissible in making requests for implementation. This led to situations where much time was taken preparing and negotiating when submitting requests for cash transfers.

In the counties visited by the audit, the Government partners did not have copies of workplans and therefore did not know what areas and budgets would be supported by UNICEF during the programme implementation period. This was due to insufficient engagement with the partners to clarify specific areas of interventions and related budgets at the county level.

**Agreed action 7 (medium priority):** The Field Results Group (FRG) agrees to, in collaboration with the Division of Financial and Administrative Management (DFAM) and Data Research and Policy (DRP) Division, and other divisions as warranted:

- i. Provide guidance to country offices on how to proceed in situations of significant delays in signing of annual workplans due to reasons beyond the control of the country office.
- ii. Issue budgeting tools and guidance to assist country offices in costing workplan activities and output results.

Staff responsible for taking action: Chief, Programme Design and Guidance, FRG

Date by which action will be taken: December 2015 (i), July 2016 (ii)

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<sup>5</sup> Rolling workplans. See footnote on p6 above.

## Grants management

The audit reviewed the management of grants to establish whether: funds received were spent on time; financial commitments for services rendered or goods received were paid for (expensed) before the financial closure of the grant; and any extension of the grant was requested at least two months before the expiry of grants. The audit noted the following.

**Expired grants:** As of January 2015, the office had six grants expiring by 31 March 2015 with a total unutilized amount of US\$ 1.5 million. On 18 February 2015, six grants expiring in three months had unutilized funds (i.e. without commitments) totaling US\$ 718,000. Unutilized funds meant that no commitments in the form of cash, purchase orders or contracts have been raised against those funds. After expiry of the grants, funds are not be accessible for raising commitments and have to be returned to the donors. In 2014, the office had eight grants which expired with unutilized funds amounting to US\$ 941,000. The unutilized amounts on individual expired grants ranged from US\$ 21,000 to US\$ 423,000. The office explained that the grant with unutilized balance of US\$ 423,000 was received three months late and could not be extended in 2014, resulting in a refund to the donor.

**Un-expensed commitments after financial closure:** Following expiry of grants, the office is required to ensure that all financial commitments for services rendered or goods received are paid for (expensed) before the financial closure of the grant. As of January 2015, the office had US\$ 544,600 committed but un-expensed on grants reaching financial closure within one to two months. Untimely spending of commitments could lead to loss of funds if not expensed before financial closure of grants.

**Extension of grants:** Three of the five requests for extension of grants in 2014 were not submitted at least three months before expiry of the grant as required. One was submitted within two and half months while the other two were submitted with less than a month to go. This could limit the office's ability to commit funds even where an extension is approved, and may lead to loss of funds if it is not.

The office said that it was aware of the above weaknesses on grants management, and that it had started to strengthen oversight and had put in place monitoring mechanisms to ensure timely utilization of funds and submission of requests for extensions. As a result, the office stated, the balance of unutilized funds on the aforementioned six grants had been reduced from US\$ 718,000 in February 2015 to US\$ 411,000 by 7 March 2015.

**Agreed action 8 (medium priority):** The office agrees to strengthen oversight of application of expected controls over grants management to ensure commitments are raised by responsible staff in programme sections, on time, before expiry of grants; expenditures are incurred against open commitments before financial closure of expired grants; and grant-extension requests are submitted to donors well in advance of expiry dates.

Staff responsible for taking action: Programme Budget Officer and Head of Quality Assurance  
Date by which action will be taken: October 2015

## Management of programme cooperation agreements

The country office disbursed cash transfers to 84 implementing partners (54 government and 30 NGOs) in 2014. They amounted to US\$ 27 million, of which US\$ 12.1 million was disbursed to government partners and US\$ 14.8 million was disbursed to NGOs. Of all the 84 partners, 38 partners (22 NGOs and 16 government) received over US\$ 100,000, and 15 of them over



US\$ 500,000, in 2014. The audit noted the following.

**PCA process:** One of the two NGOs visited said that the preparation process for signing of programme cooperation agreements (PCAs) took four to five months. Also, two cases were noted where activities had not been completed on expiring PCAs, the process for extension of the duration of the PCA was slow, leading to situations where the PCAs expired while activities were ongoing. The office explained that, in one of the two cases noted, the PCA proposal was submitted six weeks after the deadline. Discussions with programme sections working with the partner suggested that the partnership arrangement would need to be reviewed or evaluated to identify lessons learned and courses of actions to strengthen the partnership.

The audit noted two cases where the extension of PCAs was signed by UNICEF and partners two to three months after the expiry date of the PCAs. One partner stated that in one case it had to use its own resources to continue with the activities without the assurance that the extension would be approved by UNICEF. Although the office had established a standard timeframe for signing new PCAs (maximum of 28 days), the actual timeframe was not monitored to ensure compliance with established standard.

**Reporting:** The audit noted that partners did not always comply with reporting requirements stipulated in the PCAs. For example, the monthly or quarterly activity reports were not provided in the prescribed format, missing important required information. This included analysis of main achievements and cumulative achievements against targets, challenges/constraints, and lessons learned and proposed actions for the next month/quarter. Also, partners did not submit annual certified financial reports, although this was required in the signed agreements. This was due to inadequate oversight and monitoring to ensure reporting in accordance with the PCA requirements.

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

- i. Establish monitoring mechanisms to ensure that the programme cooperation agreement (PCA) preparation process is completed according to the established standard timeframe and that, where applicable, extensions are processed and signed with partners before expiry of existing PCAs.
- ii. Review the partnership arrangements for all sectors with the relevant partner to identify causes of identified bottlenecks and specific courses of actions to address them.
- iii. Develop oversight checklists to be used by programme staff to monitor that partners submit progress reports with agreed formats and content as required.

Staff responsible for taking action: Fund Monitoring Specialist; Chair of the PCA Review Committee; Chief of Planning, Monitoring and Evaluation; Monitoring Officer; and Head of Quality Assurance

Date by which action will be taken: June 2015

### Partners' capacity for financial management

Offices are expected to identify and address risks relating to financial management capacity of partners. During a visit to two NGOs, the audit noted common weaknesses in partners' internal controls. For example, the bank reconciliation was done by staff who were also involved with processing payments, writing cheques, depositing receipts and posting payments. Also, one partner did not have a documented delegation of authority for financial

controls; the other did, but it was not signed by the head of the office. In addition, one partner had accounts payable transactions that had not been cleared for two months.

Similarly, a visit to the Ministry of Education (MoE) and Ministry of Health (MoH) identified the following:

- *Bank reconciliation:* Neither the MoE nor MoH prepared bank reconciliations regularly. As of February 2015, the MoE had not done one since June 2014. At the MoH, the bank reconciliation for January 2015 had not been done as of 24 February 2015.
- *Expenditure records:* Neither Ministry maintained records of detailed expenditures well. There was no book of accounts maintaining a chronological record of expenditures in one place. The Excel expenditure sheets were kept in different files, were not referenced to the payment documents and were not linked to the specific line items reported in the FACE form.
- *Filing system:* Neither Ministry filed FACE forms<sup>6</sup> chronologically and they could not be easily retrieved from a single filing point. Moreover, required information such as activity reports pertaining to reported expenditures was not filed together with the FACE forms.
- *Segregation of duties:* The accountant at the MoH, who was an authorized bank agent, withdrew cash from the bank and paid for activities conducted at national level. The same person recorded the cash transactions in the cash book, compiled expenditure documents, prepared expenditure reports and performed the bank reconciliation. These were conflicting duties that increased the risks of fraud and irregularities.
- *Certification of payments:* At the MoH, payment documents such as invoices and payment sheets were received directly by the accountant for settlement of advances without being certified by the programme officers responsible for specific activities.
- *Electronic payments:* The MoE made electronic payments directly to payees' bank accounts. However, the accounting department did not maintain a record of payee's bank details certified by the payees. Thus, it was not possible to verify whether payments were being made to authorized payees' bank accounts.
- *Training:* The accountant at the MoE who was responsible for managing the funds received from UNICEF had never received training from it on management of its cash transfers.

Although all the partners visited by the audit team had been micro-assessed, with capacity gaps identified in the micro-assessment reports, the office had not followed up to make sure that recommendations made in the micro-assessments were addressed by the partners (see also observation *Harmonized Approach to Cash Transfers*, below). In addition, no financial spot checks had been done by the office for the MoH and MoE in 2014. Weak capacity of partners in management of cash transfers limited the office's assurance that funds disbursed were used for the intended purposes.

**Agreed action 10 (medium):** The office agrees to review the findings pertaining to partners visited by the audit, revise the risk profile of those partners, and implement a strategy to address internal control weaknesses as part of capacity-building efforts under the Harmonized Approach to Cash Transfers (HACT).

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<sup>6</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 Harmonized Approach to Cash Transfers (HACT) framework, but can also be used outside it.

Staff responsible for taking action: Head of Quality Assurance

Date by which action will be taken: October 2015

### Harmonized Approach to Cash Transfers (HACT)

Offices are expected 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 implementing partners expected to receive US\$ 100,000 or more per year from UNICEF. For those receiving less than this figure, offices should consider whether a micro-assessment is necessary; if they think it is not, they can apply a simplified financial management checklist set out in the HACT procedure. At country level, HACT involves a macro-assessment of the country's financial management system.

As a further safeguard, the HACT framework requires offices to carry out assurance activities regarding the proper use of cash transfers. Assurance activities should include spot checks, programme monitoring, scheduled audit and special audits. There should be audits of implementing partners expected to receive more than US\$ 500,000 during the programme cycle. HACT is also required for UNDP and UNFPA and the agencies are meant to work together to implement it.

The audit noted the following.

**Governance of HACT:** The office had established a HACT Governance Committee (HACT-GC) in October 2014. The HACT-GC, co-chaired by the Deputy Representative and the Chief of Operations, had members from operations and programme. Its terms of reference required the members to meet once in every two months to identify challenges, follow-up actions and report to the Programme Coordination and Operations Group. However, in 2015 the HACT-GC had not met (as of 13 February). Further, the CMT agenda and discussions did not include review of HACT implementation.

At the UN inter-agency level, a HACT working group was established in November 2014 with memberships from UN agencies (chaired by UNICEF). The role of the HACT working group is to coordinate and support HACT implementation in Kenya, and its members were to meet twice a month. However, as of February 2015, the working group was not yet fully functioning and its members had not yet met since its establishment in November 2014.

**Macro-assessment:** The UNCT in Kenya had not done a macro-assessment since the start of implementation of HACT in Kenya in 2009. This limited the office's ability to identify and address specific risks and capacity gaps associated with management of cash transfers through the public financial management system. Also, according to HACT guidelines, lack of macro-assessment means that a Supreme Audit Institution (SAI)<sup>7</sup> in the country cannot be used to conduct scheduled audits of implementing partners.

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<sup>7</sup> The Supreme Audit Institution in a country is typically the Comptroller General, Auditor General or National Audit Office. In the case of Kenya it is the Kenya National Audit Office (KENAO).

**Micro-assessments:** The office had planned to micro-assess 25 partners in 2014. However, as of 31 December 2014 only 12 were done. In 2015, the office had identified 86 partners that needed to be micro-assessed; of these, 40 never had been. The micro-assessments were to be prioritized based on the risk rating of the previous assessments of the partner and the proposed dates of commencing work in 2015.

As of February 2015, the office was in the process of finalizing the plan for the micro-assessments. It had not yet compiled a list of partners common to other UN agencies and was seeking that information, which would help it share costs of micro-assessments and avoid duplication.

**Assurance plan:** The office had prepared assurance activities plans in 2014 and in 2015; they included programmatic visits as well as financial spot checks. However, the plans were not formally approved by the CMT. In addition, the assurance activities plan was not risk-based, as noted in the next paragraph on spot-checks.

**Onsite periodic reviews (spot-checks):** The office conducted 62 or 82 percent of the 76 planned financial onsite reviews (spot-checks) in 2014. However, the audit found that, of 55 partners that received US\$ 50,000 or more in 2014 (this was the office's threshold), 31 were not spot-checked and had not been included in the assurance plan. Fifteen of the 31 partners not spot-checked were rated medium to high risk and received total cash transfers from US\$ 200,000 to US\$ 5 million in 2014. According to the office's criteria for undertaking spot-checks, the medium-risk partners should have been spot checked twice while those rated significant to high risk needed three spot-checks in a year. (See also the following observation, *Programme monitoring*.)

**Scheduled audits:** According to records generated from VISION as of 31 December 2014, there were 39 partners that received cash transfers from UNICEF exceeding US\$ 500,000 during the country programme that ended June 2014. Information on how much the UNICEF partners received from other UN agencies was not available. HACT policy requires partners receiving US\$ 500,000 in total from UN agencies to be audited at least once during the country programme cycle. However, 18 of those 39 partners had not been audited as of February 2015.

**Capacity building:** In 2014, the office conducted six orientation sessions in which about 30 UNICEF staff and 110 staff of implementing partners were trained on HACT and project cooperation agreements (PCA). However, the sessions conducted did not include all key partners. For example, of the 55 partners that received cash transfers over US\$ 50,000 in 2014, only 28 had their staff trained in the sessions conducted during the year. The office planned to hold more orientation sessions on HACT for partners in 2015.

**Follow-up on recommendations:** The office had no system for tracking the status of recommendations from micro-assessment, spot-checks and scheduled audits. The office did prepare a summary of findings and recommendations from the audits and micro-assessments, and indicated that the recommendations would be followed up during spot-checks. However, there was no record of their status or of specific actions taken. The office said it was aware of this gap and was planning to analyze the findings from micro-assessments and audits to identify common weaknesses and address them through capacity-building activities.

The weaknesses in HACT implementation arose from inadequate governance and oversight

mechanisms for HACT. However, the office was aware of the weaknesses and had started to strengthen implementation of HACT. For example, in 2014, it launched an implementing partners' database to capture and manage information relating to micro-assessments and assurance activities; it included a manager's self-service system for delegation of actions such follow-up of recommendations in trip reports. However, the database had not been fully functional due to staffing changes associated with the new country programme.

**Agreed action 11 (high priority):** The office agrees to review and strengthen the governance and oversight mechanisms of HACT implementation. Specifically, it agrees to:

- i. Ensure that the HACT governance committee conducts its functions as per terms of reference and reporting on HACT implementation is done to the Country Management Team (CMT) on a quarterly basis.
- ii. As a chair the inter-agency HACT working group, take a lead and advocate that it meet as expected to coordinate and assist implementation of HACT, including compilation of information on common UN partners.
- iii. With the support of the Regional Office, work with other UN agencies to conduct a macro-assessment of the public financial management systems.
- iv. Prioritize finalization and implementation of the for micro-assessment plan.
- v. Prepare and implement a plan for undertaking onsite periodic reviews based on risk criteria established by the office.
- vi. Conduct scheduled audits of partners within the programme cycle as required.
- vii. Train partners on HACT.
- viii. Establish a systematic process for tracking status of recommendations from micro-assessments, spot-checks and scheduled audits.

Staff responsible for taking action: Representative; Chief of Planning, Monitoring and Evaluation; and Head of Quality Assurance

Date by which action will be taken: December 2015

## Programme monitoring

The audit sought to establish the effectiveness of the office's controls for field monitoring, and for end-user monitoring to assess status and effectiveness of cash transfers and supplies given to partners. The audit also assessed the office's tracking of progress towards achievement of results against indicators and targets using the Results Assessment Module (RAM) in the performance management system. The audit noted the following.

**Planning for field monitoring:** The office prepared quarterly travel plans; they included field-monitoring trips by sections. However, the travel plans did not include field-monitoring visits undertaken jointly with partners, and were not linked to the HACT assurance plan. In addition, the plans lacked information on the specific workplans programme results and activities to be monitored.

Further, the office did not monitor the implementation of the field-monitoring plan, and this led to significant gaps between planned and actual trips. The audit looked at a sample of 10 staff members, for whom the number of planned trips ranged from six to 27 trips each during the year. The actual number of trips undertaken, in seven of the 10 cases, were 16 percent to 58 percent of planned trips. In the remaining three cases, the actual trips undertaken were 67 percent to 100 percent of the planned trips.

**Trip reporting:** Staff did not always ensure that trip reports were prepared within 15 days of completion of travel. In a review of 18 sampled trip reports, 15 were prepared late (within one to eight months). The audit analyzed travel authorizations against trip reports for 16 sampled staff members and found that 65 (or 39 percent) of 167 trips taken during the period up to 30 November 2014 were without trip reports as of 9 January 2015. The office did not have an oversight mechanism in place to ensure their timely preparation. It also lacked a central repository for trip reports, making it difficult to retrieve them when required.

The trip reports prepared by staff did not clearly show linkage to specific results and activities in the workplans. Also, although some sections maintained a list of action points arising from field visits and followed them up during section meetings, this was not consistently done by all sections in 2014.

**End-user monitoring:** Programme sections did not systematically prepare plans for end-user monitoring, which was insufficient during 2014. Also, staff members on field monitoring did not always include monitoring of use, status and effectiveness of supplies provided through the partners in the counties. Based on records of three programmes reviewed (Health, Nutrition, and Education), the number of end-user monitoring visits for supplies by each section ranged from two to six in 2014. Also, there were no follow up visits by staff to verify whether the findings from previous end-user monitoring visits had been addressed.

**Field monitoring visits by OIAI:** The audit team conducted its own field visits to three counties (Turkana, Homa Bay and Siaya). In all the three counties visited, the government staff responsible for managing funds received from UNICEF had not been trained on management of cash transfers. The records for receipts and expenditures were not properly maintained (no cash book or register), so that the audit could not accurately establish cash balances and unliquidated amounts. Bank reconciliations were not done, there was no voucher system for payments, and payments were not certified. None of the accountants could not confirm how much had been received from UNICEF and how much was outstanding for liquidation.

The audit team also looked at use of UNICEF supplies. In Siaya and Homa Bay counties, the drugs received from UNICEF were kept on the floor without pallets and at a temperature above that prescribed by the manufacturers. Records of movements of drugs were not updated. Further, there was no record of authorizations for release of drugs from the medical store in Homa Bay to the health facilities, and the staff responsible for managing the drug store had not been trained on medical store management.

In Turkana County, the nutrition supplies delivered to the Ministry of Health were stored at a facility managed by a partner NGO. The audit review noted absence of a formal agreement documenting the terms and responsibilities of the arrangement regarding receiving, storage, handling, issuing, recording and reporting. Also, the warehouse staff neither maintained proper inventory records nor provided regular inventory reports to the Ministry. The stock cards were not regularly updated and there was no established system for filing approved issue orders. Also, the local Ministry of Health in Turkana County stated that nutrition supplies and Ready-to-Use Therapeutic Food (RUTF) delivered to partners by UNICEF was being sold by vendors in the market. According to the Ministry, possible causes for this could be weak controls in storage and distribution of nutrition supplies at the county and/or sub-county health facilities.

The audit also visited one of the Child-Friendly Schools in Turkana and noted activities that had not been completed or had not been done properly by the contractors. Two solar panels

installed at the school in November 2014 were not functioning; according to the school management, they were installed on 30 November 2014 and only functioned until 21 January 2015. Two units of uncompleted boys' and girls' toilets were not done in accordance with the approved standards for sanitation facilities in Child-Friendly Schools, partly because there was no consultation by the contractor with the school management before starting of the construction work. Also, one 30,000-litre water tank, construction of which started in October 2014 and should have been completed by 31 December 2014, had not been completed by the contractor as of 23 February 2015.

The office was aware of some of the deficiencies noted above and had started to address them. For example, it had begun to integrate all RUTF commodities into the government supply chain. Also, it had developed a programme monitoring strategy and was planning to develop monitoring tools, including design of real-time monitoring approaches and common field-monitoring templates.

**Agreed action 12 (high priority):** The office agrees to strengthen oversight of the application of expected controls and to:

- i. Ensure that sections prepare, monitor and update results-based and risk-informed field-monitoring plans that are clearly linked to, and reflect, specific outputs and activities in the rolling workplans and in the Harmonized Approach to Cash Transfers assurance plan.
- ii. Establish a central repository for trip reports and assign staff responsibility for monitoring their preparation, to ensure that staff prepare them within 15 days of completion of travel.
- iii. Revise the trip-reporting tools to ensure that the purpose of monitoring visits is clearly linked to specific outputs and activities in the rolling workplans.
- iv. Ensure that the sections consistently follow up on implementation of significant action points from field trips, and maintain a record of the status of implementation of the significant action points.
- v. Prepare and implement plans for end-user monitoring of cash transfers and supplies and ensure that follow-up visits are undertaken to verify implementation of corrective actions to address findings from previous monitoring visits.
- vi. Review the findings from the field visits by the audit team; identify the causes and take action to address them, including: capacity-building of staff managing cash transfers at the three counties; securing liquidation of cash transfers outstanding over six months; strengthening controls in storage of drugs and nutrition supplies; and following-up on completion of activities at the Child-Friendly School.

Staff responsible for taking action: Chief of Planning, Monitoring and Evaluation; Monitoring Officer; Chief of Education; and Head of Quality Assurance

Date by which action will be taken: September 2015

## Programme evaluation

Country offices are expected to establish an integrated monitoring and evaluation plan (IMEP) for the country programme that will include programme evaluations. The audit review noted the following:

**IMEP:** The office did not prepare an IMEP for the country programme 2009-2014. Also, as of February 2015, neither the IMEP for the period 2014-2018 nor the annual IMEP for July 2014-

June 2015 had been finalized – some activities did not contain an estimated budget and had not been approved by the Representative or submitted for review to the Regional Office.

The 2013-2014 IMEP had included 93 activities under the surveys, studies, evaluations, monitoring systems, capacity building and publications. However, as of 31 December 2014, only 40 of the 93 planned activities had been completed. Five of the eight evaluation activities planned during 2013-2014 were not completed as of 31 December 2014. In addition, the IMEP activities for neither 2013-2014 nor 2014-2015 had been included in the rolling workplans.

**Programme evaluations:** During the country programme cycle 2009-2014, the office implemented programmes with total expenditures of US\$ 346 million. The value of interventions for individual programme areas such as Child Protection, Nutrition, Health, Education and WASH ranged from US\$ 40 million to about US\$ 70 million. Despite significant expenditures, however, the office had not adequately evaluated significant components of programmes. There had been three evaluations under the Nutrition programme, one for Health and one for Child Protection, but none for the other two important programmes (Education and WASH).

The office did not respond to the recommendations in those evaluations that had been completed. It did not also develop a timely action plan to address them. For example, the management response to two evaluations completed in 2013 were prepared and uploaded in the system in March 2014.

The weaknesses noted were caused by a combination of factors. There was no task force or individual staff member assigned with responsibility for monitoring status of implementation of recommendations from completed evaluations. In addition, the office did not ensure that IMEP activities (including evaluations) were included in the rolling workplans, and programme staff had not been trained on evaluations. There was insufficient review of the IMEP by the Country Management Team.

**Agreed action 13 (high priority):** The office, with assistance from the Regional Office, agrees to review and strengthen its processes and management of programme evaluations to ensure that:

- i. An annual, or alternatively a rolling, IMEP is completed and IMEP activities are monitored and prioritized for implementation in accordance with the plan.
- ii. Evaluations of key programme components are planned and carried out within a programme cycle.
- iii. An effective oversight mechanism is established so that planned programme evaluation activities are monitored for timely implementation by the Country Management Team and designated focal point.
- iv. IMEP activities, including evaluations, contain cost estimates and are included in the workplans.
- v. Management responses to, and action plans for, completed evaluations are prepared and uploaded in the global database in a timely manner.
- vi. Programme staff are trained and are equipped with the knowledge necessary to meet their accountabilities on programme evaluations.
- vii. The IMEP is submitted for review by the Regional Evaluation Adviser before final approval by the Representative.

Staff responsible for taking action: Research and Evaluation Officer; All Section Chiefs;



Outcome Leads; and Chief of Planning, Monitoring and Evaluation

Date by which action will be taken: September 2015

### Programme management: Conclusion

Based on the audit work performed, OIAI concluded that the controls and processes over the programme management, as defined above, needed significant 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) as well as management of records. 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.
- **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 the above areas were covered in this audit.

The audit found that controls were functioning well over a number of areas. For example, the office conducted bank reconciliations and cleared reconciling items in a timely manner. All sampled transactions were coded with correct general ledger accounts.

However, the audit noted the following.

#### Management of cash transfers

Country offices are expected to have cost-effective controls to ensure that cash transfers required for implementation of programme activities are disbursed, spent and accounted for by partners in a timely manner and according to the workplan. The office disbursed US\$ 27 million of cash transfers from January to December 2014. The audit review noted the following.

**Timeliness in disbursement of cash transfers:** Delays in disbursement of cash transfers were noted in eight of 14 cases reviewed, with delays ranging from 15 days to three months after the planned start date of activities in the approved workplans. The delays arose partly from partners not submitting the requests for cash transfers on time; this was the case in seven out of the 14 cases reviewed, where the submission was four to 72 days after the planned start date of the activity. In two of the 14 cases reviewed, however, there was a delay between the date of requests by partners and the disbursement (30 and 41 days). Untimely disbursement of cash transfers delayed programme implementation.

**Approval and certification:** In 31 out of the 131 cases reviewed (24 percent), the funds commitments that exceeded US\$ 50,000 were approved by staff members who were only authorized to approve those below that sum.

In all 14 sampled transactions, the FACE forms were certified by staff members who were not

authorized to perform the function in the table of authority.

The audit also reviewed partners' certification of 43 FACE forms, against which cash transfer, liquidation of advance and reimbursement/direct payment had been processed. In five cases they were certified by unauthorized personnel of the implementing partners.

**Documentation in VISION:** In 10 out of the 14 cases reviewed, the office did not attach scanned copies of the certified FACE forms to the corresponding funds commitments in VISION in accordance with UNICEF Financial and Administrative Policy 5: *Cash Disbursements*. Similarly, for liquidations, the office did not consistently attach scanned copies of the approved FACE forms to the funds commitments in VISION in 14 out of the 15 cases reviewed.

**Reimbursement of cash transfers:** In eight out of the 15 cases reviewed, the office paid reimbursement and direct payment requests to partners although there was no documentation showing prior approval by UNICEF before activity implementation.

The above weaknesses were mainly due to inadequate monitoring and supervision systems and could lead to inappropriate transactions being processed by unauthorized staff.

**Agreed action 14 (medium priority):** The office agrees to strengthen its oversight of the application of expected controls and to:

- i. Review its processes for processing cash transfers, provide support to partners to ensure that requests for cash transfers are submitted on time, and ensure that cash transfers are disbursed to partners in a timely manner as per work plans.
- ii. Ensure that funds commitments for cash transfers are approved by authorized staff and within the financial limit established in the office's release strategy.
- iii. Ensure that cash transfers are certified by authorized staff and authorized partners in accordance with both the office's release strategy and partner's designation of certifying officers.
- iv. Implement the requirement for attaching partners' request for cash transfers to funds commitments in VISION.
- v. Ensure that reimbursement type of cash transfers is used on the basis of approval prior to activity implementation.

Staff responsible for taking action: Finance and Accounts Specialist; Budget Officer; and Head of Quality Assurance

Date by which action will be taken: September 2015

## Contracts for services

Country offices should have cost-effective controls over management of contracts for services. The office had issued a total of 324 contracts (67 to consultants and 257 to contractors), with total cost of US\$ 5.5 million, during the period from January 2014 to February 2015.

The audit reviewed a sample of 32 institutional contracts issued in 2014 and found that 14 (or 44 percent) were signed after the contract had begun. The delayed signature of the 14 contracts ranged from one to 42 days. This could lead to tasks not being performed as agreed, and to possible disputes on the terms of unsigned contracts. The office also did not consistently complete and update contract information in VISION. For instance, a review of

the contracts awarded in 2014 indicated that vital information relating to the Contracts Review Committee (CRC), selection criteria and performance evaluation were not adequately entered into VISION.

The audit also checked five cases to see whether reference checks for individual consultants had been carried out and documented in the HR files. This had not been done.

According to the office's release strategy, individual contracts exceeding US\$ 50,000 but less than US\$ 100,000 required second and third releases to be made by the Chief of Section and Chief of Operation respectively. However, in two out of three cases reviewed, the second release was done by unauthorized staff member. In the third case, the second release was not done while the third release was done by an unauthorized staff member.

**Agreed action 15 (medium priority):** The office agrees to strengthen its oversight for management of contracts for services to ensure that: contracts are signed before the start date; contracts information is entered into VISION; reference checks for individual consultants are carried out before award of contracts; and release (approval) of contracts is done in accordance with the office's release strategy.

Staff responsible for taking action: Supply Manager and Human Resources Manager

Date by which action will be taken: May 2015

## Procurement of supplies and logistics

The office had planned procurement of goods excluding services worth a total of US\$ 17 million in 2014 (actual procurement was US \$16 million). The office had a standard operating procedure (SOP) and work process for the procurement of goods and services. It had also prepared a supply plan for 2014. Pre-delivery inspection was required for any purchase order above US\$ 10,000. However, the audit noted the following.

**2014 supply plan:** Although the office's implementation rate by end of the year was 94 percent, a comparison between the section plans and the obligations showed huge differences, indicating weak planning in some sections. For instance, the actual procurement for WASH, Social Protection and Behavior & Social Change ranged from 11 percent to 61 percent of planned procurement. Inadequate supply planning can affect programme implementation.

**Delivering supplies:** Delays in delivery of items by the vendors were noted in eight of the 12 cases reviewed, with delays ranging from 14 days to six months after the purchase order delivery date. This was due to inadequate monitoring of deliveries by the suppliers. The audit's discussions with partners found that late delivery of supplies had led to delays in the implementation of programme activities.

**Partner requests for supplies:** Seven out of 10 of the partners' request letters checked by the audit lacked specifications for items to be procured by UNICEF. None of them made reference to the agreed workplan. Further, the partners' requests for supplies were not always kept in the procurement files.

**Distribution plans:** The office did not ensure that distribution plans were prepared before procurement of supplies. In two of 12 cases reviewed, the distribution plans were not in the files and in another case it was submitted to supply unit four months after the items were

received, delaying delivery of items to the partners.

**Supplier evaluation:** The audit reviewed a sample of nine major suppliers awarded purchase orders in 2014 (ranging from US\$ 15,000 to US\$ 459,000), and found that none had been evaluated on performance. The office stated that it did not do so partly because five of the suppliers sampled were global suppliers that were under a long-term agreement (LTA) with supply division, Copenhagen. It also said that it planned to conduct a comprehensive market survey (see below).

**Market survey:** The office had not conducted market survey in Kenya since 2009. It said that it had completed a country-wide assessment of essential commodities and services for children in Kenya in 2014 and had identified a basket of 36 essential commodities and five services, which was a prelude to a comprehensive market survey. The office added that it had begun the market survey process during the audit and was assessing the companies that had expressed interest. A comprehensive market survey will enable the office to take advantage of the local suppliers available and update its supply database.

**In-country logistics:** The Basic Cooperation Agreement between UNICEF and the Government of Kenya stated that in-country logistics of programme supplies was the responsibility of the government. However, due to insufficient government capacity, the office had been supporting the Government of Kenya with in-country logistics and had spent US\$ 1.3 million during the period from January 2014 to February 2015. The office had neither conducted a comprehensive assessment of the government capacity in this regard, nor drawn up an exit strategy for the government to take over these roles.

According to the office, the major component of the logistics cost was related to health and nutrition supplies, and it had signed a memorandum of understanding (MoU) with Kenya Medical Supplies Authority (KEMSA) in October 2014. There was also an ongoing assessment of the nutrition supply chain with the objective of unifying the multiple supply chains and to enable KEMSA take the leadership of managing nutrition supplies. The lessons learned from these two initiatives would be used to design an exit strategy, with eventual government take-over of in-country logistics.

**Agreed action 16 (medium priority):** The office agrees to strengthen application of controls over supplies and logistics, and to take the following specific steps and:

- i. Put a mechanism in place to strengthen supply planning, and take action to identify and address bottlenecks in the implementation of the procurement plan for supplies.
- ii. Monitor deliveries to ensure that purchase order delivery dates are met.
- iii. Assist partners to ensure that requests for supplies include specifications and clear linkages with specific activities in the rolling workplans.
- iv. Ensure distribution plans are prepared and submitted to the supply unit before procurement of supplies.
- v. Evaluate major suppliers upon delivery of supplies.
- vi. Ensure that the market survey is completed and suppliers' database updated.
- vii. Carry out a comprehensive assessment of government in-country logistics and prepare an exit strategy to hand over in-country logistics roles to the government.

Staff responsible for taking action: Supply Manager and Procurement Specialist

Date by which action will be taken: October 2015

## Inventory management

The office maintained warehouses in Garissa, Kisumu and Nairobi. The warehouses in Garissa and Kisumu were managed by UNICEF; the warehouse in Nairobi, by a third-party company. As of February 2015, the total value of supplies in the warehouses was US\$ 1.3 million, excluding about US\$ 1 million worth of supplies that had been released from the inventory but had not yet left the warehouse or were still in transit to the implementing partners at the time the audit visited the warehouse. The audit noted the following.

**Storage conditions:** Health and nutrition supplies such as pharmaceutical drugs in the Nairobi warehouse were stored in areas above the temperature level specified by the manufacturers. The manufacturers had prescribed a storage temperature of less than 25 degrees Celsius whereas the temperature at the time of audit visits (on two different days) was above 29 degrees Celsius. The estimated value of the drugs was about US\$ 20,211, excluding another US\$ 9,210-worth of drugs with release orders issued to the warehouse managers for dispatch to the beneficiaries. The audit noted that the staff rarely visited the warehouse to ascertain the conditions and status of their supplies, including their storage conditions.

**Aging of supplies:** Supplies worth US\$ 246,000 – or 29 percent of the total regular supplies, excluding prepositioned emergency supplies – had been sitting in the Nairobi warehouse beyond the organizational bench mark of six months, i.e. between nine months and over 24 months. This could lead to loss due to expiry, and delay implementation of planned activities. In addition, the office was incurring daily storage fees on the aged supplies in the Nairobi warehouse. The fees were based on space occupied.

**Physical verification:** A physical verification done by the audit in Nairobi noted three of the six sampled items could not be found in VISION inventory records. These were two motor vehicles with an estimated value of US\$ 60,000 and 43 cartons of child-measurement scales worth approximately US\$ 9,700. The office explained that the two motor vehicles were not recorded as inventory because they were awaiting government registration; however, they had been in the warehouse for over one and half months, and should have been recorded as inventory pending their issue to partners. Also, the 43 cartons of children measurement scales were received in September 2013 and should have been included in the inventory records. Not recording supply items promptly in VISION weakens accountability and increases the risk of pilferage.

**Direct delivery supplies (DDEL):** The supplies in the warehouse with intent for direct delivery to partners had a total value of US\$ 240,000 (19 percent of total supplies). More than 93 percent of these supplies with the intent DDEL had been sitting in the warehouse for over six months and would be subject to storage charges as per the contract with the third party contractor. This was due to inadequate monitoring of direct delivery supplies to partners.

**Kisumu warehouse:** The value of supplies in Kisumu warehouse was US\$ 191,035. The warehouse was not equipped with smoke detectors, or with a panic alert system in case of unauthorized access at night. There was also no evidence that the fire extinguisher in the warehouse had been serviced and/or inspected. There was no thermometer in the warehouse where health and nutrition supplies including therapeutic food and drugs were stored. Further, about 150 cartons of amoxicillin belonging to a partner were kept in the warehouse without a signed agreement.

The weaknesses identified by the audit were due to inadequate monitoring by the programme managers, weak distribution planning, and poor oversight including inadequate technical

support to the zonal offices.

**Agreed action 17 (medium priority):** The office agrees to establish oversight mechanisms to ensure that:

- i. Supplies are stored according to the conditions specified by the manufacturer.
- ii. The health and nutrition supplies that have been subjected to inappropriate temperatures are tested to ensure that they are still fit for purpose.
- iii. Supplies procured for direct delivery to partners are not stored in the warehouse.
- iv. A distribution plan is prepared and supplies are delivered in accordance with the workplans on the basis of which they were procured in the first place.
- v. All supplies under the control of UNICEF at the warehouse are promptly recorded in VISION.
- vi. An agreement outlining respective responsibilities (including insurance) and cost recovery where applicable is signed with partners when offering to store partner supplies not controlled by UNICEF.

Staff responsible for taking action: Logistics Specialist and Procurement Specialist

Date by which action will be taken: August 2015

## Records management

Country offices should ensure that records that provide evidence of daily transactions are appropriately maintained and retained for reference until such time the organization no longer needs them. There should also be periodic review to see what should be retained and what is no longer required.

The office had assigned the responsibility of managing archives, other than financial and HR-related documents, to an administrative clerk. It did not maintain a central archiving system. Financial and HR-related documents were managed and archived by designated staff members in those sections. The office had a process for requesting document archiving and retrieval.

However, the office did not maintain a system such as a register or database of references of archived documents indicating filing dates, locations and closure status. It also did not periodically review its accounting, financial, budget and administrative records with a view to classifying them as permanent, non-permanent or routine. This could mean higher storage costs; or, conversely, premature disposal – which could mean not having information required for legal, administrative, or historical purposes. The office also lacked a process to ensure that documents that exceeded the retention period were properly disposed of. The audit noted that records of disposals were also not maintained.

**Electronic records:** The office had not availed itself of numerous opportunities provided in VISION and country office portal for filing and archiving important supporting documents. For instance, when creating fund commitments, offices are required to attach the scanned copy of the FACE form to it in VISION, but this was not always done (see also observation *Management of cash transfers*, p27 above).

Besides VISION, the office used a shared drive for storing important soft documents. However, a review of the shared drive process indicated that, although documents were stored in sections, access was not restricted to staff in those sections. In addition, it did not ensure that

all key documents were regularly stored in the shared drive.

**Manual filing system:** The office had no mechanism to ensure that documents and reports were adequately filed and the related means of verification could not be easily retrieved. For example, the means of verification for donor reports could not be easily retrieved. Similarly, the trip reports from field-monitoring visits were not filed in a central location (see also observation *Programme monitoring*, p22 above). Also, security clearance for travel by staff had not been properly filed.

The above weaknesses in records management were partly due to lack of proper guidance and tools from Headquarters on how to effectively implement the records-retention policy. UNICEF Financial and Administrative Policy 1: Supplement 3 provides guidance on retention of records, but is limited to accounting, financial, budget and administrative documents. It also lacks specific tools such as forms and templates to guide offices in implementing the policy. Further, the staff members responsible for archiving documents had not been trained on archive management.

**Agreed action 18 (medium priority):** The office agrees to strengthen oversight of the application of expected controls over records management and to:

- i. Periodically review documents with a view to classifying them as permanent, non-permanent or routine.
- ii. Establish a tracking system that maintains references of archived documents, indicating filing dates, locations and closure status, to assist retrieval of documents.
- iii. Establish a process to ensure that documents whose age exceeds the retention period are properly disposed of and records of disposals are maintained.
- iv. Ensure that staff members comply with specific requirements for attaching documents in VISION.
- v. Establish controls over access to the shared drive and ensure that staff members store documents in it as determined by the office.
- vi. With support from NYHQ, develop a standard operating procedure (SOP) for the manual filing system to guide staff in ensuring that all key documents and related means of verification are properly filed and easily retrievable; and assign oversight responsibilities for application of the SOP to a designated focal point.
- vii. Conduct training on archive management for staff responsible for archiving.

Staff responsible for taking action: Finance and Accounts Specialist; ICT Specialist; Chief of Operations; Deputy Representative; and Administrative Specialist

Date by which action will be taken: October 2015

**Agreed action 19 (medium priority):** The Division of Financial and Administrative Management (DFAM), responsible for the Enterprise Content Management (ECM) project, in consultation with the ECM Project Board, agrees to develop revised policy, procedure and guidance for records management in country offices.

Staff responsible for taking action: Senior Adviser Finance, DFAM

Date by which action will be taken: June 2016

## Information and communication technology

The office had a procedure for providing users with access to core UNICEF information and



communication technology (ICT) resources, such as the network, email, Intranet and VISION transaction management system components. It had correctly assigned provisioning and de-provisioning of access to ICT resources to the human resources unit, as it maintained the employment records of staff members and consultants. However, the audit noted the following.

**Access management:** As of 10 February 2015, the office had about 183 active user accounts including staff and consultants. A review of the access of all 183 ICT users in the office at the time of the audit noted that 51 users' access were not aligned with their contract expiry dates. Some of these 51 inconsistencies were considered critical. For instance 20 users had access to ICT resources from three to more than 3,300 days beyond their contract expiry dates. On the other hand, 31 users had their access rights set to expire before their contracts. Users having access beyond their contracts increases the risks of unauthorized access and/or inappropriate transactions, resulting in potential loss of resources and data integrity.

**Non-disclosure agreement for consultants:** Consultants had been given access to the office's ICT resources (such as the office area network, shared drives and internet) without their signing a non-disclosure agreement. The office was not aware that non-staff members should have either this or a signed memorandum of understanding on file prior to approval and subsequent account creation.

**Server room access:** The server room housed both the Kenya country office and UNICEF Somalia Support Centre's servers. It had 24/7 air-conditioners, an uninterruptible power supply (UPS), back-up generator and fire extinguisher. Although access was restricted to IT staff of the UNICEF Kenya and Somalia offices, the access card used to gain entrance to the room was generic. This made it hard to identify who accessed the server room at any point in time. Additionally, the office did not maintain an up-to-date server-room log that would indicate purpose of entrance into the server room, along with name(s) of staff, time and date.

**Disaster Recovery Plan (DRP):** The office was backing up its local files on daily and monthly basis but the backup files were not being stored off-site. Additionally, the office had not updated the DRP since 2007 and had never tested it by ensuring a periodic full system restoration using the backups. This simulation would confirm that the backups and DRP were operational and could be relied upon when necessary. The office indicated it was in the process of updating the DRP.

**Agreed action 20 (medium priority):** The office agrees to strengthen oversight of application of expected controls over ICT access management and business continuity, and to:

- i. Review users' access to ICT resources, together with their respective contract expiry dates, and ensure that they are matched in VISION and in the system for provisioning and de-provisioning of access to ICT resources.
- ii. Periodically reconcile the active directory and users' contracts maintained by the human resources unit.
- iii. Implement a process for granting access to the ICT systems and applications to consultants in accordance with the ICT policy. Any exceptions should be documented and approved in line with the policy.
- iv. Ensure access cards to server room are unique and linked to staff members' profiles.
- v. Ensure the server room log is updated to show purpose of entrance, staff name, time and date.
- vi. Ensure that the backup files are stored off-site and that the Disaster Recovery Plan is

periodically tested for full system restoration using backups.

Staff responsible for taking action: ICT Assistant; ICT Specialist; Finance Specialist; Administrative Specialist; and Human Resources Focal Point

Date by which action will be taken: September 2015

## Vendor master records

The office had delegated the role of maintaining vendor master records in VISION to three staff members. As of the time of the audit, there were over 2,000 vendor records created.

A review of the maintenance of vendor master records found that there were 85 duplicate vendor master accounts created for 45 vendors, including implementing partners, individual and institutional contractors, and suppliers. The duplicated vendor accounts were created under the same vendor type or different vendor type. For example, a vendor account for an implementing partner was created under the IP vendor type and another account created for the same entity under vendor type. The audit noted that the vendor master records were not cleaned up before migration from the legacy system to VISION in 2011-2012; neither had they been cleaned up post-VISION implementation. The office did not periodically review the vendor master records with a view to cleaning and blocking inactive, misclassified and duplicate vendors.

The information related to the vendor was either not entered, or was incomplete. For example, the addresses of some vendor accounts were either not or not fully populated.

Responsibilities for maintaining vendor master records had been assigned to designated staff members. However, delegation of vendor master role was done in such a way that all the custodians were equally responsible for all vendor types, including partners, consultants and staff; and each staff member maintained their own file. Unsegregated assignment of roles for maintaining vendor master records increased the risk of duplicate entries.

Duplicate vendor master records could provide erroneous information related to disbursements and liquidations of a vendor account, and increase the risk of overpayments or double payments (the audit did not detect any). They may also allow implementing partners to receive direct cash transfers despite having previous cash transfers outstanding for more than six months.

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

- i. Provide guidance on the process for requesting and creating vendor master records, so that before another vendor master record is created, there are checks to ensure there is no existing master record for that vendor in VISION.
- ii. Ascertain validity of vendors with multiple master records, and block and mark for deletion the master records that are considered invalid or duplicate.
- iii. Periodically review the vendor master records in order to prevent duplications and ensure completeness and accuracy of records.
- iv. Segregate the assignment of roles for maintaining vendor master records by types of vendor types such as partners, consultants and suppliers.

Staff responsible for taking action: Chief of Operations

Date by which action will be taken: August 2015

### **Operations support: Conclusion**

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

## Annex A: Methodology, and definitions 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 of 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.