# Internal Audit of the Togo Country Office

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Office of Internal Audit
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# Summary


The Office of Internal Audit and Investigations (OIAI) has conducted an audit of the Togo Country Office. The audit sought to assess governance, programme management and operations support over the office's activities, and covered the period from January 2014 to April 2015.

The 2014-2018 country programme includes four programme outputs: *Child survival and growth*; *Education and development*; *Child protection and adolescent empowerment*; and *Social policy and advocacy.* The country programme has a total budget of US$ 70 million, out of which US$ 17 million was regular resources (RR) and US$ 53 million 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 country office is based in Lomé; there are no zone offices. There is a total workforce of 43 staff, consisting of nine international professionals, 17 national officers and 17 general service staff. At the time of the audit, two national officer posts were vacant.

## Action agreed following the audit

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

- Potential partners were not mapped and their capacity to work with UNICEF was not assessed. The office did not document programmatic justification and cost-effectiveness in the selection of partners. It also lacked a database of existing partners with relevant and regularly updated information on their past performance. The office has agreed to address the issue of partnerships in the country.
- An outstanding direct cash transfer amounting to US$ 126,526 had not been liquidated after more than 16 months. The office has agreed to closely follow up this case so that the unliquidated amount is either accounted for or recovered from the partner. It has also agreed to reinforce its HACT procedures, building on lessons learned from this case.

## Conclusion

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

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

# Contents

# Objectives

The objective of the country office audit is to provide assurance as to whether there are adequate and effective controls, risk management and governance processes over a number of key areas in the office. In addition to this assurance service, the audit report identifies, as appropriate, noteworthy practices that merit sharing with other UNICEF offices.

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

# Audit Observations

## 1 Governance

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

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

All the areas above were covered in this audit.

The audit found that controls were functioning well over a number of areas. The office conducted a self-audit in October 2014 to assess its effectiveness, efficiency and level of compliance with UNICEF rules and regulations. The self-audit was performed using standard questionnaires on internal control systems in Governance, Programme and Operations. It involved peer reviews among staff from different sections and testing of transactions.

The office had established statutory committees, including the Country Management Team (CMT) and the Contracts Review Committee (CRC). During a staff retreat, the composition of the office committees was reviewed and staff were reminded of their roles.

However, the audit noted the following.

## Risk and Control Self-Assessment (RCSA)

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 RCSA exercise had first been completed in 2011 and had been updated annually. In 2014, it was updated by a brainstorming session during the March staff retreat. The risks identified were consolidated and the risk ratings defined, taking into account the mitigating actions implemented. The office reported two high risks: the predictability of multi-year funding sources, and the fragile sociopolitical situation in the country.

However, the office 2014-2015 annual management plan (AMP)[1] reflected only one of these risks as a management priority, and included two – programme supplies, and the information and communications technology (ICT) system – that were not in the RCSA. The lack of alignment between the risks in the RCSA and the priorities defined in the AMP could result in the office not focusing on the most important risks. Moreover, the actions in the RCSA to mitigate the risks lacked risk owners and deadlines for implementation. The office said the status of implementation of the actions was updated once a year during the review of the risk assessment, but this annual review was not timed in such a way as to be useful in preparing the AMP.

Also, there was no risk focal point in the country office. There was an audit and risk committee, but it had not been operational for several years (although it was still included in the AMP). The risk committee had been created to follow up on the recommendations made by the 2010 OIAI internal audit of the office, and had stopped functioning when all the recommendations were seen as closed.

**Agreed action 1 (medium priority):** The country office has agreed to strengthen its risk management process as follows:

i. The outcome of the Risk and Control Self-Assessment will inform the identification and addressing of office priorities in the Annual Management Plan.
ii. A risk focal point is appointed, and risk owners are identified in the action plan, along with deadlines for completing the actions to mitigate the risks identified. In this regard the office will consider the reactivation and role of the office's audit and risk committee.
iii. The action plan for mitigating the risks identified is periodically monitored by Country Management Team or other review committee.

Staff responsible for taking action: Representative, office management and Chair of the audit committee

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[1] 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.

Date by which action will be taken: August 2015

## Office committees

The list of committees, together with the details of membership, was annexed to the 2014-2015 AMP. However, not all of the committees listed were operational in 2014. The Audit and Risk Committee, the Research and Evaluation Committee and the Gender Task Force had not met during the year. Others (including the Joint Consultative Committee) did not meet as frequently as planned in their terms of reference. Meetings of some committees were not always minuted (for example the Committee for Cost Savings and Environment).

The office had 17 committees in total, high for the size of the office. On average, staff members were members of three committees, while some sat on up to 10 (excluding membership in the inter-agency committees).

Inadequate functioning of advisory committees may hinder effective monitoring of the programme implementation and operations activities. Staff participation in many diverse committees could be a burden on staff resources.

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

i. Have statutory and advisory committees meet as planned in their terms of reference, and systematically prepare minutes of their meetings.
ii. Assess the relevance, efficiency and effectiveness of the many committees in the office, and assigned staff members responsibility only on committees to which they add value.

Staff responsible for taking action: Operations Manager / Deputy Representative and HR Officer
Date by which action will be taken: July 2015

## Learning and development

The office had a Learning and Development Committee (LDC), the membership and role of which were described in the Annual Management Plan for 2014-2015. The LDC was supposed to meet quarterly, but had met only once in 2014 and once in 2015 – making it hard for it to monitor the status of learning and development in the office.

A learning plan was established in 2014, based on the requests from staff members, approved by their supervisors and reviewed by the LDC. The total cost of learning and development was calculated based on the consolidated list as signed by the Representative. However, since the office had not defined its learning priorities, there were no clear criteria for approving or rejecting the requests by staff members. This could lead to the office not focusing its learning and development resources on key office priorities. The audit also noted that there was no defined budget for training.

The audit also noted that implementation of the 2014 learning plan was relatively low. Only 54 percent of the planned learning activities had been implemented. The office stated that the Regional Office had cancelled some of the planned training, and that some staff members had postponed their activities. However, it had not recorded the reasons why staff members had not attended the courses as planned.

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

i. Implement a learning and training strategy that is linked to the office priorities, and meets the professional development needs of individual staff members, based on individuals' known skills gaps.
ii. Allocate adequate resources to implementation of its learning strategy.
iii. Have the Learning and Development Committee meet periodically to plan and monitor the office learning plan, in line with the annual training planning guidelines and the Committee's terms of reference.
iv. Monitor and record reasons for some staff members not attending the approved learning events and address the related issues.

Staff responsible for taking action: Operations Manager, Deputy Representative, HR Officer and Chair of office learning committee
Date by which action will be taken: July 2015

## Staff leave balances

The audit noted that a significant number of staff members had accumulated large unused leave balances. At the end of 2014, 25 out of 41 staff members had more than 30 days left; eight had a balance of more than 60 days. The problem was particularly acute in the operations section, where seven of the 16 staff members in the section had a balance of over 60 days' annual leave. This had resulted in staff losing the extra days because they had not been able to take them.

Management explained that it had already taken measures to grant leave to staff members with the highest balances, which led to the staff having a balance of over 60 days being reduced to five out of 40 at the end of March 2015. Despite this, five staff members lost an average of four surplus days at the end of March 2015 and there had not been any attempt to find the root causes of this problem.

**Agreed action 4 (medium priority):** The country office agrees to find out why high leave balances have been accumulated by some staff members and adequately plan so that they can take leave in the course of a calendar year without affecting the office operations, and do not lose accumulated leave days above the limit allowed by UNICEF.

Staff responsible for taking action: Representative, HR Officer, Supervisors, and Operations Manager
Date by which action will be taken: September 2015

## Governance: Conclusion

Based on the audit work performed, OIAI concluded that the controls and processes over governance, as defined above, were generally 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 program design, and clear definition of results to be achieved, which should be specific, measurable, achievable, realistic and timebound (SMART), planning resources 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 above areas were covered in this audit.

The audit found that controls were functioning well over a number of areas. The office involved Government and NGOs in the preparation of the Country Programme Document and of the workplans. The workplans were developed at the regional and national level for each programme component. There was an advocacy strategy for the programme cycle, and it was included in the 2014-2015 AMP. It contained seven advocacy priorities, and assigned responsibilities for their implementation.

There had been a macro-assessment of government financial systems in July 2014, prepared by economists and staff from UN agencies (including the Social Policy specialist of the UNICEF office). This made use of internal capacities of the UN agencies towards a common goal, and was cost-effective. (See also observation *Harmonized Approach to Cash Transfers*, p11 below.)

However, the audit noted the following.

## Resource mobilization[2]

According to UNICEF's Programme Policy and Procedure Manual (PPPM), country offices

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

should establish a resource mobilization strategy that sets specific targets for the period of the country programme and outlines how, where, when and with whom resource mobilization activities will be undertaken. This should include analysis of the specific fundraising context, along with ideas, events and opportunities for engagement with donors, and plans for maintenance of contacts with representatives of donor countries based in the country or the region.

The office had been successful in meeting its resource mobilization targets for the first year of the 2014-2018 country programme. At the time of the audit, the office had raised US$ 12.6 million of the US$ 53 million total planned for the period (about 24 percent). However, the funding situation varied widely from one outcome to another. While Outcome 1 (*Health and nutrition*) was already 40 percent funded at the end of the first year, Outcome 2 (*Education*) was only 25 percent funded and Outcome 3 (*Child Protection*) was not funded at all. The office relied on a limited number of donors and this represents a risk in case one of them decides to discontinue support. In 2014, 50 percent of the OR mobilized came from one donor.

The predictability of multi-year funding sources had been identified as a high risk during the latest risk assessment exercise. The preparation of a resource-mobilization strategy was included as a mitigation action for this risk to be implemented by the end of 2014. At the time of the audit, this had not been done. However, in 2014, programme sections had identified their funding gaps for the 2014-2016 period; these were considered as the resource-mobilization targets and, based on this analysis, detailed resource-mobilization measures were defined in the 2014-2015 AMP. These measures included the development of a simplified version of the country programme document for presentation to potential donors, the drafting of short proposals by outcome with details of funding needs, and/or a visit from the Representative to UNICEF national committees or traditional donors based outside the country. All of these measures had been implemented except for an update of the child-protection toolkit.

**Agreed action 5 (medium priority):** The office has agreed to strengthen its resource mobilization by developing and implementing a diversified resource mobilization strategy that targets more/new donors and also provides for all the programme outputs to be funded.

Staff responsible for taking action: Representative, Deputy Representative, and Info-Communication officer
Date by which action will be taken: November 2015

## Partnership

During the period audited, the office had signed programme cooperation agreements (PCAs) with 10 NGOs, and small-scale funding agreements (SSFAs) with two others.

UNICEF's December 2009 guidelines for PCAs and SSFAs state that country offices should survey what potential partners are available in the country and what they might be able to offer. The Child Protection section had done such a survey in 2009, but it had not been updated for the new country programme. Overall, there was no survey of potential partners, analyzing their purpose, the opportunities they might bring, and their capabilities and limitations in relation to the country programme's objectives.

The office stated that the selection criteria for partners was their technical expertise. However, there was no documented evidence of the justification for a partner's selection in the minutes of the PCA review committee (PCARC). There was also no evidence in the PCARC minutes that it had considered the programmatic justification for the PCAs and the cost-effectiveness implications of entering into partnerships.

The office stated that the number of potential implementing partners operating in Togo was limited and that for many of them, the partnerships had been established for a long time. Out of the 12 agreements signed during the audited period, six were with partners with which the office had already worked. However, the office did not monitor and evaluate the partnerships to maintain a database on their past performance and lessons learned, as set out in the PPPM. The PCARC thus had no way to evaluate past performance when considering future partnerships with bodies that had previously worked with UNICEF.

**Agreed action 6 (high priority):** The country office agrees to:

i. Establish a process for entering into strategic partnerships that is informed by knowledge of partners' capacities, purpose, limitations and challenges.
ii. Document the justification for partners' selection and reflect it in the Programme Cooperation Agreement Review Committee (PCARC) minutes, along with the analysis of potential partnerships and cost-effectiveness of the agreements submitted.
iii. Maintain a database of existing partners with relevant and regularly updated information of their past performance.

Staff responsible for taking action: Deputy Representative, M&E Specialist, Chair of the PCARC Committee and Section heads
Date by which action will be taken: December 2015

## Harmonized Approach to Cash Transfers (HACT)

Offices are required to implement the Harmonized Approach to Cash Transfers (HACT). With HACT, the office relies on implementing partners to manage and report on the use of funds provided for agreed activities. This reduces the amount of supporting documentation UNICEF demands from the partners, thus cutting bureaucracy and transaction costs. HACT requires offices to systematically assess the financial management capacity and its level of risk before making cash transfers to a given partner, and to adjust their method of funding and assurance practices accordingly. HACT therefore includes micro-assessments of the individual implementing partners, both Government bodies and NGOs. There should also be a macro-assessment of the country's public financial management system (this had taken place; see p8 above.)

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 programmatic visits, spot checks, and scheduled audit for implementing partners expected to receive more than US$ 500,000 during the programme cycle and special audits when specific issues or concerns arise. HACT is also required for UNDP and UNFPA, and the agencies are meant to work together to implement it.

The audit reviewed the office's implementation of HACT and noted the following.

***Training for partners:*** The office organized training sessions for Government partners in 2012 and in 2014. Training of non-Government partners took place in 2013 and also each time a PCA was signed with a new implementing partner. However, there had not been any complete training session for UNICEF's own staff members since the introductory session in 2012. There had been some *ad hoc* training sessions during programme meetings or on the job.

***Macro-assessment:*** The macro-assessment of public financial systems in July 2014 was officially approved by the UNCT[3] in January 2015. The report included some suggestions to strengthen national capacities and secure cash transfers. The office explained that during UNCT meeting of January 2015, it was decided that the Resident Coordinator for the United Nations would share the macro-evaluation with the national authorities; but at the time of the audit, this had not yet been done.

***Micro-assessments:*** In 2014, the office had 41 implementing partners, of which seven received more than US$ 100,000. The micro-assessments of all Government partners expected to receive more than US$ 100,000 per year were conducted by an external firm contracted by the UN coordination unit. The report was submitted in January 2015, but two assessments of UNICEF partners were missing. The office had not yet recorded the updated overall risk rating of its implementing partners in the Partner Assessment Tab in UNICEF's management system, VISION, as required by UNICEF HACT procedure.[4]

***Assurance activities:*** The office had prepared an assurance plan for 2014 that included 59 programmatic visits and 50 spot checks. In fact, the office made 68 programmatic visits during the year. However, not all planned spot checks were implemented. During the last quarter of 2014, the assurance plan was adjusted and the number of spot checks reduced to 38, taking into account the requirements of UNICEF HACT procedure (this specifies that spot checks are not compulsory for partners receiving less than US$ 20,000 per year). Of the planned spot checks, 16 took place – which represents an implementation rate of 42 percent. (See also *Training of HACT staff*, later in this observation.)

The office explained that it had overestimated its capacity to complete these assurance activities. Also, programme assistants belonging to the HACT pool did not meet a new HACT framework requirement of a minimum of five years' experience in finance/accounting to perform spot checks. The office had decided that the programme assistants should be accompanied by a member of the Finance section during the spot checks.

According to the April 2014 memo signed by the Representative on the functioning of the HACT pool (see next paragraph), it is the responsibility of heads of sections and programme officers to follow up on the implementation of recommendations included in the spot-check reports. This was normally done through the field visits planned by the section or through the next spot checks planned for the same partners. The spot-check template was revised in May 2014 in order to better reflect the follow-up of the recommendations from previous spot checks. However, there was no mechanism to ensure that a spot check or a field visit was systematically planned for partners with open recommendations. So if no further visit took place, there might be no follow-up.

***HACT quality assurance pool:*** To better implement HACT, in 2014 the office had assigned a number of staff to a HACT "quality assurance pool". Their objective was to strengthen

[3] UNCT stands for UN Country Team, and is an internal UN term to refer to the joint meeting of all the UN agencies or bodies active in a given country. The UNCT is convened by the UN Resident Coordinator. Its terms of reference, and division of responsibilities with individual agencies, vary from country to country.
[4] Document number FRG/PROCEDURE/2014/001 dated 1 August 2014.

partners' capacities and assist implementation of the assurance plan. The quality assurance pool consisted of four programme assistants under the supervision of the Monitoring and Evaluation (M&E) Specialist. Their tasks included regular field visits and spot-checks, and follow-up on programme supplies and their delivery to end-users (the latter can be considered as assurance activities under the HACT framework). The HACT pool was also to strengthen financial procedures of partners through on-going supervision and training. The 2014 PBR[5] approved an extra post at GS6 level to strengthen the pool function.

However, the audit noted that the job descriptions of the staff involved had not been updated (except for the newly created post of the HACT assistant). It also noted that the programme assistants still performed tasks linked to their normal functions, but the percentage of their time spent on these and on HACT-related tasks was not assessed to determine whether the new reporting structure for the latter duties was appropriate. In the case of the M&E Specialist, who also retained her previous functions, the PBR that approved the HACT structure had specifically recommended that the impact on her work of the HACT-related function should be monitored and the results used to inform an assessment of the new HACT structure in the 2016 mid-term review. However, the office appeared to have no system to monitor either the impact on M&E, or the functioning of the HACT structure (such a system could entail, for example, a mechanism to record the time spent on HACT-related tasks compared to M&E).

***Training of HACT staff:*** Two out of the four programme assistants in the HACT pool had attended a HACT training session in 2011 organized with other UN agencies, while the other three were trained by the Operations manager. However, they had not received any formal HACT training since their move to the HACT quality pool. The office said there was no training programme available. The audit also noted that the M&E Specialist, who was supposed to supervise the five programme assistants, had never been enrolled in any management course.

***Qualifications:*** Except for the HACT assistant, the programme assistants did not have either formal finance qualifications or five years' experience in finance and accounting (the new HACT framework introduced in August 2014 required that they have at least one of these). This requirement was not in place when the HACT pool was established, and the office had seen to it that finance assistants accompanied the programme assistants during spot checks, but as there were only two finance assistants, this limited the office's capacity for spot checks.

**Agreed action 7 (medium priority):** The office agrees to fully implement the Harmonized Approach to Cash Transfers (HACT) in accordance with the revised 2014 HACT guidelines and procedures, and to take the following specific steps:

i. Key programme and operations staff members are trained on HACT implementation.
ii. The members of the HACT pool acquire the skills adequate to perform all the tasks assigned to them in order to satisfy the new HACT framework requirements, and increase the office capacity to implement the planned spot checks.
iii. Advocate within the UNCT that the macro-assessment report be shared with the national authorities.

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

iv. Finalize all the planned micro-assessments of implementing partners in a timely manner in accordance with UNICEF guidelines.
v. Assess internal capacity to conduct the spot checks, and consider alternative procedures, such as the hiring of external audit firms, to implement them.
vi. Establish a process for the follow-up of recommendations arising from assurance activities, including spot checks.
vii. Introduce tools to prepare the assessment of the HACT quality assurance pool to be performed in 2016 as required by the Regional Office (for example, a system to record time spent on HACT-related tasks compared to non-HACT-related tasks).
viii. Align the reporting mechanism to the scope of the tasks performed by the HACT Programme Assistants (HACT- and non-HACT-related tasks).

Staff responsible for taking action: Representative, Deputy Representative, CMT HACT focal point and Heads of sections
Date by which action will be taken: February 2016

## Unaccounted amount from an implementing partner

The Representative reported a case to the audit concerning an outstanding direct cash transfer (DCT) amounting to US$ 126,526[6] that had not been liquidated more than 16 months after it was made. This concerned a four-year Water, Hygiene and Sanitation (WASH) project implemented between April 2011-April 2015 with a total value of EUR€ 1,925,818 (US$ 2,111,765), of which 64 percent was funded by a donor and 36 percent by UNICEF.

The donor had required that the project activities be entirely implemented through an NGO in order to build in-country capacity. The UNICEF office chose an NGO with which it had worked in previous years, and which was well-known in the region for its technical expertise and its implementation capacity in WASH. In 2011, however, just before the signature of the PCA, the organizational structure of the NGO changed and it became an inter-government agency with its HQ in Ouagadougou (Burkina Faso) and country offices in Togo and other countries in the region.

The first PCA, which ended in 2013, was implemented without difficulty. The second one was signed in May 2013 and was valid until March 2014. A first tranche, of US$ 372,185, was paid in May 2013; it was fully liquidated. The office did note that the partner had had difficulties paying companies and staff under the PCA. However, since the first tranche had been fully liquidated, it decided to release the second tranche, for US$ 528,466, in November 2013. Of this, 46 percent was liquidated in April 2014, but the office found out that the Togo branch of the NGO had not been paid the full amount of the balance by its HQ in Ouagadougou to which UNICEF was transferring the funds. After several reminders to the NGO's HQ, the office decided to launch an audit, the report of which was finalized in September 2014. The audit confirmed that the Togo office of the NGO was not receiving all the funds for the project from the NGO's headquarters.

In the meantime, the NGO was able to liquidate two additional amounts, of US$ 29,866 and US$ 130,506, in July and September 2014 respectively. The office extended the PCA to

[6] The payments cited in this observation were in West African CFA francs unless otherwise stated, but are given here in US dollars for consistency. The CFA franc is pegged to the euro but not to the dollar, and the values are given according to the exchange rate at the time of the audit; they may therefore be approximate.

October 2014 to enable the NGO to reimburse the unused balance. However, this did not happen. In February 2015, an extraordinary meeting of the governing body of the NGO was held during which the Executive Secretary was dismissed and a provisional Administrator appointed.

The audit noted weaknesses in the office’s management of the PCA with this NGO. A micro-assessment had been done under its original structure in July 2011, before the signature of the PCA, and the NGO risk profile had been assessed as “medium.” However, the 2004 HACT framework states that if there are significant changes to an implementing partner's management structure, or to processes or procedures with respect to the programme, there should be a new micro-assessment. This was not done, even though there were significant changes in the management structure of the NGO. Moreover, no micro-assessment was performed for the new programme cycle starting in 2014.

Up to the decision to hold a special audit, the office had not planned any audit of the NGO even though the funds paid during the programme cycle were over US$ 500,000. In fact, the special audit could itself have been commissioned earlier, as the office started to note some delays in the payments to vendors and staff in 2013; however, this was not reported in the spot check performed in July 2013 (it is not clear exactly when in 2013 the problems had been noted, but it was before that date).

According to UNICEF HACT policy, a special audit “is required when specific issues/concerns arise during the programme cycle.” Rather than do this, the office had paid the second tranche in November 2013 to the NGO, resulting in the unaccounted-for funds totalling US$ 126,526.

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

i. Update micro-assessments of partners that have any significant change in their organizational management structure, or to processes and procedures with respect to the programme.
ii. When special concerns or issues are noted through the assurance process, not release additional funds unless appropriate action is taken to mitigate risks, such as conducting special audits.
iii. Follow up with the implementing partner to fully account for, or refund, the US$ 126,526 that has been outstanding for over 16 months.

Staff responsible for taking action: Section heads, Chair PRC committee, Chief Child Survival and Growth, WASH Specialist and Operations Manager
Date by which action will be taken: July 2015

## Programme monitoring

Country offices are expected to monitor the progress of supported activities in the field. UNICEF’s PPPM specifies several elements as necessary for an effective monitoring framework. They include detailed plans and schedules, field visits, analyses of information, progress reporting, and monitoring of action taken.

At the beginning at the year, each programme section prepared the list of the programmatic visits to be performed in the framework of the HACT assurance activities. They were consolidated with the list of spot checks in an assurance plan by the M&E Specialist. The Heads of Section also prepared a monthly plan of missions.

However, the audit noted that there was no mechanism to monitor whether the planned missions had taken place. In the framework of monitoring of HACT implementation, the M&E Specialist prepared a report at the end of the year showing the visits planned and actually performed, but this did not include all types of programme monitoring visits. In 2014, there were 59 programmatic missions planned and 68 performed.

A check performed by the office itself in October 2014 indicated that mission reports were not always prepared, and that those that were, were not always placed as required on a shared drive.

The audit reviewed a sample of eight mission reports. In general, the reports were of good quality, and included all the important sections such as mission context, objectives, sites reviewed, monitoring activities and recommendations. However, the timeliness of preparation could not be established because only one was dated. There was also no evidence of review by a supervisor, and in five of the eight cases, the mission report template was not used.

The office had strengthened the process for follow-up of spot-check recommendations by including this control in the spot-check template. However, no such mechanism existed for the field visits. There was also no mechanism to consolidate the recommendations from the programmatic visits.

**Agreed action 9 (medium priority):** The country office agrees to strengthen programme monitoring as follows:

i. Periodically review the monitoring plan to assess its level of implementation, and take action for its implementation.
ii. Prepare mission reports consistently and in a timely manner, using the template developed by the office.
iii. Consolidate and regularly monitor for implementation key actions resulting from field visits.

Staff responsible for taking action: Deputy Representative, Section heads and M&E Specialist
Date by which action will be taken: July 2015

## Programme management: Conclusion

Based on the audit work performed, OIAI concluded that, subject to the implementation of the agreed actions, the controls and processes over programme management, as defined above, were generally established and functioning.

# 3 Operations support

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

- **Financial management**. This covers budgeting, accounting, bank reconciliations and financial reporting.
- **Procurement and contracting.** This includes the full procurement and supply cycle, including bidding and selection processes, contracting, transport and delivery, warehousing, consultants, contractors and payment.
- **Asset management**. This area covers maintenance, recording and use of property, plant and equipment (PPE). This includes large items such as premises and cars, but also smaller but desirable items such as laptops; and covers identification, security, control, maintenance and disposal.
- **Inventory management.** This includes consumables, including programme supplies, and the way they are warehoused and distributed.
- **Information and communication technology (ICT)**. This includes provision of facilities and support, appropriate access and use, security of data and physical equipment, continued availability of systems, and cost-effective delivery of services.

All of the above areas were covered in this audit.

The audit found that controls were functioning well over a number of areas. A workflow sheet had been introduced for direct cash transfers (DCTs), to capture the different phases of the liquidation process. It included the names and signatures of the persons involved in the processing of the advances and the liquidations from the Programme and Operations sections. Comments from the reviewers were included on the sheet, as well as the list of the documents submitted. This helped ensure the completeness of the documents and identification of the different steps of the review.

The terms of reference for the recruitment of individual and institutional consultants were systematically reviewed by the Operations section before their approval by the Representative. This control provided verification of whether the terms of reference were compliant with UNICEF rules and procedures.

The auditors tested a sample of three of the 95 DCT advances and liquidations during the period under review. The total amount represented by the DCTs sampled was US$ 26,240 out of a total amount of US$ 3,372,930 paid during that period. The audit tests found that in general the cash transfers and liquidations had been processed correctly.

However, the audit noted the following.

## Bank signatory panel

The bank signatory panel had been updated in 2015. It contained 12 names, which was a lot given that UNICEF policy requires two signatures for a UNICEF bank account. None of the staff in the signatory panel had the "paying officer" role in VISION, although UNICEF procedures indicate that one of the two signatories should have this role in order to approve the payment run in the system. Moreover, the staff member assigned the paying officer role in VISION was not included in the bank signatory panel; this was not in compliance with UNICEF rules.

**Agreed action 10 (medium priority):** The country office has agreed to review and revise the number of staff in the bank signatory panel and update the panel to comply with UNICEF cash management policy.

Staff responsible for taking action: Operations Manager/Finance Officer
Date by which action is reported to have been implemented: April 2015

## Contract management

The audit reviewed VISION information on the contracts issued during the audited period and reviewed a total of four contracts (two individual contracts and two institutional contracts), representing 9 percent of the total contract value (US$ 123,444 out of US$ 1,366,295). It noted the following.

***Contractor selection:*** In 2014, the office issued 17 (19 percent) of 90 contracts based on a single-source selection basis. These contracts totalled US$ 236,208, or 26 percent of the US$ 926,547 total value of contracts issued. According to UNICEF Administrative Instruction CF/AI/2013-001 on consultants and individual contractors, the “competitive selection process requirement may not be waived unless it can be demonstrated that an emergency situation prevents a competitive selection process.” This was not the case for Togo.

In one case reviewed by the audit, the office had prepared a note for the record explaining that the contractor was the only one able to provide this type of services. However, this statement was not substantiated by any supporting document (such as a market survey, for example). Furthermore, in nine out of the 17 single-source selections, the activities had taken place before the signature of the contract. This suggested that single-sourcing was used to regularize the contracts.

***Multi-year contract:*** In one case, a contract signed in December 2014 mentioned that UNICEF would sign contracts with the same contractor in 2015 and in 2016 for EUR€ 42,306 and EUR€ 13,990 respectively. It was not specified that this would be subject to the satisfactory completion of the previous contract(s). This presented a legal risk that the office might have to contract the same company again even if the services provided in the prior year were not satisfactory.

***Advance:*** For one individual consultant’s contract, the office paid an advance of US$ 14,055, which was 80 percent of the total contract amount (US$ 17,568), to the consultant. The advance was paid one day after the contract was signed, although the contract terms did not include the payment of any advance.

According to UNICEF guidance: “in general, individual contracts shall not allow for fee advances. However, a maximum of 30 percent of the total contract value may be authorized by Heads of Office/Division in cases where advance purchases, for example for supplies or travel, may be necessary.” In this case there was no such authorization. Moreover, contrary to UNICEF policy on prepaid expenses, no bank guarantee was submitted by the consultant although this is required for advances of more than 30 percent of the total amount of the contract or over US$ 10,000 – both of which were the case here.

***Contract expiry:*** All four contracts tested were still open in the system, although all had expired and for three of them, the related activities were already completed. Unclosed contracts in VISION prevent the release of unused funds for reallocation. No amendment had yet been signed to extend the contract for which activities were still ongoing.

**Agreed action 11 (medium priority):** The office agrees to strengthen contract management as follows:

i. Contracts are awarded based on a competitive selection process in accordance with the relevant UNICEF Administrative Instruction.
ii. Contracts are signed before the work or assignment starts.
iii. Advance payments do not exceed 30 percent of the contract value, and are paid to consultants and individual contractors only on an exceptional basis and after authorization from the Representative.
iv. Bank guarantees are required from contractor for contractors for advances exceeding US$ 10,000 or 30 percent or more of the contract value.
v. Expired contracts are closed in the system, to release unused funds; or are amended if the contract work extends beyond the initially agreed completion dates.

Staff responsible for taking action: HR Officer, Operations Manager, and Supply Officer
Date by which action will be taken: July 2015

## Travel management

The UNICEF Administrative Instruction on Duty Travel, updated in 2014, stipulates that each staff member is responsible for submission of travel certification in the applicable system within 15 calendar days of the date of resumption of duties at his/her regular duty station, indicating whether travel was completed as originally authorized, or with changes to itinerary and/or in respect of other entitlements or miscellaneous expenditures.

At the time of the audit, there were 72 trips uncertified for more than 15 days after the completion of the travel. On average, they had been uncertified for 75 days, with one being left open for almost two years. Moreover the audit noted several instances of new travel authorizations being signed although the traveller had not yet certified their previous trip.

The office said that the Operations section had been following up on this, since it was one of the management indicators. The target was to have 100 percent of travel authorizations closed by the 15th day after the completion of travel, but the office reported that this had been the case for only 50 percent. The office also stated that there was regular follow-up when open travel authorizations accumulated and that most of outstanding uncertified travel authorizations had been certified, but they still appeared as open in the system; it said that it had contacted the Regional Office regarding this issue. The audit accepted that this was the explanation for some of the cases, but did not think it accounted for them all.

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

i. Remind travellers of their responsibility for certification of trips within 15 calendar days of their resumption of duties at the regular duty station.
ii. Comply with UNICEF rules so that the approving officer does not approve any new travel authorization for a staff member who has not completed the required travel certification for all previous official travel.

iii. Solve the technical issue linked to the closure of travel authorizations with the support of Headquarters IT services.

Staff responsible for taking action: Operations Manager, Travel Administrator, CMT, Section heads, Management Team, HR Officer and the IT Officer
Date by which action will be taken: July 2015

## Records management

Country offices should decide the most efficient means of filing and archiving in electronic and manual systems, depending on the type of documentation and the facilities available, so as to make documents secure and easy to retrieve.

The office did not maintain a central archiving system. Each Head of section was responsible for the archiving section documents using their own system and location, without systematic reference information such as document name, location, filing date, etc.

Moreover, the office did not periodically review its accounting, financial, budget and administrative records with a view to classifying them as permanent, non-permanent or routine in order to apply the corresponding retention period (see UNICEF Financial and Administrative Policy 1, Supplement 3, *Retention of records*). Instead, the decision to destroy documents was made when the full storage capacity was reached. A check by the office itself in October 2014 had identified the need for a clean-up of the archives.

Inadequate management of office records could prevent timely retrieval of required information and/or lead to loss of vital documents and related information.

**Agreed action 13 (medium priority):** The office agrees to establish a central archiving system for office records that:

i. Periodically reviews records with a view to classifying them as permanent, non-permanent or routine.
ii. Maintains reference information for archived documents, indicating filing dates, locations and closure status, to assist retrieval of documents.
iii. Properly disposes of documents that exceed the retention period and maintains records of disposals.

Staff responsible for taking action: Operations Manager and Heads of sections
Date by which action will be taken: November 2015

## Operations support: Conclusion

Based on the audit work performed, OIAI concluded that, subject to the implementation of the agreed actions, the controls and processes over operations support, as defined above, were generally established and functioning.

# Annex A: Methodology, and definition of priorities and conclusions

The audit team used a combination of methods, including interviews, document reviews, and testing samples of transactions. 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 regional 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 regional-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 regional office *[or audit area]* were generally established and functioning during the period under audit.

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

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

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

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

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

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