

Internal Audit of the Republic of South Sudan Country Office

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Summary

The Office of Internal Audit and Investigations (OIAI) has conducted an audit of the South Sudan country office. The audit sought to assess the office's governance, programme management and operations support. The audit team visited the office from 2-26 February 2015. The audit covered the period from January 2014 to 2 February 2015.

The 2012-2013 country programme – the first for the new country, which gained its independence in 2011 – consisted of six main programme components: *Health and nutrition; Water, sanitation and hygiene; Basic education and gender equality; Child protection; Policy advocacy and social protection; and Strategic communication*. There was also a cross-sectoral component. The total approved budget for the country programme was US\$ 98.5 million, of which US\$ 10.5 million was regular resources (RR) and US\$ 88 million was 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 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 the donor's agreement. An office is expected to raise the bulk of the resources it needs for the country programme itself, as OR.

In 2013, UNICEF's Executive Board approved the extension of the 2012-2013 country programme to June 2016. The extension was to align the country programme with the Government's planning and budgeting cycle. It aimed to continue building a foundation for rapid acceleration of sustainable service delivery systems for children through a rights-based approach. It consisted of the same six main programme components, with a total budget of approximately US\$ 146.2 million, of which US\$ 13.2 million was RR and US\$ 133 million was OR. In addition, US\$ 60 million in emergency funding was estimated.

In February 2014, the Executive Director activated UNICEF's Corporate Emergency Activation Procedure for Level 3 emergencies (i.e. large-scale emergency) in response to the conflict in South Sudan. He has extended this twice, most recently in November 2014 for six months ending in May 2015. To respond to the crisis, an interagency Crisis Response Plan (CRP) for 2014 had been drawn up and was revised as needed. The initial funding requirement for the 2014 CRP was US\$ 1.1 billion, of which US\$ 74.2 million related to UNICEF. This was subsequently revised to US\$ 1.8 billion, with US\$ 136 million pertaining to UNICEF. Almost a year into the crisis, a Humanitarian Response Plan for 2015 was drawn up with a total funding requirement of US\$ 1.8 billion, of which US\$ 124.7 million pertained to UNICEF.

The country office is in the capital, Juba. The office maintained a presence in all 10 states of the country, through nine zone offices. At the time of the audit (February 2015), it had a total workforce of 273 posts (69 international professionals, 102 national officers, and 112 general service). Total expenditures were US\$ 206 million during the period 2013-2014.

Action agreed following the audit

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

- Improve management of the Harmonized Approach to Cash Transfers (HACT) by: rolling out of HACT to Government partners; pursuing conduct of a macro-assessment

of the public financial management system; and strengthening micro-assessments and assurance activities.

- Reinforce the management of partnership with non-governmental organizations (NGOs) by: strengthening the functioning of the Programme Cooperation Agreement (PCA) Review Committee; establishing procurement lead-times and standard rates for frequently incurred expenses; and concluding PCAs with NGOs prior to their implementation of activities.
- Enhance monitoring of programme implementation, including annual programme reviews with Government partners, improving field-monitoring reports, and monitoring implementation of recommendations.
- Ensure that donor reports are submitted on time, that a donor reporting process is established and that the quality assurance of donor reports is strengthened, so that: commitments are clearly described; the reported results/activities and fund utilization are in accordance with the donor agreements; the achievements reported are properly supported with sufficient and appropriate documentation; and the reports include the key attributes required by UNICEF guidance on reporting.
- Review the financial procedure and improve oversight to strengthen the processing of transactions; shorten the time taken to process transactions such as direct cash transfers, and speed up their liquidation; and process financial transactions only on the basis of adequate liquidation.
- Strengthen oversight of the procurement process and the functioning of the Contract Review Committee (CRC).
- Institute a monitoring mechanism to ensure timely delivery of programme supplies and effect improvements in the warehousing of programme supplies.

Conclusion

Based on the audit work performed, OIAI concluded at the end of the audit that the controls and processes over the country office needed improvement to be adequately established and functioning.

The South Sudan country office, the Eastern and Southern Africa Regional Office (ESARO), and OIAI intend to work together to monitor implementation of the measures that have been agreed.

The country office disagreed with two recommendations (7 and 10). The reasons for this are given with the recommendations, along with OIAI's reasons for retaining the recommendations in question. However, in both cases, the office has produced an action plan to address the matters raised.

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Objectives

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

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

Audit observations

1 Governance

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

- **Supervisory** structures, including advisory teams and statutory committees.
- **Identification** of the country office's priorities and expected results and clear communication thereof to staff and the host country.
- **Staffing structure** and its alignment to the needs of the programme.
- **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.

All the above areas were covered in this audit. In view of the Level 3 emergency activation that prevailed in 2014, the audit reviewed the office's processes with due consideration of simplified standard operating procedures (SSOPs) for Level 3 emergencies.¹

The audit found that controls were functioning well over a number of areas. The annual

¹ UNICEF defines an emergency as a situation that threatens the lives and well-being of a population and requires extraordinary action to ensure their survival, care and protection. There are three levels of emergency response: Level 1 – the scale of the emergency is such that a country office can respond using its own staff, funding, supplies and other resources, and the usual Regional Office/HQ support; Level 2 – the scale of emergency is such that a country office needs additional support from other parts of the organization to respond, and the Regional Office must provide leadership and support; and Level 3 – the scale of the emergency is such that an organization-wide mobilization is called for.

management plan, or AMP (which in this case covered two years, 2014 and 2015),² presented the management priorities with their respective expected results/targets, performance indicators and assigned staff responsible for each. The office had rationalized its staffing structure through a restructuring exercise guided by strategic priorities. It had been conducted with the participation of management, sections and zone offices, with the overall guidance and support of the Regional Office.

However, the audit also noted the following.

Statutory committees

The office had a Country Management Team (CMT), Joint Consultative Committee (JCC), Contract Review Committee (CRC) and Property Survey Board (PSB). The office had clearly defined terms of reference for the statutory committees in its two-year AMP. The audit reviewed samples of the CMT and PSB minutes and noted following.

Country Management Team (CMT): The audit reviewed a sample of five CMT minutes. It noted that the committee had clear terms of reference, and included general service staff, the Staff Association and fair representation of both programme and operations sections. However, it had met only six times in 2014, although the two-year AMP envisaged monthly meetings. It did not meet in January or February 2014, although the Level 3 emergency had been declared in the latter month. It met in March and again in June, and thereafter not until September.

According to the office, there were Emergency Coordination Management Team (ECMT) meeting in lieu of CMT meetings. The minutes shared by the office suggest that the ECMT had met only in January 2014 and January 2015. In fact, the office said that the ECMT met weekly and that, instead of minutes, there was an action point matrix that was updated weekly to ensure regular follow-up of the key issues. Given that the country was in Level 3 emergency, the ECMT had replaced CMT meetings to a certain extent. However, the CMT's terms of reference differed from those of ECMT, which covered mainly emergency preparedness and response.

The audit also noted that when the CMT did meet, zone offices' attendance was inconsistent (the offices said this was because of the ongoing emergency response). The CMT also did not consistently discuss all the key office priorities, such as risk and control self-assessment (see observation *Risk management*, p7 below), HACT rollout to Government partners,³ and the local market survey, although the office had identified them as priorities in its two-year AMP. Ethics had been flagged as a concern based on the results of a staff survey that the office had conducted in 2013, but it was neither included in the office priorities nor discussed in any of the CMT meetings. Neither did the CMT discuss expiry of programme supplies, of which US\$ 220,000-worth expired in the warehouses in 2014. According to the office, the above issues had been discussed; however, they were not reflected in the minutes.

The CMT identified action points and assigned them to specific staff members. However, some of these action points were not followed up and the CMT was not updated on their

² 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 defines management mechanisms and the related staff accountabilities, so that everyone understands their roles and responsibilities.

³ HACT is the Harmonized Approach to Cash Transfers. See observation on HACT, p19 below.

implementation.

Property survey board (PSB): The PSB's purpose is to review proposals for the disposal of assets and inventories, and make recommendations to the Representative. The PSB met twice in 2014. However, the audit noted that PSB recommendations were not consistently followed. For example, the PSB recommended a quarterly inventory count to prevent the loss of parts of supplies, but this was not done.

Annexes to the PSB submissions lacked key information on assets, such as their identification numbers and original/carrying values. The annexes were also not signed by the PSB members, to ensure that the lists of assets recommended for disposal could not be tampered with. Further, the Logistics Specialist was a PSB member but did not recuse himself from consideration of proposed write-off of expired and looted items.

The PSB reviewed submissions for the disposal of programme supplies that had expired – which they did repeatedly in 2014. While it provided the Representative with recommendations for disposal, it did not recommend ways to prevent such losses.

Agreed action 1 (medium priority): The office agrees to establish measures for the appropriate functioning of the statutory committees, in the context of Level 3 emergency, to ensure that:

- i. The Country Management Team:
 - a. meets regularly with the participation of the zone offices;
 - b. consistently discusses office priorities;
 - c. reviews the status of programme implementation;
 - d. monitors the implementation of agreed action points; and,
 - e. keeps minutes that fully reflect its discussions.
- ii. The Property Survey Board:
 - a. follows up implementation of its recommendations in subsequent meetings;
 - b. requires the provision of key information on the assets being proposed for disposal in the annexes;
 - c. signs the annexes;
 - d. recommends mitigating measures to avoid the recurrence of issues such as expired supplies; and,
 - e. ensures that its members recuse themselves if there is a real or perceived conflict of interest.

Staff responsible for taking action: Representative; Deputy Representative; Chief of Operations; Administrative Specialist; and Administrative Officer

Date by which action will be taken: December 2015

Risk management

Offices are expected to regularly assess risks and implement relevant mitigating controls. Under UNICEF's Enterprise Risk Management (ERM) policy, they 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 November 2014, and finalized it in January 2015. The assessment included 11 risk categories, wherein 41 risks were identified. Ten were assessed as high, under the risk categories fraud and misuse of resources, safety and security, natural disasters and epidemics. The office had drawn up an action plan for the management of the risks identified. It had also instilled awareness among all staff of the importance of ERM and had trained them on the process of RCSA.

However, the office had yet to update its risk and control library, or enter any information on risk management in the ERM module of inSight.⁴ Further, the office did not ensure the participation of all staff, including those in zone offices, in the RCSA. Only those staff who were based in, or happened to be visiting, Juba were able to participate. The RCSA also omitted some key risks – for example, those pertaining to implementation of HACT with Government partners; recruitment of qualified and experienced local and international staff (see observation *Staff recruitment*, p9 below); and capacity of implementing partners. The office acknowledged that the above were indeed key risks to the achievements of objectives. The audit also noted that the selection of office priorities was not fully risk-informed, since they were established in early 2014, prior to the RCSA.

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

- i. Revisit the risks identified in the latest risk and control self-assessment (RCSA) to include key risks that threaten the achievement of its objectives, and ensure the participation of staff in the country office in Juba and in the zone offices.
- ii. Update its risk and control library to keep an inventory of all risks, and record the results of the RCSA in InSight.
- iii. Revise its priorities for 2015 in light of the risks identified in the risk and control self-assessment, and ensure inclusion of all key priorities.

Staff responsible for taking action: Deputy Representative; Chief of Operations; and Planning, Monitoring and Evaluation Manager

Date by which action will be taken: September 2015

Staffing

The establishment of a Field Operations section in Juba was approved March 2014. According to the Country Programme Management Plan (CPMP),⁵ this section was expected to exercise oversight over all zone offices, and ensure the coordination of the clusters and the emergency preparedness and response. The Chief of Field Operations was expected to: determine the priority of interventions; provide guidance on development of operational strategies, day-to-day programme implementation, and monitoring of programme implementation by zone offices; and support zone offices in effective work planning.

⁴ InSight (sic) is the performance component in UNICEF's management system, VISION (Virtual Integrated System of Information). inSight streamlines programme and operations performance management, increases UNICEF staff access to priority performance information, and exchanges between country offices, regional offices and HQ divisions, as everyone sees the same data/information.

⁵ 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.

However, accountability for programme coordination, and management of all phases of programme design, planning, and implementation, lies with the Deputy Representative. Given that the chiefs of the nine zone offices who reported to the Chief of Field Operations were responsible for the planning and implementation of the programme in their areas, there was an apparent overlap between the Deputy Representative and Chief of Field Operations. This was especially so because the programme workplans integrated both emergency and regular activities. This overlap increased the risk of inefficiencies and weakened accountabilities. At the time of the audit, the specific roles and responsibilities of these two staff members were not clarified and their performance evaluation reports (PERs) were not yet available.

Furthermore, the PBR⁶ held in November 2014 approved significant staffing changes, including abolition of 85 posts and the establishment of 59 new ones, effective 1 March 2015. Together with the 18 vacant posts that were retained by the PBR, this meant that the office had to fill 59 posts, plus a further 18 that had been retained but happened to be vacant. This made a total of 77 posts to be filled, of which 20 were international professionals (IP), 41 national officers (NO) and 16 general service (GS).

Chiefs of sections were invited to prioritize recruitment within their sections, and based on the feedback received, the human resources (HR) unit launched recruitment for the posts in two batches, one in December 2014 and the other one in January 2015. According to the office, as of mid-February 2015 it had completed its part of the recruitment process for 23 of 77 posts to be filled. Of the remainder, 19 posts were on hold because of insufficient funds. This left 35 posts for which recruitment was still in progress.

The office had a recruitment plan that specified timing for the shortlisting of candidates by the section, the technical assessment and the competency-based interviews.⁷ However, the plan did not set specific performance targets for all the activities (shortlisting; preparation, conduct and correction of written tests; and panel interviews, among others). Also, the office lacked a tool to monitor the status of recruitment, identify bottlenecks and take action as needed. This made it hard to assess if the recruitment process was on track.

The audit reviewed a sample of the recruitment processes. The sample included eight posts (two IP, four NO and two GS) and noted that the recruitment was competency-based and was generally completed within the established standard of 60 days for national staff and 120 days for international professionals. The results of the competency-based interviews were well-documented and due process was followed.

However, the recruitment process as a whole was not adequately documented. The recruitment files reviewed lacked evidence of the advertisement of the vacant posts and the

⁶ 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.

⁷ Candidates for UN posts must receive a competency-based interview in which they should demonstrate the core “competencies” that the organization is seeking. In a competency-based interview, a candidate is asked to demonstrate that they have the necessary skills and experience (“competencies”) by explaining occasions on which they have dealt with the challenges they are likely to meet in the post for which they are applying. The competency-based interview is the only mandatory interview in the recruitment process, and covers core competencies sought by the organization as a whole. However, the recruiting unit may, if it wishes, conduct a further interview or test based on the functional skills sought for the specific job.

review of the shortlists by the relevant sections. The screening matrices did not record the reason for not shortlisting a candidate, and were not signed by the reviewer(s). The relevant job descriptions were not in the recruitment files. The results of the written tests were filed but, in some cases, were not signed/validated by the assessors. The reference checks were not always in the file, and those that were, were not always signed by whoever had provided the information. The recruitment files also lacked a checklist of the required documents that could have been used to check the completeness of the documentation.

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

- i. Clearly delineate responsibilities and accountabilities of the Deputy Representative and the Chief of Field Operations, and ensure that these responsibilities and accountabilities are known to all staff.
- ii. Establish a comprehensive recruitment plan, and ensure that it is regularly monitored and corrective actions or adjustments are made when needed.
- iii. Strengthen its oversight over the maintenance of recruitment documentation, ensuring complete evidence of the recruitment process.

Staff responsible for taking action: Representative; Deputy Representative; Chief of Field Operations; and Human Resources Manager

Date by which action will be taken: December 2015

Learning and Development plan

According to the CPMP, the Learning and Development plan for 2014-2015 was to be drafted in the last quarter of 2014, and was to focus on developing stronger national managers and leaders. In addition, a strategic programme vision document which the office submitted to the November 2015 PBR highlighted the need to create a national team sufficiently skilled to take over more responsibility, such as heading all zone offices by 2016.

The HR Manager drafted a Learning and Development plan for 2014-2015 in September 2014, based on global and regional learning priorities. To review and finalize the plan, the office had set up a Human Resources Development Committee in 2014. However, the committee met only in January 2015. Of the 13 appointed members of the committee, only three members participated in this meeting and all of them were IPs. Moreover it did not finalize the plan since it did not have all the needed information.

At time of the audit (February 2015), the Learning and Development plan had yet to be finalized. According to the office, the delay was due to heavy workload and competing office priorities, particularly in the last quarter of the 2014 where the office had to conduct a major PBR exercise.

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

- i. Prioritize the finalization of its Learning and Development Plan in line with the staff development capacities strategy outlined in its planning documents.
- ii. Strengthen its oversight mechanism to ensure effective planning, implementation and monitoring of learning activities.

Staff responsible for taking action: Chair, Human Resources Development Committee; and Human Resources Manager

Date by which action will be taken: September 2015

Relocation of staff

Following the December 2013 crisis that triggered conflicts between the two ethnic groups in South Sudan, a number of staff members had to be relocated to other zone offices or to the country office in Juba. With the agreement of UNICEF's Division of Human Resources (DHR), these staff members were paid one month's daily subsistence allowance (DSA) as a lump sum through issue of travel authorizations.

At the end of that first month, however, they remained in the alternative duty stations but without any formal documentation authorizing their relocation. As of mid-February 2015, 12 staff members were in this situation (although five were on posts that had been abolished with effect from 1 March 2015, and would be leaving UNICEF anyway if not offered other posts). Staff members working away from their official duty station without formal authorization increased the risk of their not being adequately covered under the Malicious Acts Insurance Policy (MAIP).

Agreed action 5 (medium priority): The office agrees to seek the advice of the Division of Human Resources on how to formalize the relocation of staff away from their official duty station and regularize their situation accordingly.

Staff responsible for taking action: Chief of Operations and Human Resources Manager

Date by which action will be taken: September 2015

Ethics

Offices are expected to promote the highest ethical standards in the work-place to achieve results for children. In line with this expectation, in 2013 the office had conducted a survey of staff perceptions on a number of areas including ethics. The survey flagged concerns related to management interaction, working environment, reporting of staff misconduct or inappropriate practices, and knowledge of UNICEF policies.

The office had undertaken a number of initiatives in promoting high ethical standards. It provided human resources clinics to brief staff on ethics and code of conducts. However, the clinics were limited only to the staff in Juba and Bor zone office. Only 43 of UNICEF's over 300 staff in South Sudan were able to attend the clinics.

The office prepared an induction package for the newly-recruited international staff. The induction package was meant to brief them on, among other things, code of ethics, fraud, conflict of interest and working environment; but it did not cover topics on cultural values and local standards.

In 2014, an online training on integrity awareness course was introduced by UNICEF Headquarters. Certain staff members (such as heads of offices, including chiefs of field offices) were required to take the course; other staff were not, but it was recommended that they do so. Based on the office's own information, only 33 percent of the country office staff who were required to take the online course completed it. Of the remaining staff, for whom the online course was not required but was recommended, only 20 percent had completed it.

Agreed action 6 (medium priority): The office agrees to:

- i. Ensure that human resources clinics on ethics and code of conduct are provided to all staff in the country office and zone offices.
- ii. Update the induction package for newly-recruited international staff to include topics on cultural values and local standards.
- iii. Ensure that all staff at levels P5 and above as well as chiefs of zone offices (regardless of their level) undertake the online course on integrity awareness.

Staff responsible for taking action: Human Resources Manager

Date by which action will be taken: October 2015

Governance area: Conclusion

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 governance, as defined above, were generally established and functioning during the period under audit.

2 Programme management

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

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

All the above areas were covered in this audit.

The audit found that controls were functioning well over a number of areas. For instance, together with other UN agencies and implementing partners in the country, it had participated in the development of the 2014 Crisis Response Plan (CRP) and the 2015 Humanitarian Response Plan (HRP). The 2014 CRP, 2015 HRP and the Humanitarian Action for Children appeal formed an adequate basis for the implementation of emergency response. The office effectively led and coordinated the nutrition, WASH, education clusters and the child protection sub-cluster throughout the crisis.

However, the audit also noted the following.

Situation analysis

UNICEF-supported programmes, and its advocacy on behalf of children and women, should be evidence-based. In the development of a new country programme, offices should perform a situation analysis (SitAn) that presents a picture of the situation of children and women in the country.

The office was in the fourth year of a country programme cycle that had been established initially for 2012-2013, but was later extended to June 2016 in order to align it with the Government's planning and budgeting cycle. The last comprehensive SitAn had been completed in 2007, when South Sudan was still part of the Sudan Country Programme.

In the absence of an updated SitAn, the country office relied on a strategic moment of

reflection conducted in 2011 using mainly the 2010 South Sudan Household Health Survey.⁸ This survey did not include a causality analysis. The office did not update its SitAn when the country programme cycle was extended to June 2016, but a new SitAn had been planned for 2014, as part of the preparation for the post-June 2016 country programme. However, it was postponed to 2015 due to the crisis, which had made country-wide data collection impossible. The office indicated that, given the persistent volatile situation in the country, the projected SitAn will be limited to a desk review based on the existing information.

The audit noted however that there were significant knowledge gaps related to children. For example, there was no comprehensive analysis of girls' school dropout throughout the country, expanded programme on immunization (EPI) coverage or maternal mortality issues. The 2014 internal annual programme review had also questioned whether the office had the data on which to base advocacy and communications efforts.

The office stated that the situation of women and children was assessed annually during the annual review process. It added that data gathered from humanitarian needs assessment, rapid response missions and surveys commissioned by the various sections were used to update the picture in various thematic areas. However, the audit established that, at the time of audit (February 2015), the office had not begun a process for the identification of needs, and had not assigned accountability to sectoral programme managers to identify knowledge gaps and plan interventions to address them.

The office contended that, given poor overall development indicators in all parts of the country due to long years of conflict, the risk of supporting non-essential intervention was nil. However, lack of up-to-date comprehensive analysis of the situation of children and women, including the causes of the main issues, increased the risk that the office might not support the most critical interventions and might not be making the best use of its comparative advantage and available resources.

Recommendation 7 (medium priority): The office should identify, as part of the preparation of the next country programme, the knowledge gaps in child-related issues; and establish and implement a strategy to obtain the missing information.

Management response: The office has informed OIAI that it believes the observation does not pertain to the time of the audit. However, although the office disagrees with the recommendation, it has provided an action plan that would address the recommendation.

OIAI's response: OIAI has maintained the recommendation because the observation is within the period covered by the audit.

Staff responsible for taking action: Deputy Representative and Chief of Social Policy, Planning, Monitoring and Evaluation

Date by which action will be taken: December 2016

Programme budget planning

In order to obtain the clearance of the UNICEF Executive Board for the extension of the 2012-2013 country programme to June 2016, the country office had prepared a justification with a

⁸ A survey of key indicators carried out by the relevant Government ministries with the assistance of a number of bodies including UNICEF.

request for additional funding of US\$ 146.2 million (US\$ 13.2 million of RR and US\$ 133 million of OR). The Board approved the extension in September 2013.

However, the office's planned budget for the 2014-June 2016 extension (US\$ 142.2 million) was not consistent with the extension request (US\$ 146.2 million), the signed CPAP⁹ (US\$ 239.8 million), and the PBR ceiling (US\$ 179.8 million). The potential confusion was compounded by discrepancies between the CPAP and the funding set out in the workplans (see following observation, *Work planning*).

The audit also noted some shortcomings in the way the budget was set out in UNICEF's management system, VISION. The programme Health and Nutrition had been split into two in 2014, and there was now an independent Nutrition section. However, as of the end of January 2015, no planned budget was recorded for it in VISION. In addition, no OR (Emergency) budget was planned for any programme in VISION, even though the office had, as of the end of January 2015, a total OR (Emergency)-funded budget of US\$ 246 million, of which US\$ 188 had been spent/utilized.

These discrepancies reduced the office's capacity to use VISION as a tool for programme planning and monitoring of funding gaps. The office confirmed that there was no quality assurance process to ensure that the programme data recorded in VISION was accurate, complete and up-to-date.

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

- i. Ascertain the additional budget approved for the extension of the country programme over the period 2014-June 2016.
- ii. Ensure that planned amounts recorded in VISION are aligned with the approved budget, and are accurate, complete and up to date.

Staff responsible for taking action: Deputy Representative and Budget Officer

Date by which action will be taken: July 2015

Workplans

Workplans outline the activities to be undertaken to achieve the results as identified in the CPAP. UNICEF programme officers, their Government partners and, where applicable, NGO partners jointly prepare the WPs during planning meetings which typically follow a technical review of the previous implementation period. Work plans serve as basis for all the programme disbursements.

Preparation of workplans: The office's practice was that two-year workplans were prepared for both national and state levels. However, the 2014-June 2016 multi-year workplans (MYWPs) had been prepared only at national level and belatedly endorsed by the Government between May and August 2014. According to the office, this delay was caused by the conflict that arose in December 2013, leading to the unavailability of key counterparts such as the ministers of Finance and Planning, Health and Education, as they were involved in the peace negotiations. In general, there was no evidence that the Government and other implementing

⁹ The CPAP is a formal agreement between a UNICEF office and the host Government on the programme of cooperation, setting out the expected results, programme structure, distribution of resources and respective commitments during the period of the current country programme.

partners had been consulted in and/or contributed to the preparation of the MYWPs.

The preparation of workplans in South Sudan was complex. It involved both regular programme and emergency activities, at both central and state level. Within the office itself, it involved dual governance mechanisms (programme and field operations), and diverse interactions (programme officers in the field and programme sections in Juba, chiefs of field offices and field operations, clusters and sub-clusters, and implementing partners at central, state, county and community levels).

This required a robust planning process with clear milestones, timelines and accountability, to ensure that exchange of information, consultations and reviews within the office and with partners occurred at the right time. The office did not have such a process. For example, some sectoral programme staff in the field received clear technical guidance from their respective programme section and others did not.

The audit reviewed a sample of signed workplans and interviewed the respective programme managers and some partners. It noted that the MYWPs included both emergency and regular activities. However, the crisis-related outputs had not been established for all programmes. The WASH and Education programmes had outputs specific to emergency activities. For the Health, Nutrition and Child Protection programmes, however, emergency preparedness and response activities were embedded into all the outputs. This reduced the office's capacity to report on funds utilization to donors (since the same activity pertained to emergency and regular programmes with different funding sources). It also made it harder to ensure that donor funding was utilized for the intended purposes.

Budgeting in workplans: As stated in the previous observation, there were discrepancies between the funding as set out in the CPAP and in the workplans. The 2014-June 2016 MYWP total estimated budget for Health represented only 53 percent of the budget planned in the CPAP, and for Education only 38 percent. However, the expected results were not adjusted accordingly. They were maintained at the same level as in the CPAP. This increased the risk that expected results would not be achieved.

The unfunded portion of the MYWPs was significant (e.g. of the US\$ 49 million estimated for WASH, US\$ 43 million was unfunded; of the US\$ 101 million estimated for Health and Nutrition, US\$ 79 million was unfunded). However, the workplans did not specify any mitigation measures in the event of the unfunded portion not being fully funded. Such measures could have included (for example) priority activities to be funded by available resources, or activities to be undertaken only when there was reasonable assurance that they would be completely funded.

The signed MYWP for Education included emergency activities, but the planned budget did not include the estimated amount of OR(E) funds.

The office stated that it had a quality assurance process for preparation of workplans, consisting of a review by the monitoring and evaluation unit and by the Deputy Representative before approval. It said that, as part of this process, workplans were reviewed against a number of criteria. However, this review process was not set out in writing, and there was no evidence of its implementation.

Tasks in workplans: Since the activities in the MYWPs were formulated in broad terms, UNICEF programme officers and the implementing partners should have discussed and agreed

upon the specific tasks those activities would include. These tasks should then have been used by the partners as the basis for requesting the agreed inputs from UNICEF.

The audit reviewed the way tasks had been identified with regard to three programme sections and one zone office. Discussions with programme staff suggested that, in the absence of office guidance, each programme section established its own approach. One section established internal monthly operational workplans for each of its units. In another case, an overall annual operational plan was derived from the signed MYWP and prepared in consultation with the partners. In the third case, there were no operational plans, and specific activities were agreed upon with the partners on an *ad hoc* basis. The two implementing partners at central levels met by the audit said they had not discussed and agreed upon the tasks to be implemented on a particular year. The requests for funding were generally discussed on a case-by-case basis.

With *ad hoc* discussions on the individual requests, the partners had no knowledge of (and, in particular, agreement upon) the activities to be undertaken, making it harder for them to plan the activities ahead and to gain ownership of the programme.

According to the office, the entire work planning process was derailed in 2014 due to the humanitarian crisis, such that the state-level workplans were not prepared and signed by the state Government.

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

- i. Implement a planning process that ensures adequate consultation between the country office and zone offices, and with the implementing partners at national and decentralized levels.
- ii. Establish a rigorous quality assurance process over the preparation of the workplans to ensure that they reflect the approved planned budget, and include mitigation measures for unfunded budget, ensuring that the expected results are commensurate with the estimated funds availability.
- iii. Support implementing partners in improving their operational planning through the establishment of a formal process, with assigned responsibilities for discussion of, and agreement on, the activities/tasks for which the implementing partners are responsible.

Staff responsible for taking action: Deputy Representative and Chief of Social Policy, Planning, Monitoring and Evaluation

Date by which action will be taken: December 2015

Advocacy plan

A well-prepared, purposeful and sustained advocacy plan will help raise awareness among policy-makers and the public, and promote action in support of children's rights. This was underscored in the 2014-June 2016 CPAP endorsed by the Government, which stated that advocacy would be used for the development and implementation of the legal framework and policies and the promotion of child rights at the national and sub-national levels. The office performance indicators recorded in the 2012-2016 CPMP included a requirement to establish media and advocacy strategies.

With the assistance of the Regional Office and UNICEF headquarters, the office did prepare

an advocacy strategy in 2014 – to respond to the crisis that erupted in December 2013, and focusing on the emergency. It included five advocacy priorities. This was a positive step given the Level 3 emergency, but the audit noted that no concrete results were indicated (e.g. tell the frontline story, reinforce respect for children’s rights). No responsibilities were assigned or timelines fixed, and the monitoring mechanisms were not defined at the country-office level. As of the time of the audit, and more than six months after the planned start of the advocacy plan, progress was not clear.

The 2014 internal annual programme review noted that the attention of Government partners had been vastly distracted by the crisis and that resources had been diverted away from social services. It called for a strong communication and advocacy strategy to push the agenda for children, especially on social protection. The office had started reviewing its advocacy plan at the time of the audit and was considering extending it to cover regular programme advocacy.

Recommendation 10 (medium priority): The office should revise its advocacy plan by expanding it to regular programme advocacy, defining specific expected results, assigning responsibility and timelines to relevant staff, and establishing a process for monitoring its implementation.

Management response: The office has informed OIAI that it disagrees with the recommendation. It stated that “the advocacy plan and advocacy messages were developed by HQ experts. In an L3 (Level 3) emergency, the timeline for action is now. As this is generally understood it was not indicated in the plan. Responsibility for implementing the plan rests with country office’s management. In view of action taken by the office and the availability of the plan, it is found most appropriate from a risk management perspective to remove the observation”. The office also provided supporting documentation. Though the office disagrees with the recommendation, it provided an action plan that would address the recommendation.

OIAI’s response: OIAI maintained the recommendation because it is of the view that the benefits of a clear advocacy plan, with expected results, assigned responsibilities and timelines, outweigh the costs.

Staff responsible for taking action: Representative; Deputy Representative; and Chief of Communications

Date by which action will be taken: October 2015

Resource mobilization¹⁰

Country offices should have a comprehensive fundraising strategy for securing approved Other Resources (OR) in support of the country programme. In 2014, US\$ 161.9 million in OR had been raised, of which US\$ 146.1 million (90 percent) pertained to the emergency. Thus, in the first year of the extension of the country programme (2014-June 2016), only US\$ 15.8 million (12 percent) of the approved OR regular budget of US\$ 133 million for the extension had so far been raised. The audit reviewed the resource mobilization activities and noted the following.

¹⁰ 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.

Resource mobilization strategy: In 2011, the office had developed a resource mobilization strategy for 2012-2013 and had updated it in April 2013. However, the strategy was geared towards developmental programming. With the extension of the current country programme to June 2016 and the onset of the humanitarian crisis in December 2013, the office had been unable to update the strategy. Instead, it resorted to *ad hoc* action plans and working papers for resource mobilization. At the time of audit, the office was planning to develop a strategy relating to resources for both the development programme, and the humanitarian response to the prevailing crisis in South Sudan.

Funding gap analysis: The office had not accurately and completely reflected the planned budgets in VISION so that the funding gaps could not easily be identified and analysed. Instead of populating the planned budgets in, and generating reports from, VISION, the office resorted to a manual preparation of reports to analyse the funding gaps. This analysis, however, was limited to gaps at the sector/outcome levels¹¹ – e.g. nutrition, health, WASH, child protection, and education. It did not look at shortfalls at the output level. Thus a sector/outcome might be adequately funded, but certain outputs within it might not, and this might not be immediately apparent to the office. This increased the risk that the activities under each output might not be implemented and this could jeopardise the achievement of the outcome itself even if, in theory, it was fully funded. (See also observation *Work planning*, p15 above.)

Donor proposals:¹² The audit selected eight grants and obtained the relevant proposals for review. One lacked a proposal. Of the remainder, all seven had identified the principal development problem and described how the proposed activities and results related to the CPAP, UNDAF,¹³ or other framework including the crisis response plan. In almost all cases, the donor proposals alluded to equity and gender equality issues and listed the key implementing partners for the proposed activities.

However, the audit noted that the results in five of the donor proposals were activity-oriented rather than expressing the change in the condition of children and women that they were supposed to effect. Some examples were: *pavilion infrastructure is constructed in 37 schools*; and *WASH core pipeline supplies for 190,000 people procured and pre-positioned at strategic locations*. These are activities rather than results.

The activities in three donor proposals were not described following a results framework. One of the three donor proposals did not even have a statement of results. Also, there were significant inconsistencies in the activities in the results framework *vis-à-vis* those in the accompanying workplan. The audit also noted that the budgets in five donor proposals were not aligned with the results framework.

While the key implementing partners were indicated in the proposals, their expertise,

¹¹ UNICEF programmes plan for results on two levels, the terminology for which changed in 2014. An outcome (until recently known as a programme component result, or PCR) is a planned result of the country programme, against which resources will be allocated. It consists of a change in the situation of children and women. An output (previously known as an intermediate result, or IR) is a description of a change in a defined period that will significantly contribute to the achievement of an outcome. Thus an output might include (say) the construction of a school, but that would not in itself constitute an outcome; however, an improvement in education or health arising from it would.

¹² Guidance for country offices in this area can be found in *Guidance for the Development of Donor Proposals*, from UNICEF's Public Partnerships Division (PPD), October 2014.

¹³ 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.

experience, and role in the project were not. Finally, all but one donor proposal lacked information regarding the sustainability of results following the end the project.

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

- i. Develop an updated resource mobilization strategy.
- ii. Assign accountability for correctly registering the planned budgets in VISION, and ensure that it is done.
- iii. Analyse the funding gaps at the output as well as outcome levels.
- iv. Provide guidance, and an oversight mechanism, for the development of funding proposals to ensure compliance with the guidance issued by UNICEF's Public Partnership Division. If needed, assistance should be sought from the Regional Office.

Staff responsible for taking action: Deputy Representative; Resource Mobilization Specialist; and Chiefs of Sections

Date by which action will be taken: September 2015

Mapping of potential partners

The 2012-2013 country programme, extended to June 2016, focused on development programmes. The humanitarian crisis which started in December 2013 and the subsequent declaration of a Level 3 emergency had brought about a shift to humanitarian response. Coupled with the shift, the office had expanded its reach in all 10 states of South Sudan. However, it had yet to systematically map and identify potential implementing partners, establishing which has the required capacity.

Agreed action 12 (medium priority): The office agrees to conduct a mapping exercise to identify potential implementing partners.

Staff responsible for taking action: Deputy Representative; Chiefs of Sections; and Chiefs of Field Offices

Date by which action will be taken: September 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 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, while maintaining sufficient assurance on the use of funds.

HACT makes this possible by requiring offices to systematically assess the level of risk before making cash transfers to a given partner, and to adjust their method of funding and assurance practices accordingly. HACT therefore includes micro-assessments of the individual implementing partners (both Government entities and NGOs). There should also be a macro-assessment of the country's financial management system. As a further safeguard, the HACT framework requires offices to carry out assurance activities regarding the proper use of cash transfers. Assurance activities are expected, at a minimum, to include spot checks, programme monitoring and scheduled audits. Implementing partners that have received more than US\$ 500,000 during the programme cycle are subject to at least one scheduled audit during the programme cycle.

HACT is also required for other UN agencies, and offices should cooperate with them where possible when implementing HACT, for example through joint assessments of partners that are common to more than one agency. Offices should implement HACT even during a Level 3 emergency.

Government partners: Since 2014, immediately after the start of the crisis, the office had collaborated with 157 implementing partners, of which 67 of them were Government partners such as ministries, directorates, and state ministries. It had disbursed over US\$ 33.5 million as cash transfers, with Government implementing partners receiving about 21 percent of the cash transfers. However, HACT had not been rolled out to Government implementing partners. Instead, the office relied mainly on the original invoices submitted by Government implementing partners to ascertain that cash transfers were used for the intended purpose. There were limited programmatic visits and no financial spot checks.

The audit visited a few Government ministries and noted that the cash transfers received from UNICEF were not recorded in the Government designated books of accounts. As such, there was no audit trail and therefore the transactions could not be subjected to an audit by the Audit Chamber. At the time of audit, the office had expressed its commitment to roll out HACT to Government implementing partners by mid-2016. Meanwhile, it was in the process of securing UNICEF headquarters' exemption from the micro-assessment of, and the use of the FACE form¹⁴ by, Government implementing partners up to June 2016. It had planned to conduct HACT training for key staff from Government partners at national and state levels, and strengthen their capacities in financial and programme management, before implementing HACT.

Macro-assessment: A macro-assessment had been done in 2011. It was led by the Ministry of Finance and Economic Planning and the World Bank, in collaboration with the United Nations Development Programme (UNDP) and African Development Bank. The macro-assessment had identified a number of factors in the public financial management system that were key risks in the implementation of HACT. Among them were:

- outdated financial procedures;
- limited internal control frameworks to manage assets provided for development and operational activities;
- incomplete accounting and financial reporting standards;
- scarcity of appropriately qualified and experienced national financial management staff at central and sub-national levels; and,
- nascent capacity only to undertake and enforce external audits.

This meant that UN agencies providing funds to Government implementing partners would need to establish their own assurance mechanisms, including financial spot checks and scheduled audits, and could not rely on the Audit Chamber of the national Government.

The macro-assessment also identified critical areas and opportunities for the UN to provide support, and suggested opportunities for capacity development, such as strengthening of the

¹⁴ The Funding Authorization Certificate of Expenditure (FACE) form is used by the partner to request and liquidate cash transfers. It is also used by UNICEF to process the requests for and liquidation of cash transfers. The FACE forms should reflect the workplans, which set out the activities for which funds are being requested, or on which they have been spent. The FACE form was designed for use with the HACT framework, but can also be used outside it.

capacity of the Audit Chamber. However, the audit noted that the macro-assessment's recommendations aimed at improving the capacity of Government ministries had not been followed up. The office stated that a new macro-assessment would be conducted in preparation for the development of the upcoming country programme.

Micro-assessments: Since 2011, a total of 137 NGOs were micro-assessed. However, the office did not systematically use the results of the micro-assessments to decide which method to use for transferring resources. Apart from a few reimbursements, direct cash transfers (DCTs) were mostly provided regardless of the partners' risk ratings. In addition, in a sample of 16 NGOs, seven had not been micro-assessed although five of those received over US\$ 100,000 in 2014 alone; two of them had received over US\$ 1 million and US\$ 2 million. As such, they should be considered as high risk and therefore subject to more stringent assurance activities.

The remaining nine NGOs in the sample had been micro-assessed. However, the recommendations from the micro-assessments had not been followed up; in fact, for 88 out of 137 micro-assessments, the reports could not be found. At the time of audit, the office was considering conducting another micro-assessment of some of the 88 NGOs which were expected to receive US\$ 100,000 or more per year from UNICEF in the future. The implementation of recommendations arising from the spot checks and programmatic visits were also not systematically tracked.

Assurance activities: The office had a risk-based assurance plan, but the status of its implementation was inadequately monitored. Further, based on the same sample of 16 NGOs, the assurance activities were inadequate. The office had not conducted programmatic visits, financial spot checks or audits of seven of the NGOs, four of which had not even been micro-assessed. The financial records of the NGO that had received over US\$ 2 million in 2014 alone but had not been micro-assessed were not spot-checked or audited. Further, no programmatic visit, spot check or scheduled audit had been made with regards to an NGO had had received cash transfers of almost US\$ 250,000 but had not been micro-assessed.

At the time of the audit, a quality assurance officer who would be the focal point for the implementation of HACT had assumed duties. Also, the office indicated that United Nations Country Team (UNCT)¹⁵ HACT task force, which had been inactive in 2014, would be reactivated in 2015. However, the office stated that it had not been possible to implement HACT effectively during the conflict.

Agreed action 13 (high priority): The office agrees to, with support from the Regional Office, improve the management of the Harmonized Approach to Cash Transfers (HACT). In particular, it agrees to:

- i. Develop and implement a workplan for the rollout of HACT to Government implementing partners, and monitor its implementation.
- ii. Pursue with the United Nations Country Team the conduct of a macro-assessment of the country's public financial management system, so that the results can be used to establish whether the office can rely on the public financial management system to channel UN funding for the implementation of the country programme of cooperation; establish whether the office can rely on the Audit Chamber; and identify

¹⁵ 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.

- methods for cash transfer to Government partners as appropriate.
- iii. Establish mechanisms to systematically follow up on the implementation of the recommendations from the macro-assessment of the public financial management system, and those arising from micro-assessment of partners, spot checks, programmatic visits, and scheduled audits.
 - iv. Systematically plan and undertake micro-assessments at least once per programme cycle on implementing partners expected to receive US\$ 100,000 or more per year from UNICEF.
 - v. Strengthen the development, implementation and monitoring of assurance activities, ensuring that, at a minimum, the assurance plan is risk-based, and programmatic visits, spot checks and scheduled audit are undertaken as outlined in UNICEF Procedure on Harmonized Approach to Cash Transfers to Implementing Partners (FRG/PROCEDURE/2014/001).

Staff responsible for taking action: Representative; Deputy Representative; and Quality Assurance Specialist

Date by which action will be taken: October 2015

Programme Cooperation Agreements

To confront the crisis that started in December 2013, the office had scaled up its partnerships with NGOs. From January 2014 to the start of the audit (February 2015), the office disbursed more than US\$ 33.5 million of cash transfers to implementing partners, of which US\$ 26.5 million (79 percent) were provided to NGOs.

The office had established a Programme Cooperation Agreement Review Committee (PCARC) with appropriate terms of reference and membership. It also had standard operating procedures for the development of project documents and the conclusion of programme cooperation agreements (PCAs) with NGOs. There was a tracking database for all the PCAs reviewed by the PCARC and concluded with NGOs. However, in its review of seven sampled PCAs, the audit noted the following.

Planning of results and activities: The results and activities described in the project documents of the seven PCAs reviewed did not match with those in the related PCA workplans. One of the seven PCAs did not even have a workplan. In cases where significant supply component was included, the necessary supplies were listed but the accompanying workplans did not factor in the time required for their procurement and delivery, seeming to assume that they were readily available. South Sudan is a landlocked country, increasing the logistical challenge in transporting supplies from other counties – even without considering clearance of these supplies and the prevailing infrastructure in the country. However, the office had not established standard lead-times for the procurement and delivery of supplies covering various types and sources of supplies.

Budgeting for activities: The office had not established standard rates for frequently incurred expenses. This would have assisted budgeting and its review. Budgets for activities were provided, but were not in accordance with the activities for each quarter. The agreed quarterly instalments were therefore not the estimated expenses for the quarter's activities. Furthermore, in one PCA, the direct and indirect programme support costs exceeded 25 percent of the programme cost; in another, they exceeded seven percent of programme costs excluding supplies. These exceeded maximum limits and no justification was given.

Agreement with NGOs: Two of the seven PCAs reviewed were concluded after activities had started and expenditures been incurred. One of these PCAs had to be signed to reimburse the NGO for about US\$ 1 million “to enable payment of outstanding bills for commitments made and expenditures incurred”. In a Level 3 emergency, it is noted that time is of the essence. However, committing resources without prior written agreement increased the risk that the partners might implement unplanned activities and/or that funds might not be available to finance those that had already taken place.

Further, the provisions in the PCAs were sometimes unclear. For example, for the instalment amounts, the fields to be completed marked “amount” were not filled in. In another case, the amount of cash input in the agreement was US\$ 17,117 less than the one shown in the budget. In one PCA, the text had been adapted from that of a PCA in another country, and the currency of payment had not been changed. In another case, the start date of the agreement was upon signature by the two parties, but that date was not indicated in the PCA.

Maintenance of PCAs: Although a database for the tracking of PCAs was in use, PCAs for new programmes/projects and their subsequent amendments could not be tracked. The first PCA with a NGO was referenced with a number and subsequent PCAs with the same partner had been coded as amendments to the original number, regardless of whether they were for a different programme/project. Further, the PCAs were not appropriately filed. The audit initially selected eight PCAs as samples but was able to review only seven, as the office was unable to locate the eighth PCA (although the NGO had received over US\$ 248,000 in 2014).

The office stated that it would be introducing EquiTrack, an online partner tracking system to better manage the PCAs. It added that a monitoring and evaluation officer (a Junior Professional Officer) would be joining the office shortly and would help the office improve the PCA management structure.

Agreed action 14 (high priority): The country office agrees to strengthen oversight of the application of controls over management of Programme Cooperation Agreements (PCAs). Specifically, it agrees to:

- i. Improve the functioning of the PCA Review Committee (PCARC) to ensure coherence between results and activities described in the project document and those in the workplan; the development of three-month activity budgets; direct and indirect programme support costs within the allowable limits; and clarity and accuracy of the provisions in the PCAs, including the project document and budget.
- ii. Establish lead-times for the procurement and delivery of programme supplies and disseminate them to programme staff and implementing partners for consideration in the PCA workplans.
- iii. Establish standard rates for frequently incurred expenses, preferably with other UN agencies in the country.
- iv. Ensure that PCAs are concluded with non-governmental organizations prior to their implementation of the activities.
- v. Revise the current procedure for referencing, and maintaining records of, PCAs.

Staff responsible for taking action: Deputy Representative and Budget Officer

Date by which action will be taken: December, 2015

Programme review and monitoring

Even in Level 3 emergency countries, offices should hold annual programme reviews with key counterparts. These reviews take stock of new information on the situation of children and women, and assess any resulting implications for the country programme. They also assess progress towards planned programme results, particularly for disadvantaged children; identify constraints, challenges and opportunities; and decide on corrective measures for the next workplan. Also, even in Level 3 emergency countries, country offices should have mechanisms, guidance and standards for on-site monitoring of programme implementation and for systematic follow-up of recommendations arising from trip reports.

Programme review: The office stated that each programme section had conducted an annual programme review with its respective partners with the exception of the health section, which had decided to wait for the new chief of section to join them (the section chief joined at the end of January 2015). However, the office was unable to provide evidence of such reviews. There had been an internal annual programme review in December 2014. However, at the time of the audit (February 2015), the office did not have an annual programme review report, with achievements, constraints and recommendations that had been agreed upon with the implementing partners. According to the office, discussions were ongoing for the organization of a multi-sectoral review of the programmes by the last week of February under the leadership of the Ministry of Finance and Planning.

Programme monitoring: Programme sections planned field-monitoring visits on a monthly basis for both emergency and regular programme activities, and shared the plan with the Deputy Representative for information. Zone offices were required to provide the field operations section with their weekly travel plans, with updates in case of changes.

At the time of the audit, the country office had no standard operating procedures (SOPs) for field monitoring, with defined standard forms for trip planning and reporting, and for monitoring the implementation of the trip-report recommendations. The 2014 internal annual programme review noted that there was a need to improve field monitoring of programme implementation. As a result, the office had started to prepare field monitoring SOPs and a number of tools to strengthen planning, reporting and implementation of the action points. According to the office, the SOPs and monitoring tools would be effective starting March 2015.

The office also said that, because of security and access issues, it was starting third-party monitoring, particularly in areas where travel of UN staff was restricted. At the time of the audit, the bidding for the third party contract was ongoing. However, the office had not yet defined measures to ensure that information provided by the third party was accurate. The office was aware of this issue, and informed the audit that it would prepare a detailed plan for this purpose before third-party monitoring commenced in mid-March 2015.

Quality of trip reports: The audit reviewed six recent reports from field-monitoring trips related to Health and Education programmes – among the most significant programme components. The following were noted:

- Monitoring objectives were stated in general terms and were formulated as activities, instead of in terms of expected results with clear linkages to workplans.
- The monitoring activities expected to be undertaken were also broad (for example, supportive supervision to the health facilities).
- Progress of programme implementation was not assessed against expected

achievements.

- Recommendations were not systematically specific and did not identify the responsible staff and timeline.
- In some instances, there were no recommendations even though some important issues had been noted.
- Trip reports were not signed by the staff members and their supervisors. There was no evidence that the supervisor commented on the content or provided guidance on follow-up.
- The quality of the inputs provided (cash and supply) was not reviewed.
- The office had not established field-monitoring standards and the quality of the review of field-monitoring reports was inadequate.

The above weaknesses were due to lack of office-wide systems related to programme implementation monitoring. This carried the risk that the office might not identify and address bottlenecks as they arise and take timely corrective action.

Agreed action 15 (high priority): The office agrees to enhance controls related to monitoring and review of programme implementation by instituting a mechanism that ensures the following:

- i. Annual programme reviews are held with Government counterparts and other implementing partners, and are documented; and the programme review recommendations are taken into consideration in the workplans.
- ii. All field-monitoring reports state the results expected from the field visits, include a review of the quality of inputs (cash and supply) provided, and indicate whether the expected results have been achieved or not.
- iii. Field-trip recommendations are specific, with assigned responsible staff and timelines.
- iv. Supervisors exercise their quality assurance oversight responsibility when authorizing travel requests and reviewing trip reports.
- v. A process is instituted for monitoring the status of implementation of recommendations from field visits (see also observation *Harmonized Approach to Cash Transfers*, p20 above).

Staff responsible for taking action: Deputy Representative; Planning, Monitoring and Evaluation Manager; Chiefs of Sections, Chiefs of Field Offices; and Humanitarian Performance Monitoring Specialist

Date by which action will be taken: December 2015

Monitoring and evaluation

Country offices should have an integrated monitoring and evaluation plan (IMEP) that covers monitoring and evaluation (M&E), along with related activities including research, surveys and studies. After the Country Programme extension (January 2014-June 2016), the office revised its IMEP to include 34 studies, surveys and evaluations intended to provide programme staff with key data and information. The audit noted the following.

IMEP planning and implementation: The IMEP was drawn up as follows: each section completed a form that included information on how findings from proposed activities could enhance programme delivery, expected timeline, cost and evidence of availability of funding, and type of expertise needed (Government, NGO or consultant). This form was used only for

new activities and not for those carried over from previous years. According to the office, the M&E unit reviewed the proposed IMEP inputs with each section, consolidated the draft IMEP based on these reviews, and shared the draft IMEP with the sections before finalization and presentation to the CMT for validation. However, the office could not provide evidence that the above steps were carried out. Also, it indicated that the IMEP's implementation was reviewed quarterly, but the latest two updates shared by the office were six months apart (May and November 2014).

The 2014 crisis meant many activities had to be rescheduled or cancelled. Out of 19 surveys and studies planned to be started/completed in 2014, one was completed, five were ongoing by end of 2014, 12 were postponed and one was cancelled. For example, the Population and Housing Census, for which UNICEF was providing technical and financial support, was postponed indefinitely. The MICS¹⁶ was cancelled because of the risk of distortion of sampling given the massive displacement of population, and accessibility and security issues in the three states affected by the conflict. None of the four evaluations planned to be started in 2014 did so; all four were postponed to 2015.

The large number of studies, surveys and evaluations (34) planned over a period of two and a half years was considered, even by the office, as very ambitious, especially given the limited local expertise. Even before the crisis, the rate of implementation of the IMEP was low. Six of the seven studies and three of the four evaluations had been carried forward from 2013 to 2014, while the remaining evaluation was cancelled.

However, the high number of IMEP activities also reflected the enormous need for knowledge/data related to children and women in South Sudan. The audit noted that the minutes of the internal annual programme review did not reflect any discussion on the IMEP and that the office lacked an efficient process to periodically review the IMEP and ensure that it focused on the most important activities, and that the planned activities were completed.

Evaluation function: Only one evaluation (of UNICEF programmes to protect children in emergencies) had been done in the current country programme; it was finalized in 2013. However, it was a global evaluation piloted by NYHQ that included Colombia, the Democratic Republic of Congo and Pakistan. The South Sudan office had prepared a management response, and the M&E unit had followed up on the implementation of the action points. However, no evaluation of significant programme components had been completed in the previous country programme, and none had been planned in the current one. This meant that the office would not have undertaken any evaluation of its country programme components in two successive country-programme cycles.

The audit also noted that the office was implementing a number of pilot projects. Some of these were being scaled up – for example, projects concerned with social norms within child protection, and with family tracing and reunification using innovation; while others were expected to be completed in 2015, including peacebuilding and youth leadership projects. However, no evaluations had been planned for any of the pilot projects. Shortcomings in the evaluation function weakened the office's capacity to assess and improve the design and implementation of the programme, and increased the risk of the office not focusing on the most efficient and effective interventions.

¹⁶ The Multiple Indicator Cluster Survey (MICS) is a survey technique developed by UNICEF to provide rigorous data across a range of fields from households, from women, from men and concerning under-fives. MICS is designed to provide internationally comparable data on the situation of children and women.

Agreed action 16 (medium priority): The office agrees to establish:

- i. An office-wide process to strengthen oversight over the preparation, implementation and follow-up of the integrated monitoring and evaluation plan (IMEP), taking into consideration the office's and the partners' capacities, as well as the rate of implementation of the previous years' IMEPs.
- ii. Criteria for the selection of evaluation activities. Such criteria should include, among others, consideration of evaluations of key programmes and evaluations of pilot projects.

Staff responsible for taking action: Deputy Representative; and Planning, Monitoring and Evaluation Manager

Date by which action will be taken: October 2015

Reporting on results

Country offices are expected to issue quality reports to donors on time; this remains the case in Level 3 emergency countries. In 2014 alone, the office had a total of 76 donor reports due. The programme sections drafted the donor reports and a dedicated staff had been assigned to compile and edit them.

Timeliness: Of the 76 reports, 50 were submitted on or before the due dates. However, 20 were submitted late, and the remaining six had still not been submitted although they were long past their due dates, as of the start of the audit (February 2015). The 20 late reports were submitted an average of 49 days after they were due, ranging from four to 161 days. The six that were still overdue had been outstanding between 171 days to 339 days as at the start of audit. Towards the end of the audit, one of the six overdue reports had been submitted to the donor, four were awaiting management clearance and the sixth had apparently been submitted but the office was unable to trace it.

This situation jeopardises future funding. According to the office, the primary reason was competing priorities; however, another factor that compounded the situation was the lack of an established process. The audit reviewed a sample of seven donor reports and found that none had been released by either the Representative or the Deputy Representative. Six had been submitted by the staff dedicated to donor reporting and one by a programme section chief. Also, lead times to ensure the timely submission of donor reports had not been established.

The audit had selected eight donor reports for review. Since one of them had not been submitted at the time of the audit, only seven were reviewed. The review revealed the following.

Financial utilization reports: Five of the seven reports did not include financial utilization reports. Instead, only the total expenditures were reported. The donors were therefore not able to check that their contributions were used in accordance with the agreed budgets. Further, the reported expenditures did not stipulate that the financial figures were interim, with final figures to be provided by the UNICEF Comptroller after the year-end closure of the accounts.

Since the financial utilization reports were unavailable, the audit generated them from

VISION. It noted that some descriptions of the commitments and expenditures were unclear as to the activities and location for which they were spent. This increased the risk of misreporting.

Corroborating evidence: The audit tested a sample of five reported achievements from among the seven donor reports. They included statements such as: “125,474 children were reached with child protection services, including family services, psychosocial support”; and “120 health workers (36 female; 84 male) trained on cold chain management and social mobilization of caregivers in Upper Nile, Jonglei and Unity, Western Equatoria, Northern Bahr el Ghazal, Western Bahr el Ghazal and Lakes”. It was noted that four of five sampled reported achievements were inadequately corroborated by supporting documentation and programmatic visits.

Consistency between agreement and donor report: Four donor reports presented a number of results and activities that were not included in the agreements with the donor or the donor proposals. One donor report claimed US\$ 536,440 expenditures related to contractual services and equipment, although neither the agreement nor the donor proposal covered them.

Key attributes of donor reports: None of the seven donor reports had donor feedback forms and four did not include human-interest stories to highlight the situation of children and the impact of donor funds on their lives. Six donor reports did not present UNICEF’s comparative advantage for implementing donor funds, or highlight future priorities of the office.

Agreed action 17 (high priority): The office agrees to:

- i. Assign accountability for, and give priority to, the timely submission of donor reports, in order to maintain good relations with donors based on transparency and efficiency and to attract future funding.
- ii. Establish a donor reporting process, including oversight mechanisms, and lead times for the drafting, review and release of the donor reports.
- iii. Strengthen the quality assurance for donor reports to ensure that:
 - a. the commitments and expenditures are clearly described;
 - b. the reported results/activities and funds utilization are in accordance with the donor agreements;
 - c. the achievements reported in the donor reports are properly supported with sufficient and appropriate documentation; and,
 - d. the donor reports cover the key attributes of reporting according to the guidance issued by UNICEF’s Public Partnership Division, as and when appropriate, including the submission of the financial utilization reports.

Staff responsible for taking action: Deputy Representative; Resource Mobilization Specialist; Budget Officer; and Planning, Monitoring and Evaluation Specialist

Date by which action will be taken: December 2015

Programme management: Conclusion

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

3 Operations support

In this area the audit reviews the country office's support processes and whether they are in accordance with UNICEF Rules, Regulations, 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 the areas above were covered in this audit.

The audit found that controls were functioning well over a number of areas. The office had established standard operating procedures for a number of processes, such as release and liquidation of DCTs, institutional consultancy, CRC review, transport management, and internal and local travel. It had institutionalized and conducted pre-delivery inspection of all programme supplies that necessitated the pre-delivery inspection, and had established a process for evaluation of the performance of suppliers/contractors. The office had also conducted a physical asset count in 2014 and recorded the results. There were no unreconciled differences.

The office actively participated in One UN Procurement Group and used the long-term procurement arrangements of the UN agencies. It had assessed the security in country office and zone offices to ensure compliance with the minimum operating security standards (MOSS). It had also assessed the security in the guesthouse in Juba to ascertain that it met the minimum operating residential security standards (MORSS).

However, the audit also noted the following.

Vendor master records

UNICEF's Supply Manual and the relevant VISION guidance notes provide adequate guidance for the creation, maintenance, and use of, and access to, vendor records in VISION. The creation of vendor master records should be done centrally by the designated staff member(s). The office is also expected to ensure the completeness of the vendor's details in the master record – especially the payment method and the banking details, as this information is required for processing of payments.

It is also important to avoid creation of duplicate vendor master records, as these could

provide erroneous information related to disbursements and liquidations of a vendor account, and increase the risk of overpayments or double payments. Duplicate records may also allow implementing partners to receive DCTs despite having previous cash transfers outstanding for more than six months.

The office had a process for the creation and maintenance of vendor master records in VISION, and had assigned the role to four staff members. However, the process did not systematically require implementing partners and other vendors to submit documentation to the office to confirm their existence and legitimacy. Neither did it include systematic authentication of their bank accounts.

Prior to the audit, the office had conducted a vendor master record clean-up exercise by identifying duplicate vendor master records and marking some of them for deletion and/or blocked them from posting. Once the vendor master record is marked for deletion, UNICEF headquarters will delete it centrally at a given time. Meanwhile, if the vendor master record is blocked from posting, transactions can no longer be posted to the account of this vendor.

The audit found that vendor master records had been duplicated for 108 vendors, totalling 237 of the 1,405 vendor master accounts. Of the 108, 34 had been corrected and cleaned up during a clean-up by the office before the audit. However, for the remaining 74 vendors, the master record had not been appropriately corrected—43 master records had not been blocked from posting, 22 were not marked for deletion, and a number had not been corrected at all.

The 102 vendors included NGOs that had vendor accounts both as implementing partners and, at the same time, as field office vendors (e.g. suppliers); while others were both suppliers and institutional contractors. The vendor master records had been created without ascertaining whether vendor master records for those vendors had previously been created in the system and appropriately categorized. The duplication had also occurred during the data migration from the legacy system to VISION when it was introduced in 2012, since there was insufficient review of vendor master records before their migration. Duplication of this sort creates an added risk of duplicate payments (although the audit did not observe any that had arisen for that reason).

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

- i. Revise the process for requesting and creating vendor master records to ensure that:
 - a. adequate documentation is obtained to establish the legitimacy of the vendors and the validity of their bank accounts; and,
 - b. there are checks to ensure there is no existing master record for a vendor in VISION before another vendor master record is created.
- ii. Periodically review the vendor master records in order to ascertain validity of vendors with multiple master records, and block and mark for deletion master records considered invalid or duplicate; and prevent duplications and ensure completeness and accuracy of records.

Staff responsible for taking action: Chief of Operations; Quality Assurance Specialist; Finance Manager; Planning, Monitoring and Evaluation Specialist; and HACT Quality Assurance Specialist

Date by which action will be taken: September 2015

Financial transaction processing

The audit reviewed whether financial transactions were performed accurately, promptly and completely and in accordance with UNICEF Regulations and Rules. It selected a sample of 101 financial transactions for review, and noted the following.

Release of direct cash transfers: In accordance with UNICEF policy, programme staff were expected to review the FACE forms or requests for DCTs before certifying and approving the requests for payment processing. The Operations Manager/Finance Officer reviewed the accuracy and completeness of the information in the approved requests before posting them for payment.

DCTs to implementing partners were not processed and released on time – something which is especially important in a Level 3 emergency, where the need may be urgent. The processing of 29 sampled requests for cash transfers (with an aggregate value of US\$ 6.6 million) took an average of 21 days from the time of requests to release of payments. The processing time ranged from six to 65 days. The protracted processing exacerbated delays caused by the late submission of the requests by the implementing partners – an average of just eight days before the planned start dates of the activities. Consequently, 27 of the 29 DCTs sampled were provided to implementing partners after the planned start dates of the activities.

Nine of the 29 DCTs sampled had inconsistencies in the names of the implementing partners as written in the DCT request/FACE and/or the PCA, the vendor master record in VISION and in the bank transfer. The situation was compounded by the fact that the office did not maintain a record of the authorized representatives of the implementing partners and their specimen signatures. For five of the 29 DCT requests, the signatories could not be verified as authorized representatives of the implementing partners. This presented a risk that the requests for cash transfers might not be in accordance with the signed workplans; and/or that the requests might not in fact have been authorized by that partner; or that payments might not be made to the partner's bank account.

Liquidation of direct cash transfers: DCTs are meant to be liquidated within six months of their release. At the time of the audit in February 2015, the office had outstanding (unliquidated) DCTs worth approximately US\$ 22.9 million. About US\$ 3.7 million of this had been outstanding for over six months; of that, about US\$ 1.1 million had remained unliquidated for over nine months. The DCTs outstanding over nine months were five percent of the total, exceeding the organization's allowable maximum level of one percent. Of the US\$ 1.1 million, the office had requested the Comptroller for authorization to adjust and write-off about half a million US dollars in January 2015.

The audit reviewed a sample of 20 liquidations of DCTs. It had taken the office an average of 36 days (in one case, 121 days) to approve and verify the liquidations following receipt of the liquidation documents from the implementing partners. The protracted process of approval and verification also affected subsequent releases, as UNICEF policy is not to release DCTs to partners with previous cash transfers outstanding for over six months; exceptions can be made, but should be approved by the Regional Director. Such protracted processing of DCT liquidations could affect timely completion of activities, and relationships with implementing partners.

Contracts for services: Six of the 14 sampled payments had multiple contractor names in the contracts and/or the invoices, the bank transfers/cheques, or the vendor master records in VISION. In addition, the invoices of half of the sampled payments had not been stamped

“paid” to preclude them from being presented again for payment (although the audit did not actually observe any instance of duplicate payment because of this). Consequently, there was no certainty the contractors being paid were the same contractors with which the office had concluded the contracts.

Supplies: Three of the 12 sampled payments had varying supplier names. As with the sampled payments for contracts for services, the suppliers’ names showed inconsistencies between the vendor master records in VISION, bank transfers/cheques, the purchase orders and/or the suppliers’ invoices. In one case, although a technical inspection was required, the supplier’s invoice was processed and paid without the inspection certificate. There was therefore no assurance that the supplies procured met the specifications in the purchase orders.

Travel: Three of the 14 sampled payments were inappropriately processed, having been authorized even though the most economical option was not selected. In two of these cases, the office explained that it selected the more expensive option since the most economical one involved a budget airline. However, the audit established that the airline was in fact UNDS¹⁷/IATA¹⁸-approved. In the third case, the office stated that the staff member elected to travel using the least economical one. The audit, however, noted that there was no written confirmation from the staff member about his choice and his agreement to reimburse the cost difference of US\$ 2,620. In addition, the trip was authorized notwithstanding the lack of approval by the staff member’s supervisor.

Discharge of financial functions: The finance staff member who approved the payment run did not sign the cheque/bank transfer. According to the financial and administrative policy, the paying officer who approves the payment run or releases the payment in VISION should be the first signatory of the cheque/bank transfer.

Moreover the preparation of bank reconciliation was performed by a staff member who was the custodian of the cash-on-hand account and had also been given the role of general ledger L1 in VISION, which includes the ability to post adjusting entries. As such, discrepancies in the bank reconciliation and in the cash-on-hand account could be concealed, since adjusting entries can be posted by the same staff member by virtue their general ledger L1 role in VISION.

Agreed action 19 (high priority): The office agrees to review its financial procedures, provide refresher training to staff and improve oversight to ensure that:

- i. The time taken to process financial transactions, such as direct cash transfers (DCTs) and the liquidations thereof, is reduced.
- ii. Payments are made only to the same implementing partners, contractors and suppliers whose bank account names and the names in the invoices and agreements/purchase orders are the same.
- iii. Outstanding DCTs are liquidated on time, and those outstanding for over nine months are reduced to one percent of the total outstanding DCTs.
- iv. Financial transactions are processed only on the basis of adequate supporting documentation, and paid invoices are stamped “paid”.
- v. The most economical flight option is selected. Should a staff member opt for flights which are not the most economical, s/he should confirm this to the office in writing and reimburse the office for the cost difference.

¹⁷ UN Department of Safety and Security.

¹⁸ International Air Transport Association.

- vi. The paying officer who approves the payment run or releases the payment in VISION should be the first signatory of the cheque/bank transfer.
- vii. The custodian of the cash-on-hand account should not have the ability to post adjusting entries in VISION.

Staff responsible for taking action: Finance Manager; HACT Specialist; Deputy Representative; and Administration Specialist

Date by which action will be taken: July 2015

Procurement of supplies and services

Country offices are expected to establish effective processes so that the procurement of programme supplies and services is properly planned, implemented and monitored. The country office had procured locally programme supplies valued at US\$ 7.5 million and services valued at US\$ 21.5 million during the period from January 2014 to January 2015. Of US\$ 21.5 million relating to services, US\$ 19.9 million pertained to institutional services and US\$ 1.6 million to individual services. The audit reviewed the procurement process and noted the following.

Market survey: The office had conducted a market survey in 2011 to cater to the supply requirements of the country programme. However, since the start of the crisis at the end of 2013, supply requirements had dramatically increased to support the humanitarian response. The office had yet to conduct another market survey in response to this, and therefore had limited information on the availability and sources of commodities and the capacities of suppliers. The office had identified a market survey as one of its priorities in the 2014 management plan, but had yet to do it. It said it planned to conduct one in 2015.

Procurement process: The audit sampled eight purchase orders for supplies and eight contracts for institutional and individual services and noted that the office, in some cases, did not adequately follow the established procurement procedures.

In one case, concerning the procurement of t-shirts, banners, stickers and posters valued at US\$ 264,000, the office did not adequately follow the bidding procedures. The office had set two different deadlines for the submission and opening of bids from the suppliers based in Kenya *vis-à-vis* those in Uganda. This exposed the office to the risk of information leakage, which could undermine transparency of the procurement process.

In another case, the award of a contract to an institutional contractor, the office did not award the contract to the lowest qualified bidder, and had not justified that decision. The office had awarded the contract to the highest qualified bidder, while the lowest had bid US\$ 800,000 less. The CRC did not recommend the lower bid be accepted, based on a note for the record prepared by the submitting section citing that bidder's unsatisfactory performance in a previous consultancy contract. The note for the record was mainly based on the information purportedly provided by the partner.

However, the office records showed that the lowest bidder had, in fact, performed satisfactorily in its previous consultancy work. The former chief of section assessed the performance of the lowest bidder in its previous assignment as "good". In addition, the partner had favourably appraised the performance of the lowest bidder and indicated that the system it had developed was in use.

Prompt payment discount: The audit review noted that three of the 16 sampled procurement actions did not accurately reflect the prompt payment discount terms. In one case, the contractor offered three percent discount (3/10 net 30¹⁹). The office, however, did not include the prompt payment discount terms in the long-term arrangement (LTA) it signed with the contractor. Based on the LTA, the office raised 18 purchase orders (POs) in 2014, with an aggregate value of US\$ 2.8 million. The office could therefore have earned a total discount of about US\$ 84,000.

In a similar case, the supplier offered a 1 percent prompt-payment discount (1/7 net 30²⁰) but it was not incorporated in the PO. Given that the PO was valued at US\$ 412,500, the office could have potentially earned a total discount of US\$ 4,125. In a third case, the supplier did not offer a prompt-payment discount but the office had incorporated a 1 percent discount in the PO and the supplier had signed it. However, the office did not avail itself of the discount.

Recording in VISION: The office did not record procurement actions properly in VISION. Key information omitted included the CRC submission, the selection process, and performance evaluation. In addition, the office had yet to close 158 contracts that had been completed and had remained open for more than three months. These contracts included 39 contracts that had been open since 2012 and 29 contracts since 2013. This meant that the unspent commitments of these contracts (amounting to US\$ 552,000) had not been released and made available to fund other activities.

Agreed action 20 (high priority): The office agrees to strengthen oversight over the procurement process. Specifically, it agrees to:

- i. Conduct a market survey and update the supplier database to identify potential local suppliers.
- ii. Ensure the same deadline is set for all suppliers for the submission of bid documents, and all bids are opened at the same time.
- iii. Ensure the effectiveness of the functioning of the Contract Review Committee (CRC) is reviewed by the Country Management Team, and that the CRC receives, requests and reviews all pertinent information to ensure recommendations are based on valid and justifiable reasons.
- iv. Provide guidance and institute an oversight mechanism to ensure that UNICEF procurement processes are independently followed, best value for money is obtained, and the agreed terms such as prompt payment discount are reflected in the purchase orders and enforced as appropriate.
- v. Provide guidance on the maintenance of procurement action information in VISION and the closure of completed purchased orders and contracts in VISION.

Staff responsible for taking action: Supply and Logistics Manager; Contracts Specialist; Chief of Operations; Contracts Officer; Supply Pipeline and Planning Specialist

Date by which action will be taken: December 2015

¹⁹ 3/10 net 30 means buyer must pay within 30 days of the invoice date, but will receive three percent discount if paid within 10 days of the invoice date.

²⁰ 1/7 net 30 means buyer must pay within 30 days of the invoice date, but will receive one percent discount if paid within seven days of the invoice date.

Logistics and warehouse management

Country offices are responsible for establishing effective controls and procedures for warehouse and inventory management. These should include independent physical count of inventory, inventory reporting, recording of receipt of goods, and authorization of dispatch. The office conducted a physical inventory count of the supplies in December 2014. At the time of the audit (February 2015), the total value of inventory in the warehouses was US\$ 10.7 million, of which US\$ 5.7 million pertained to regular programme. In addition, the office had concluded an LTA with a contractor for in-country distribution of programme supplies.

The audit visited the warehouse managed by a contractor and the warehouse located in the office compound managed by UNICEF staff. During the visit to the warehouse managed by the contractor with inventory valued at US\$ 6.6 million, the audit noted the following.

Mismatch of the inventory: A sample of two POs revealed that the inventory on record for one of them did not tally with the items that were physically located in the warehouse. The VISION record showed the quantity of items to be 30,401 bottles while the physical inventory was 35,324 bottles (an excess of 4,923 bottles).

Temperature of the warehouse: The office did not maintain the temperature of the warehouses (Rubb halls)²¹ in accordance with the temperature recommended by the manufacturer. For example, the manufacturer recommended 30°C for therapeutic food items, as indicated in the packaging materials. However, the temperature of the warehouse during the visit was 37°C. In another case, the manufacturer recommended 25°C for the medicine, again as indicated on the boxes, but the warehouse where they were stored was 35°C.

Expiry of programme supplies: Programme supplies valued approximately at US\$ 220,000 expired in Juba and zone-office warehouses in 2014. Expired supplies valued at US\$ 159,000 were still in the warehouses at the time of audit (February 2015) while the remainder were disposed of based on the approved property survey board (PSB) decision in 2014.

Security of the warehouse: The audit noted that inventory in the warehouse managed by the contractor was not adequately secured. The programme supplies were stored in the Rubb hall units, which were set up near a residential area and were enclosed only by a net fence that could not prevent trespassing, looting and theft. There was no security guard watching the units, which also lacked fire extinguishers and lighting. At the time of the visit, the contractor was building a perimeter wall that, according to the office, was due to be completed by March 2015.

Timeliness of delivery and recording of receipt: A review of a sample of 10 POs revealed that delivery was delayed in nine cases. The delays ranged from one to 120 days, with an average of 71 days. Given that the office was the main provider for pipeline supplies²² in a Level 3 emergency situation, timeliness was crucial. Moreover, for one of the 10 sampled POs, the supplies were not delivered – but the office recorded their receipt in VISION and the supplier was paid. This meant that the receiving officer confirmed receipt of goods in VISION without basis. Further, receipt of goods for seven of the 10 sampled POs were recorded four to 157 days after the actual receipt of supplies in the warehouse.

²¹ Temporary tent-type structures that can be relocated for emergencies.

²² By “pipeline” supplies, the office meant those that were not intended solely for the UNICEF programme.

Delivery of supplies to partners: The office recorded acknowledgments of receipt by the implementing partners in VISION based on the waybills carried by the transport contractor and signed by the recipient (and not necessarily by the authorized representatives of the implementing partners). The audit sampled 27 waybills to verify partners' confirmation of receipt of supplies. Ten waybills were not stamped by the partners, two were not signed by them and one was neither signed nor stamped. In 12 of the 27 sampled cases, the waybills were signed by the partners' storekeeper. The office had not secured confirmation of receipt from the partners and did not have specimen signatures of their authorized representatives. This had significantly reduced assurance that the programme supplies were received by the partners for whom they were intended.

Goods in transit: Value of goods in transit was US\$ 4.1 million as of February 2015. The audit noted that US\$ 875,000 had remained opened for more than six months in VISION. Of the US\$ 875,000, US\$ 786,000 had remained open since 2012 and 2013. The office had not reviewed the status of the goods in transit – that is, whether they had been delivered, were missing or were still to be delivered.

Assessment of partners' capacity: According to the office, due to inadequate capacity of the partners, the office had to maintain a significant volume of programme supplies in the warehouses in Juba and zone offices. However, the office had not assessed the capacity of the Government partners to identify gaps in logistics and warehouse management and establish a plan for addressing them. This would not only reduce the risk of maintaining huge inventories in UNICEF warehouses but would also help improve the partnership and sharing of accountability with the Government.

Warehouse in zone offices: The office had established warehouses in Bor and Bentiu zone offices, but had not recorded the supplies in these warehouses in VISION. Hence, when the conflict erupted in December 2013 and these warehouses were looted, the office was unable to provide an accurate accounting of their inventory to the Comptroller for write-off, or to Supply Division for the eventual filing of insurance claim. It had to make use of the stock count results obtained several weeks before the looting. The count results showed that Bor and Bentiu had supplies valued at inventory US\$ 471,020 and US\$ 227,574, respectively.

Due to the need to preposition supplies, the office had to maintain supplies in Bentiu after the looting. It had signed a PCA with two international NGOs to manage WASH and nutrition supplies on behalf of UNICEF and movement of these supplies following UNICEF procedures. In an annex to one of the PCAs, it was stipulated that the NGO would *"help UNICEF to manage the nutrition warehouse at Bentiu PoC....Managing the warehouse will involve receiving and safekeeping of commodities, issuance of commodities according to laid down procedures as will be determined by UNICEF...UNICEF will insure the warehouse against any loss, fires, burglary and any risk"*.

In light of this, the inventory in Bentiu warehouses should have been considered as programme supplies of UNICEF until they were distributed to the implementing partners by the NGO. However, the supplies in Bentiu were not recorded in VISION, although the office had control over them. The office said that since the supplies had been delivered to the NGO, it had no longer controlled the asset, but the PCAs indicated that UNICEF had accountability and control over the asset. They should therefore have been recorded as such.

Agreed action 21 (high priority): The office agrees to strengthen oversight over logistics and warehouse management. Specifically, it agrees to:

- i. Ensure that programme supplies are stored in secured areas and in accordance with the conditions and temperatures recommended by the manufacturer.
- ii. Institute a monitoring mechanism to ensure timely delivery of programme supplies and recording of these deliveries in VISION.
- iii. Establish a procedure to ensure that the authorized representatives of the implementing partners confirm receipt of programme supplies.
- iv. Remind the receiving officers of their responsibility and accountability with respect to ensuring that posting of goods receipts in VISION is based on actual receipt of goods and services; and ensure that goods in transit are monitored and accurately reflected in VISION.
- v. Assess and increase, as needed, the capacity of Government partners in logistics and warehouse management.
- vi. Monitor the expiry of supplies in the warehouses.
- vii. Address the issue of warehouse security, fire management and lighting with the contractor of the warehouse in Juba.
- viii. Review the signed PCAs and ensure clarity regarding accountability for, and control over, the supplies. If the office maintains control over the supplies, it should treat them as inventory of UNICEF and record them in VISION. Otherwise, the non-governmental organizations should put in place mechanisms to account for the inventory in those warehouses.

Staff responsible for taking action: Supply and Logistics Manager; Deputy Representative; Pipeline/Supply Planning Officer; Contracts Specialist; and Supply Pipeline Planning Specialist
Date by which action will be taken: December 2015

Property, plant and equipment (PPE)

The office had PP&E with original value of US\$ 7.9 million and carrying value of US\$ 1.8 million, as of January 2015. It had recorded plant, property and equipment (PP&E) in VISION and had conducted a physical inventory count in 2014. The audit reviewed management controls over PP&E and noted the following.

Vehicles on loan: The office did not maintain the registration documents for vehicles loaned to partners during 2009-2012. The office had identified the weakness in the management of vehicles on loan and established standard operating procedures (SOP) to monitor future vehicles on loan in terms of registration documents, valid loan agreements and legal issues.

Given the road situation in South Sudan and the consequent useful life of the vehicles on loan, the office donated all of them to partners in 2014 following the recommendation of the PSB and with the approval of the Representative.

Tracking assets and recording in VISION: The whereabouts of 516 PP&E items, including vehicles, motorbikes, laptops, projectors and other information and communications (ICT) equipment, was not shown in VISION. This reduced the office's capacity to track assets by location.

The office had conducted a physical asset count in 2014 but had not updated the count date in VISION. Further, the office did not regularly update the record in VISION for assets that were considered obsolete and were for PSB review, or had already been recommended for disposal. The audit sampled 10 PP&E items in VISION against their physical existence and a

similar number of physical assets in the office against their recording in VISION. One laptop with an original value of US\$ 2,514 could not be verified as physically existing. Conversely, one multimedia projector and one laptop were in the office premises but not recorded in VISION.

Agreed action 22 (medium priority): The office agrees to strengthen oversight of the application of controls over property, plant and equipment. Specifically, it agrees to:

- i. Monitor implementation of the standard operating procedures (SOPs) established for vehicles on loan and train staff on the process of providing them to implementing partners.
- ii. Regularly update the asset records and reflect asset movements, Property Survey Board decisions and timing of asset counts in VISION.

Staff responsible for taking action: Administration Specialist/Officer

Date by which action will be taken: September 2015

Access to information and communication technology (ICT) resources

The office provided users with access to core UNICEF ICT resources, such as the network, email, Intranet and VISION, by using a form. The section concerned, or the HR unit, initiated the process by filling in the form with the names and contract expiry dates of the users, among other details. Irrespective as to which unit initiated the process, the HR unit had to verify the entries in the form – particularly the names and contract expiry dates of the users. Doing so would ascertain the correctness of the names and the accuracy of the contract expiry dates, since the human resources unit maintained the employment records of staff members and consultants.

However, a review of the access of all 332 ICT users in South Sudan country office at the time of the audit noted that 23 of them had access to ICT resources for more than seven days beyond their contract expiry dates. Of the 23 users, 17 had access to the ICT resources for more than 14 (and up to 428) days beyond their contract expiry dates. At the same time, 52 users had their access rights set to expire before the expiry of their contracts.

In addition, the names of 195 registered system users were inconsistent with their names in VISION. The inconsistencies in the names between VISION and the employment contracts could prevent the staff from acquiring their pension fund benefits, among other things.

Agreed action 23 (medium priority): The office agrees to strengthen oversight of the application of controls over access to information and communication technology (ICT), and to:

- i. Review the accuracy of the names of users, together with their respective contract expiry dates, and ensure that they are appropriately registered in VISION and in the system for provisioning and de-provisioning of access to ICT resources.
- ii. Establish accountability, and institute a standard process, for the provisioning and de-provisioning of system users, including the periodic review of the validity of the users' access rights to ICT resources to ensure that they are consistent with the expiry dates of their contracts.
- iii. Establish accountability for ensuring that all office records are consistently accurate in their use of staff members' real names.

Staff responsible for taking action: Information and Communication Technology Manager and Human Resources Manager

Date by which action will be taken: December 2015

Business continuity

Effective business continuity management is critical to ensure that the office is prepared for potential incidents that could threaten the achievement of its core mission, and to enable it to restore critical business processes after events such as building fires, earthquakes or pandemic diseases. In this regard, the audit noted the following.

Business continuity plan: The office had developed a business continuity plan (BCP) specifically for the country office in Juba, plus separate BCPs were developed for the Malakal and Wau zone offices. It had yet to develop BCPs for the other seven zone offices, such as in Bor, Yambio, Torit and Bentiu.

BCP simulations had been periodically carried out at Juba country office, most recently in December 2014, and the BCP had been updated according to the results of these simulations. However, the last simulations in Malakal and Wau zone offices had been in July 2013 and November 2013. Given that the country was in a Level 3 emergency, it was imperative that regular simulations were conducted. The office indicated that it was in the process of developing BCPs for other zone offices.

The lack of a comprehensive BCP, or separate BCPs that were integrated, threatened the office's ability to achieve its objective in the event of a disaster or emergency especially since the country was in a Level 3 emergency.

Server room: The room where the ICT servers were maintained was situated on the ground floor and in an area which was below ground level. This meant that the server room was at risk of flooding. In fact, the audit gathered that the server room was once flooded when the surrounding drainage was blocked.

Agreed action 24 (medium priority): The office agrees to strengthen oversight of controls over business continuity planning. Specifically, it agrees to:

- i. Develop a comprehensive business continuity plan(s) to include all zone offices.
- ii. Conduct a regular simulation of the business continuity plan in multiple locations.
- iii. Relocate the server room to an area that is not prone to flooding. Pending relocation, the office should consider instituting temporary measures to ensure that the ICT servers are not susceptible to flooding.

Staff responsible for taking action: Chief of Operations; Information and Communication Technology Manager; Security Advisor; and Administrative Specialist

Date by which action will be taken: December 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.