

Internal Audit of the Burundi Country Office

July 2016



Office of Internal Audit
and Investigations (OIAI)
Report 2016/09

Summary

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

The country programme consists of five main programme components: *Health and nutrition; Basic education, gender equality and HIV prevention in young people; Water, sanitation and hygiene; Child protection; and Communication for Development*. There is also a cross-sectoral component. For the 2010-2017 period, it has a total budget of US\$ 147 million, of which US\$ 73.6 million is regular resources (RR) and US\$ 73 million other resources (OR). RR are core resources that are not earmarked for a specific purpose, and can be used by UNICEF wherever they are needed. OR are contributions that may have been made for a specific purpose, and may not always be used for other activities without donor agreement. An office is expected to raise the bulk of the resources it needs for the country programme itself, as OR. There is an additional subcategory, OR (Emergency), which the office can obtain to cover humanitarian crises; the office had obtained such funds to the value of US\$ 8.7 million for the period 2015-2016.

The country programme was extended for two years in 2014 in order to align it with the national strategic framework. It has since been extended for one more year to 2017 because of the current crisis in the country. Since the end of April 2015, there has been a volatile political and security environment in Burundi. This has created a difficult operating environment for the country office. However, the regular programme has been continued, albeit with slight revisions following the mid-year review. Meanwhile the additional US\$ 8.7 million has been used partly to supplement the Government's stock of medicines, which was affected by the pull-out of some donors. It has also been used to address some of the operating challenges caused by the security situation, including reinforcement of staff security.

The country office is in Bujumbura; there is one zone office, in Gitega. There is a total of 80 posts – 28 international professional, 15 national officer and 37 general service.

Action agreed following the audit

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

- The office agrees to provide training to staff and partners on the Harmonized Approach to Cash Transfers guidelines; to update the micro-assessments of 10 partners which date back more than five years; to define minimum requirements for field missions to qualify as programmatic visits; and to conduct assurance activities as planned.
- The office agrees to increase oversight of programme monitoring by preparing a monitoring plan and establishing a process for tracking and following up issues identified during monitoring visits.
- The office agrees to focus more attention on the evaluation function by officially establishing its Research and Evaluation Committee to review the Integrated

Monitoring and Evaluation Plan (IMEP) and monitor its implementation; promptly recruit an Evaluation Officer; and document the justification for the delay, postponement or cancellation of activities included in the five-year and two-year IMEPs.

Conclusion

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

The country office, with support from the Regional Office, Field Results Group, and OIAI will work together to monitor implementation of these measures.

Contents

Summary	2
Objectives	5
Audit Observations	5
Governance	5
Office priorities and performance management	5
Risk assessment	6
Staff structure and recruitment	8
Functioning of advisory teams	9
Ethics	10
Delivering as One	11
Programme management	13
Resource mobilization	13
Communications and advocacy	14
Programme output indicators	15
Selection of partners	16
Management of construction projects	17
Harmonized Approach to Cash Transfers	17
Programme monitoring	20
Programme evaluation	20
Operations support	22
Cash transfer management	22
Contract management	23
Travel management	24
Supplies and warehouse management	25
Records management	26
Annex A: Methodology, and definition of priorities and conclusions	28

Objectives

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

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

Audit Observations

1 Governance

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

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

The audit found that controls were functioning well over a number of areas. For example, the office had established a training strategy and plan for 2015 with identified training priorities and indicators to monitor its implementation. Vacant posts were filled in a reasonable period.

However, the audit noted the following.

Office priorities and performance management

Offices set out their key management and programme priorities in an Annual Management Plan (AMP). So that they can monitor progress against these priorities effectively, they should also select indicators against which that progress can be measured. These indicators should

be regularly monitored by the Representative, senior staff and the Country Management Team (CMT).¹

There should also be an annual management review to assess progress on the office's annual priorities and its overall performance against the management indicators. These indicators should be the basis for the assignment of duties in the staff members' individual Performance Evaluation Reports (PERs).

The audit noted the following.

Office priorities: The country office had prepared AMPs in both 2014 and 2015. In the AMP for 2015, there were 20 programme priorities and six management priorities, each with the responsible staff member and indicators. However, the indicators lacked baseline and target values. Further, not all the key risks identified in the office's risk assessment² were reflected in the AMP as a management priority. Those omitted included safety and security, which had been identified as a critical risk.

Management indicators: The office had planned that the CMT would monitor management indicators, but there was no evidence that it, or the Programme Coordination meetings, were doing so. Moreover the indicators were not fully aligned with the indicators defined by the Regional Office as the ones to be regularly monitored by country offices. Finally, the audit noted that many indicators (donor reports due, outstanding direct cash transfers, budget implementation, etc.) were reviewed in several different committees – which was inefficient.

Agreed action 1 (medium priority): The country office agrees to increase oversight of the implementation and monitoring of the Annual Management Plan (AMP), and to:

- i. Define baseline and targets for all key performance indicators linked to office priorities.
- ii. Ensure that key priorities defined in the AMP are aligned with the high risks identified through the Risk and Control Self-Assessment.
- iii. Establish a process for monitoring the status of agreed office priorities by the Country Management Team.
- iv. Fully align key indicators with those defined by the Regional Office.
- v. Define the set of key indicators to be reviewed in each committee.

Staff responsible for taking action: Chief, Planning and Monitoring Section, and Monitoring Specialist

Date by which action will be taken: February 2017

Risk assessment

Under UNICEF's Enterprise Risk Management (ERM) policy, offices should perform a Risk and Control Self-Assessment (RCSA). The RCSA is a structured and systematic analysis of risks to an office's objectives and planned results, and the incorporation of action to manage those

¹ The CMT in a country office advises a Representative on the management of the country programme and on strategic programme and operations matters. It consists of senior staff from Programme and Operations sections, and staff representatives.

² See following observation.

risks into workplans and work processes. The risks and their mitigation measures are recorded in a risk and control library.

The Burundi Country Office said that it had done an RCSA in 2010 and produced an action plan to address the risks identified in programmatic, operational and fundraising functions. This first analysis identified 26 risk categories, from which 65 different risks were documented. This risk assessment was fully reviewed and updated in 2013. As from 2014, the office had decided to focus on three risks it considered as key: fraud and misuse of resources; natural disasters and epidemics; and safety and security, rated as medium, high, and extreme respectively. The office has since organized an annual meeting to review these major risks.

The rest of the 65 risks identified in 2010 had not been reviewed since 2013. The above three risks that the office had kept under review were mainly external, and did not include programmatic, operational, or governance risks. The audit noted for example that the office was currently exposed to an exchange-rate risk, due to the progressive decrease in value of the national currency against the US dollar. However, this risk had not been included in the office risk assessment and therefore no action had been taken to mitigate its impact. Also, there was no reference to the RCSA in the AMPs for either 2014 or 2015, or in the office's 2014 Annual Report.

The audit did not find any evidence that the CMT had monitored implementation of the risk mitigation action plan. Also, the action plan drawn by the office to mitigate the identified risks did not specifically assign the responsibilities to staff and set deadlines for mitigating actions.

As noted in this report, the audit identified several cases where the office did not comply with UNICEF key expected controls related to governance, programme management and operation support. This had reduced the office's capacity to safeguard its assets, ensure economic acquisition and efficient use of its resources, implement its programme activities effectively, and report accurately and completely on the use of resources and achievement of results for children. This was mainly due to insufficient oversight over the application of UNICEF policies and procedures. This insufficient oversight had not been included as a risk in the RCSA and the office had not established a risk mitigation action plan for it, including clarification of responsibilities and accountabilities of staff members in this regard.

Agreed action 2 (medium priority): The country office agrees to strengthen risk assessment and management, and in particular to:

- i. Update the risk and control library and ensure that all the risks of operating in Burundi are included in the country's risk assessment.
- ii. Reflect the risks identified in the Risk and Control Self-Assessment (RCSA) and related mitigating actions in the Annual Management Plan.
- iii. Assign responsibilities and set deadlines for all key mitigating actions.
- iv. Assess risks related to non-compliance with key expected controls, design appropriate risk mitigation actions, and follow up on their implementation.
- v. Ensure the status of the RCSA and mitigating activities for key risks are regularly monitored by the Country Management Team.

Staff responsible for taking action: Chief of Operations

Date by which action will be taken: February 2017

Staff structure and recruitment

At the time of the audit, the country office had a total of 80 posts (28 international professionals, 15 national officers and 37 general service posts). The audit reviewed the office structure and processes for filling posts, and noted the following issues.

Alignment of staffing with the programme: Although the size of the programme had increased considerably, there had been no full analysis of the staffing structure since 2013. For instance, actual Other Resources (OR) funding increased from US\$ 3.3 million in 2012 to US\$ 15.9 million in 2015. Moreover, the audit identified some inconsistencies in the current organogram that the office could not adequately justify. For example, the Representative had three staff members directly reporting to him although their posts were linked to Programme.

The audit also noted that no action had been taken to fill five out of 15 vacant posts. The country office said that these posts had not been advertised because of a lack of funding. However, if posts are approved, then according to UNICEF budget policy they should be filled – or, if they cannot be filled for funding or other reasons, their abolition should be proposed to the Programme Budget Review³ for approval.

Recruitment: The audit tested four recruitments (two each from 2014 and 2015) and noted the following.

First, the office had no system to monitor the time taken to recruit and ensure it was done within 90 days between the date for applications and issue of an offer letter (this is the default benchmark in UNICEF, although offices may set shorter ones if they wish). One of the four cases reviewed had taken longer.

Second, in one case the recruitment process did not comply with UNICEF rules. The applicant ranked second had been chosen for the post because he was an internal candidate. As a compensation, the candidate ranked first had been given the post previously occupied by the second-ranked candidate, without this post being advertised.

Third, in three cases, the review by the Central Review Body (CRB)⁴ had not been completely independent since a member had also sat on the interview panel. The audit also noted that a checklist the CRB used to document its review reflected an outdated procedure.

Consultants: There were 22 consultants working for the office at the time of the audit. The audit noted that five of them had staff functions, although UNICEF's guidelines state that 'consultants may not perform regular and continuing staff functions'. (The audit did verify that none of them had access to VISION, or approving rights, or staff reporting to them.)

The office said that use of consultants was easier than recruiting staff on fixed-term contracts. However, there was (for example) a consultant who had been in one programme for three

³ 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.

⁴ The CRB is an internal committee in a UNICEF office that checks whether recruitment procedures have been fair and in accordance with the relevant organizational guidelines.

years, and could have easily been recruited on a temporary appointment. The audit also noted that the consultants had little supervision from UNICEF staff, meaning that the office might not fully benefit from any expertise the consultants might accumulate. There were also cases where the consultants' titles were confusing as they corresponded to core posts normally filled with fixed-term contracts (Supply Officer, Reporting Officer or C4D⁵ Officer), even if they had in fact been assigned very specific technical tasks.

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

- i. Verify whether the current staffing structure (including consultants) is aligned to the needs of the current programme, and define the changes to be proposed for the next programming period, including the abolition of posts that cannot be funded in the foreseeable future.
- ii. Establish a system to monitor time to recruit.
- iii. Ensure that no post is filled without having first been advertised.
- iv. Ensure members of an interview panel do not participate in the Central Review Body (CRB) review of that same recruitment process, and update the selection procedure reference in the CRB review checklist.
- v. Identify staff functions currently performed by consultants, and adjust the staff structure as appropriate so as to ensure consultants do not undertake staff functions.

Staff responsible for taking action: Human Resources Specialist

Date by which action will be taken: December 2016

Functioning of advisory teams

Country offices should maintain appropriate teams and committees to monitor and guide their operations and oversee implementation of the country programme. In April 2014 the office had issued a list of approved terms of reference (ToRs) of 21 governance advisory teams and statutory committees. The ToRs specified, among other things, the purpose and functions of the teams and committees, and their composition.

However, the audit noted a potential overlap between the CMT, which had only met eight times in 2015, and the Programme and Operations Coordination Meetings (POCM). These took place every two months and were co-chaired by the Deputy Representative and the Operations Manager. The POCM was not mentioned in the 2015 AMP as an official committee and was not included in the approved list of committees issued in April 2014. Additionally, the minutes of the meetings held did not reflect the attendance; and staff responsible and deadlines for key action points were often not identified and followed up.

In 2015, due to the crisis, there was high staff rotation in the country office. As the membership of committees had not been updated to reflect this, cases were found where staff members who participated in the committees' meetings did not correspond to the membership as defined in the 2015 AMP. For example, the staff member who chaired the PCARC⁶ as from November 2015 had never been officially appointed by the Representative. Unapproved membership of key mandatory committees may lead to unauthorized key decisions.

⁵ Communication for Development.

⁶ Programme Cooperation Agreement Review Committee.

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

- i. Review the terms of reference of all statutory and advisory committees, making sure that all of them are needed. Special attention will be given to the Programme and Operations Coordination Meetings and its potential duplication with the Country Management Team.
- ii. Ensure minutes of meetings systematically include assigned responsibilities and deadlines for key action points.
- iii. Update the membership of each committee, clearly defining which staff are permanent members or will act as alternates as needed. This should be done by post rather than individual, so as to avoid updating the committees' membership each time there is a staff change.

Staff responsible for taking action: Chief of Operations

Date by which action will be taken: October 2016

Ethics

Ethical standards should be systematically promoted within the UNICEF offices, including awareness of, and compliance with, UNICEF's ethical policies and procedures. Offices should also ensure partners and consultants are aware of UNICEF anti-fraud policies.

A presentation on ethics had been made to staff in March 2014. Staff members and consultants were encouraged to take the ethics and integrity on-line seminar. According to the office, all 77 staff members had already completed the ethics on-line training (apart from three who had only just joined the office). However, no presentations or briefings on ethics were made to either staff members or consultants in 2015. The audit noted that there was no internal mechanism in the office to provide an ethics and integrity briefing to new hired staff members and consultants.

Finally, the audit found that the office did not systematically verify whether non-staff parties such as consultants, contractors and partners had established ethical and anti-fraud policies and principles similar to those of UNICEF, as stated in the Policy Prohibiting and Combating Fraud and Corruption.

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

- i. Establish a process to ensure that staff, including new staff members, are kept informed on and engaged with the ethics standards in UNICEF, with a view to incorporating an ethical approach into their work.
- ii. Include, in the Partnership Review Committee and Contract Review Committee reviews, systematic verification as to whether partners and vendors have in place ethics and antifraud policies.
- iii. Inform non-staff parties such as consultants and partners about UNICEF ethical principles as per UNICEF's ethics policy, and/or give relevant training.

Staff responsible for taking action: Human Resources Specialist

Date by which action will be taken: February 2017

Delivering as One

The Delivering as One (DaO) approach is now used by UN agencies in a number of countries. DaO aims at a more unified and coherent UN structure at the country level, with one leader, one programme, one budget and, where appropriate, one office. The aim is to reduce duplication, competition and transaction costs. Originally launched in 2007 in eight pilot countries, DaO has now been adopted voluntarily by UN agencies in several others. This has sometimes been at the request of the host Government – as was the case in Burundi, where DaO was implemented in July 2013.

In August 2014, the United Nations Development Group (UNDG)⁷ issued *Standard Operating Procedures (SoPs) for Countries Adopting the “Delivering as One” Approach*. These define the five core elements/pillars of DaO as follows: One Leader; One Programme; Common Budgetary Framework/One Plan Fund; Operating as One; and Communicating as One.⁸ The audit reviewed the implementation of these five pillars in Burundi and noted the following.

One Leader: All aspects of this pillar were implemented, i.e. the existence of United Nations Country Team (UNCT) supporting the Resident Coordinator,⁹ as well as the establishment of Results Groups, an Operations Management Team and a Country Communication Group.

One Programme: This pillar was partially implemented. An UNDAF¹⁰ had been drawn up in April 2009 for the 2010-2014 programming period. In 2012 the UNDAF cycle was extended until 2016, based on the new 2012-2016 Poverty Reduction Strategy Paper.¹¹ Since this was before the decision to transition to DaO, neither Joint Results Groups¹² annual plans nor joint monitoring plans had been prepared.

In the letter sent by UNDG to the Burundi government on 26 July 2013 in reply to their request for DaO, it was clearly stated that ‘While the UN Country Team in Burundi is not scheduled to develop a new UNDAF until 2015/2016, the Regional UNDG Team for East and Southern Africa will support the Country Team in the timely implementation of as many aspects of Delivering as One as feasible – tailored to the specific country context of Burundi – until a fully-fledged One Programme can be developed for implementation in 2017.’

⁷ The UNDG is the United Nations Development Group, formed in 1997 to enhance the effectiveness of the UN’s development activities at country level.

⁸ The full text of the *Standard Operating Procedures (SoPs) for Countries Adopting the “Delivering as One” Approach* may be found at:

https://www.unssc.org/home/sites/unssc.org/files/publications/sops_for_countries_adopting_the_delivering_as_one_approach_-_august_2014.pdf

⁹ 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, who is the UN’s principal representative in a country and is normally also the country administrator of UNDP. The UNCT’s terms of reference, and division of responsibilities between individual agencies, vary from country to country.

¹⁰ The United Nations Development Assistance Framework (UNDAF) is a broad agreement between the UN as a whole and a national Government, setting out the latter’s chosen development path, and how the UN will assist.

¹¹ PRSPs are documents prepared by Governments for the International Monetary Fund and World Bank, in order to qualify for debt relief. The Burundi 2012 PRSP can be found at <http://www.imf.org/external/pubs/ft/scr/2012/cr12224.pdf>.

¹² These are groups with representatives from two or more UN agencies that take responsibility for a particular result area in the One Programme.

One Budgetary Framework: This pillar had not yet been implemented because it was expected that it would be done in the next programme cycle; this was to start in 2018, since the current cycle had been extended from 2014 to 2017.

Operating as One: This pillar was partially implemented, in that there were common premises; the offices of UNICEF, UNDP and UNFPA were all situated on the MENEUB¹³ Electoral Mission compound. After the departure of the Mission, UNICEF, UNFPA and UN Women planned to move to common premises that were currently under construction (this move was pending at the time of the audit). However, the other aspects of this pillar – a common Business Operations Strategy and the establishment of shared services in the field of Finance and Audit, Human Resources, HACT,¹⁴ Transport and Logistics and finally Procurement – had yet to be put into practice.

Communicating as One: This pillar had been implemented, with the development of a common communication strategy by the Country Communication Group, as well as a joint communication work plan including shared communication tools and events.

Agreed action 6 (medium priority): The country office agrees to, within the framework of the UN Country Team and taking into account the country context, further support and advocate effective implementation of Delivering as One, and:

- i. Within the framework of the preparation of the new United Nations Development Assistance Framework (UNDAF) 2018-2022, develop a fully-fledged One Programme and prepare a corresponding Joint Integrated Monitoring and Evaluation Plan.
- ii. Prepare a joint medium-term common budgetary framework¹⁵ for the next country programme cycle.
- iii. Develop a common Business Operations Strategy covering finance and audit, common premises, human resources, the Harmonized Approach to Cash Transfers, transport and logistics, information and communications technology, and procurement.

Staff responsible for taking action: Deputy Representative

Date by which action will be taken: June 2017

¹³ The UN Electoral Observation Mission in Burundi, known by its French acronym of MENEUB (*Mission d'Observation Electorale des Nations Unies au Burundi*), was created by UN Security Council Resolution 2137 to observe the 2015 elections in the country. It closed in November 2015.

¹⁴ HACT is the Harmonized Approach to Cash Transfers (see p18 below).

¹⁵ The SOPs for DaO implementation envisage "medium-term" as being three to five years, but there is some flexibility where shorter periods are needed to allow for alignment with the UNDAF cycle.

2 Programme management

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

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

All the above areas were covered in this audit.

The audit found that controls were functioning well over a number of areas. For example, in order to simplify the implementation of workplans involving Government partners, consultancies and supply plans were annexed to the workplans signed with ministries every year. The office organized joint field missions with partners to key projects each year to see their main results and areas of improvement. It also conducted comprehensive mid-year and annual reviews of programme implementation.

However, the audit noted the following.

Resource mobilization

UNICEF's Programme Policy and Procedure Manual states that country offices should have a resource mobilization¹⁶ strategy that sets specific resource mobilization targets for the programme period, and outlines how, where, when and with whom resource mobilization activities will be undertaken. This should include analysis of the specific fundraising context. The Country Management Team (CMT), or a specific resource mobilization taskforce, should monitor the implementation of the strategy.

¹⁶ 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.

The resource mobilization strategy, developed in November 2011, had been augmented by an Engagement Strategy in 2014. This analyzed the different types of partnerships (faith-based organizations, NGOs, academia, R&D institutions, private sector and public donors and funds) and their contributions over the previous five years. It also defined the positioning of the Partnerships Officer role in this context.¹⁷ However, the overall strategy was now four years old, and had not been updated. The office told the audit team that it had intended to do this, but the crisis that started in the country during the second quarter of 2015 brought this process to a halt.

Despite this, successful advocacy had helped the office double its OR annual budget compared with 2011 and before. The OR funding for 2014 was about US\$ 12.4 million for a US\$ 12.4 million OR ceiling; for 2015 at the time of the audit, it represented US\$ 15.9 million for a US\$ 14 million 2015 OR ceiling. Resource mobilization was regularly monitored during the weekly Heads of section meeting, the monthly Programme and Operations meetings and CMT meetings.

However, with the current crisis in Burundi, there is a high risk that donors might pull out, endangering the funding of activities of the government and of UNICEF in the near future. As half of Burundi's government spending depends on external aid, this would put at risk the achievements in health services, nutrition and education. The office had produced an analysis of the socio-economic consequences for children of the 2015 crisis, in order to help raise donor awareness. Despite this, the resource mobilization strategy and corresponding targets had not been revised following the crisis.

Agreed action 7 (medium priority): The country office agrees to revise its resource mobilization strategy in the light of the current donor environment, and define its resource mobilization targets for upcoming years.

Staff responsible for taking action: Programme Officer, Partnership

Date by which action will be taken: October 2016

Communications and advocacy

The office's advocacy priorities had last been defined in 2011. The office's advocacy strategy was incomplete and outdated. A communications strategy was to have been developed in 2015 as part of the overall 2015-2017 engagement strategy of the country office. However, this had not been done, as there had been other priorities following the 2015 crisis – the preparation of regular emergency situation reports, for example.

Meanwhile, the office was one of those currently rolling out UNICEF's Global Communication and Public Advocacy Strategy 2014-2017 (GCPAS), and that this was reflected in the communication unit workplan, with corresponding key performance indicators. The office regularly reported its progress on GCPAS to NYHQ, in accordance with the schedule set by the Division of Communication. However, the GCPAS had not been contextualized by the country office to take into account national strategic priorities and identified weaknesses. The audit team did not therefore regard this as a substitute for a proper, office-specific communications strategy.

¹⁷ A Partnerships Officer reports directly to the Representative, to support and document innovative and strategic partnership approaches.

Agreed action 8 (medium priority): The country office agrees to develop a communication and advocacy strategy as part of its overall engagement strategy incorporating elements of the Global Communication and Public Advocacy Strategy, defining key themes and messages for each programme area and identifying audiences and partners for each theme.

Staff responsible for taking action: Communication Specialist

Date by which action will be taken: October 2016

Programme output indicators

When developing their programme structure, country offices are required to define indicators for each programme outcome and output.¹⁸ For each indicator, they should also include baseline and target values. The baseline is the initial value of the indicator at the beginning of the programme, and the target value is the expected value of the indicator at the end of the programme. These are needed to allow assessment as to whether reasonable results have been achieved, and to monitor progress made in programme implementation.

In close collaboration with the Regional Office, starting in 2015, the office had revised its full set of core monitoring indicators, baselines and targets at both outcome and output levels. The revision took the following key elements into account: re-focus on office and regional priorities, alignment with global systems, simplification, coherence with existing monitoring and reporting mechanisms, flexibility, and easier analysis and consolidation.

The audit reviewed the indicators for the current programming period and found that despite the adjustments made by the office, some baselines and target values were not complete. It was found that, for Education, out of a total of 90 indicators, seven baselines were missing as well as five target values. For Health and Nutrition, out of a total of 51 indicators, 12 baselines were missing, and eight target values. For Child Protection five baselines and two target values were missing out of a total of 35 indicators. For WASH,¹⁹ the audit found that 11 baselines were missing out of a total of 55 indicators. Finally, for the cross-cutting component, out of a total of 51 indicators, seven baselines were missing as well as seven target values. Again, this made it harder for the office to assess whether reasonable results had been achieved.

Agreed action 9 (medium priority): The office agrees to, with the support from the Regional Office, implement a plan to complete the missing baselines and target values for the outputs and outcomes of the current country programme cycle.

Staff responsible for taking action: Chief, Planning and Monitoring; and Monitoring Specialist

Date by which action will be taken: February 2017

¹⁸ UNICEF programmes plan for results on two levels. An outcome 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 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.

¹⁹ Water, Sanitation and Hygiene.

Selection of partners

During the period audited, the office had signed programme cooperation agreements (PCAs) and small-scale financial agreements (SSFAs) with 30 non-governmental organizations (NGOs) in 2014 and 28 in 2015, for a total amount equivalent to US\$ 10.5 million – representing 22 percent of total expenditure. The office had made direct cash transfers to 85 different partners, of which 56 were NGOs.

There were six PCAs that had been reviewed by the office's Partnership Review Committee (PRC) since the implementation of the new UNICEF procedures on transfer to resources to civil society organizations.²⁰ The audit reviewed them all, and noted the following.

Partner selection: The audit noted that for all the PCAs reviewed, the partners had been chosen using the direct selection procedure. According to the procedures, UNICEF Offices should use defined criteria to identify the potential NGO partners with the best comparative advantage in achieving results for children. Offices define these themselves. They may define office-wide criteria, or they can leave it to the discretion of programme sections; or a combination of both may be used. However, the audit found that the Burundi office had defined no such criteria because of lack of awareness of the requirements for direct selection under the new procedure. This had reduced transparency in the selection of partners.

Internal review process: The audit also reviewed the functioning of the office's PRC. It noted that the workflow for review of proposed partnership agreements and the corresponding standard operating procedures had not been updated since 2010, and did not therefore reflect the new procedures. It was also noted that, for four of the six PCAs reviewed by the audit team, the rationale for using direct selection of that specific NGO was recorded. However, this had been done after the fact, and not against pre-defined criteria. Finally, in four of the six cases reviewed, the PRC had asked for some adjustments to the PCA, but the audit did not find any evidence that these had been done before the agreement was submitted to the Representative for approval. This had increased the risk of not selecting the right partner to achieve expected results.

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

- i. Update the workflow and standard operating procedure for the submission of partnership agreements to the Partnership Review Committee (PRC).
- ii. Define all the criteria for the identification of NGOs with the best comparative advantage to achieve results for children.
- iii. Systematically record, in the PRC minutes, the rationale for using direct selection by assessing the NGO under review against the criteria defined according to 9.ii above for the identification of NGOs.

Staff responsible for taking action: Monitoring Specialist

Date by which action will be taken: December 2016

²⁰ These are set out in *UNICEF Procedure For Country And Regional Office Transfer Of Resources To Civil Society Organizations* (FRG/PROCEDURE/2015/001), which introduces a number of changes (for example, SSFAs may now be used up to a threshold of US\$ 50,000). The new guidelines took effect on 1 April 2015.

Management of construction projects

Over the audited period, approximately US\$ 8 million had been used for construction projects in the sectors of Education, Health, WASH and Child Protection. To support the implementation of projects involving construction projects, a construction engineer post had been established; this reported directly to the Deputy Representative, since it was cross-sectoral.

Standard Operating Procedures (SOPs): The construction engineer had drafted a construction strategy in February 2015 but the office had never formally approved it. Moreover, the audit found that no SOPs existed on the management of construction projects, detailing the responsibilities and accountabilities in the country office. This was particularly important for the projects which followed a participatory approach involving communities, and were implemented through an NGO. Indeed, this had incorrectly been done through PCAs that did not include all legal obligations normally reflected in a works contract.

Certificates of substantial and final completion: The audit also found that for the project implemented through an NGO, the signature of such certificates was not foreseen in the PCA. There was thus no mechanism for the handover of the construction works to national authorities; this is needed as a procedure through which those authorities can officially recognize that the construction complies with national construction standards. Moreover, the certificates of substantial and final completion also serve to define a defects liability period during which the constructor is financially responsible for any defect identified in the construction. The fact that this certification had not been foreseen in the PCAs presented a reputational and financial risk for UNICEF in case of defects in the construction.

Agreed action 11 (medium priority): The country office agrees to increase oversight over construction management by:

- i. Finalizing and formally approving its construction strategy.
- ii. Introducing a mechanism for handover of construction to national authorities.
- iii. Incorporating a requirement to obtain a certificate of substantial and final completion in Programme Cooperation Agreements for projects implemented through NGOs, to protect UNICEF against any defect in construction work.

Staff responsible for taking action: Construction Engineer

Date by which action will be taken: December 2016

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.

HACT makes this possible by requiring offices to systematically assess the financial management capacity of a given partner and its level of risk before making cash transfers to it, 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 public financial management system. As a further safeguard, the HACT framework requires offices to carry out assurance activities regarding the proper use of cash transfers. These should include

programmatic visits, spot checks, scheduled audits for implementing partners expected to receive more than US\$ 500,000 during the programme cycle, and special audits when specific issues or concerns arise.

Over the period from January 2014 to December 2015, cash transfers were made to 87 partners and amounted to about US\$ 12.3 million, representing 27 percent of total expenditure. The audit reviewed the office's implementation of HACT and noted the following.

Training: The country office had organized HACT training in 2014 for Government and NGO partners, both specifically on HACT procedures, and on financial management and accounting. A total of 80 persons took part, representing about 40 of the 87 partners to whom cash was transferred in 2014 and 2015. For its own staff, the office had organized a three-day training session in 2013 but nothing since then. At the time of the audit, 17 staff members had completed the on-line HACT training, and two the on-line training on FACE forms.²¹

Micro-assessments: For the current programming period, all 30 partners who received US\$ 100,000 and more per year from UNICEF had been micro-assessed. However, it was found that 10 micro-assessments of partners performed at the beginning of the current programme cycle (2010-2014 extended by two years in 2014) were no longer valid; under UNICEF HACT procedures,²² micro-assessments are valid for up to five years. Because the validity of the assessments had expired, the rating of these partners should have been revised as high risk; this had not been done.

Assurance activities: The office had prepared risk-based assurance plans in 2014 and 2015; these were reviewed quarterly by the office's HACT Task Force and then discussed by the CMT.

In 2014, spot checks were done by staff members and the level of implementation was lower than expected due to time constraints and also lack of experience. In 2014, out of 22 planned spot checks, only nine were done. In 2015, due to the crisis, staff members had other priorities and it was decided to use local audit companies for spot checks. Of the 40 planned for 2015, two had been done at the time of the audit and 38 were ongoing. These spot checks had been delayed because of the crisis in the country, which meant that the UNICEF staff who were to have performed them now had other priorities. By the time of the audit, however, the office had made arrangements for the spot checks to be contracted out.

As far as audits were concerned, 15 out of the 17 planned in 2014 were done. In 2015, 11 audits were planned but none took place. This was mainly due to the country's volatile security situation, which meant that the two audit firms that were to do the work had fallen behind schedule on micro-assessments and spot checks, and had not been able to undertake these audits.

²¹ 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.

²² UNICEF *Procedure on Harmonized Approach to Cash Transfers to Implementing Partners*, FRG/PROCEDURE/2014/001 dated 1 August 2014. There are UN-wide HACT guidelines issued by UNDG, but UNICEF also has its own agency-specific supplementary procedures.

Some weaknesses were also found concerning programmatic visits.²³ A number of programmatic visits were reflected in the assurance plan for each partner, depending on its risk profile and the amount of cash transferred to it annually. In 2014, 250 programmatic visits were planned and 273 took place; in 2015, it was 71 and 184 respectively. However, there was no description of what was expected to be achieved during the visits. There were only considered from a quantitative point of view. In practice, they varied from a few hours' meetings with partners to a three-day on-site visit to the project. In neither case was there evidence that the visit had provided assurance regarding the state of programme implementation compared to the planned outputs and intended use of resources. (See also the following observation, *Programme monitoring*.)

Finally, the audit noted that there was no defined procedure in the office for the follow-up of recommendations resulting from assurance activities (including audits, spot checks and programmatic visits). One of the Government partners met by the audit confirmed that none of the recommendations included in a 2014 audit report had been implemented and that they had not been followed up and discussed with UNICEF after the report was issued. This was despite the fact that three out of the five observations had been rated as a high priority.

Budget for HACT implementation: The spending linked to HACT implementation increased from US\$ 94,013 to US\$ 135,732 in 2015, mainly because of the decision to outsource the implementation of spot checks (see *Assurance activities*, previous page). However, the office had made no funding request to the Regional Office for the implementation of HACT, although funds had been put at the disposal of the region for that purpose. Meanwhile, micro-assessments and assurance activities had been financed by the programme sections.

Agreed action 12 (high priority): The office agrees to increase oversight over the implementation of the Harmonized Approach to Cash Transfers (HACT) by taking the following steps:

- i. Organize on-site training sessions for staff members involved in HACT implementation, and ensure that they complete the online course on HACT and also that on the Funding Authorization Certificate of Expenditure (FACE) form.
- ii. Provide training for all partners who did not participate in the 2014 session.
- iii. Implement all assurance activities included in the plan.
- iv. Ensure micro-assessments are conducted in accordance with the HACT policy, to ensure efficient use of resources allocated to assurance activities.
- v. Define minimum requirements for monitoring activities to be recognized as programmatic visits for assurance-plan purposes.
- vi. Define a process for the follow-up of recommendations resulting from assurance activities, to ensure that they are implemented by partners.
- vii. Forecast the budget needs for HACT implementation to see whether additional funding from the Regional Office is needed, and apply for it if necessary.

²³ According to the latest UNICEF-specific HACT procedure issued in 2015 (page 2), programmatic visits are defined as "a review of progress towards achievement of planned results, challenges and constraints in implementation and ways to address them performed with the partner at the programme site. Depending on the nature of the partnership, programmatic visits may be undertaken at a field location (field monitoring), the partner's office and/or in the form of a meeting involving key stakeholders. Programmatic visits focus on programmatic issues, including attention to matters of financial management."

Staff responsible for taking action: Monitoring Specialist

Date by which action will be taken: December 2016

Programme monitoring

Programme monitoring is essential to ensure that funds are used for intended purposes and for detecting problems in programme implementation. UNICEF's Programme Policy and Procedure Manual specifies several elements as necessary for an effective monitoring framework. They include detailed, relevant monitoring plans and schedules, progress reports, and field visits.

The office did not have a monitoring plan setting out the type and timing of monitoring activities, and linking them with the risk-based assurance plan (see previous observation, *Harmonized Approach to Cash Transfers*). Those field visits that required a travel authorization were reflected in the travel plan, but those that took place in Bujumbura were not reflected in any plan at all. Neither was any target number for field visits to be performed included in the performance evaluation forms of the programme officers to increase accountability.

The audit took a sample of 10 missions (five in each year) that were in the travel plan, and found that only five had taken place as planned; the others had been either cancelled or rescheduled. However, the office had no system to track whether the planned missions had been implemented as foreseen or whether they had been cancelled, or rescheduled.

The audit noted that the preparation of trip reports was mandatory, using a pre-defined and harmonized format; its review by the traveller's supervisor was also required. The audit found that these requirements were met. However, it also noted that the sampled trip reports did not include clearly defined objectives and results of the monitoring visits or the action to be taken as a result of their findings. This was due to a lack of oversight by supervisors. This increased the risk of ineffective monitoring of progress against agreed planned outputs.

Agreed action 13 (high priority): The office agrees to increase oversight of programme monitoring by taking the following steps:

- i. Prepare a monitoring plan, including targets, that consolidates all the monitoring activities foreseen by the office for the coming year, and establish a procedure for recording whether these activities take place, are cancelled or are rescheduled.
- ii. Establish a process for tracking and follow-up of key issues identified during monitoring visits.

Staff responsible for taking action: Chief Planning and Monitoring and Programme Specialist

Date by which action will be taken: December 2016

Programme evaluation

Country offices should evaluate key programme components at least once in the country programme cycle. The office had drawn up a multi-year Integrated Monitoring and Evaluation plan (IMEP) at the beginning of the programme cycle. Out of the 11 evaluations planned for the current programming cycle, it had conducted just two independent evaluations (one on assistance to persons repatriated from Tanzania in 2010, and an evaluation of one WASH programme in 2013). In 2015, it had also participated in the global evaluation of the peacebuilding programme that had not been included in the original IMEP.

This low implementation rate was due to a lack of focus on evaluation activities. There was an Evaluation Officer post, under the supervision of the Head of the Social Policy section. However, this post had been vacant since 1 January 2015 and no recruitment procedure had yet started. In 2015, a Research and Evaluation Committee had been established to monitor the implementation of IMEP and ensure quality review of the evaluations. Draft terms of reference had been prepared, but the committee had yet to be officially established at the time of the audit visit.

Agreed action 14 (high priority): The office agrees to focus more attention on the evaluation function by taking the following steps:

- i. Officially establish the Research and Evaluation Committee to review the Integrated Monitoring and Evaluation plan (IMEP) and monitor its implementation. This will include reviewing the quality of the evaluations undertaken, and ensuring that they are used effectively in management's decision-making.
- ii. Proceed promptly with the recruitment of the Evaluation Officer.
- iii. Document the justification for the delay, postponement or cancellation of the evaluation activities planned in the five-year and two-year IMEPs.

Staff responsible for taking action: Chief of Social Policies

Date by which action will be taken: December 2016

3 Operations support

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

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

All of the above areas were covered in this audit, except for asset management since this area was considered as low risk.

The audit found that controls were functioning well over a number of areas. Comprehensive checklists were used for the processing of direct cash transfers (DCT) advance payments and liquidations, travel and all types of payments, to ensure completeness of the supporting documents.

However, the audit noted the following.

Cash transfer management

Between 2014 and November 2015, cash transfers amounted to an equivalent to US\$ 12.3 million (27 percent of total expenditures). The audit sampled direct cash transfer (DCT) transactions with six partners (two Government and four NGOs) amounting to US\$ 484,590 or 4 percent of total DCT expenditures.

The partners did not always send requests for DCT well ahead of the start of the activities. They also did not always fill FACE forms in the manner required – for example, they did not certify them properly; the activities were not detailed in accordance with the workplans; and the periods for implementation were incorrectly recorded. This had reduced the capacity of programme officers to review whether fund requests had been made for the correct activities and periods.

The audit also noted that the office did not maintain a list of authorized signatories so that it could verify the signatures on the FACE forms. Neither did it stamp the date of receipt on funds requests. This meant the office could not calculate the number of days it took to process the payments and check whether it had complied with the 10 days benchmark included in UNICEF guidelines. In fact, in four of the six cases examined, the office had not met the

benchmark. Finally, the start and end dates of the activities as given on FACE forms were not correctly reflected in VISION in three cases out of the six cases reviewed.

The above errors and omissions were due to inadequate oversight. This had reduced the office's capacity to ensure that cash transfers were made on time to partners to prevent delays in programme implementation; and to obtain assurance that funds were properly certified by partners.

Agreed action 15 (medium priority): The country office agrees to increase oversight over cash transfer management through the following steps:

- i. Maintain a list of authorized signatories from implementing partners for verification against signatures on Funding Authorization Certificate of Expenditure (FACE) forms.
- ii. Check that partners complete FACE forms correctly.
- iii. Track the time taken to process funds requests and ensure that, as far as possible, it is within the established standard.
- iv. Enter the correct start and end dates of activities from the FACE forms in the accounting system.

Staff responsible for taking action: Finance Officer

Date by which action will be taken: December 2016

Contract management

Between 2014 and October 2015, contracts for services amounted to US\$ 6.2 million, representing 13 percent of total expenditure. The audit reviewed 11 contracts (five consultancy contracts and six institutional contracts) with a total value of US\$ 1.5 million, or 24 percent of the total value of 2014 and 2015 contracts. The following was noted.

Terms of reference: All the consultancy contracts reviewed had terms of reference with clear deliverables, payment terms and requisite qualifications and experience. However, in one case, the payment term defined for the first tranche (20 percent on contract signature) was not linked to any deliverable. In three out of the five cases, the selection note did not make reference to the selection criteria defined in the terms of reference, did not include a matrix with a ranking of candidates, and was not signed by the panel members of the Evaluation and Research Committee. This was due to lack of oversight and it had increased the risk of insufficient transparency in the selection process.

Supporting documents: All supporting documents were included in the files reviewed except for reference checks, which could not be found in any of the five consultancy contracts reviewed.

Advance: In the case of one institutional contract (for 75,662,131 Burundian francs, but worth about US\$ 48,500), the office gave an advance of 75 percent to the vendor without approval from the Representative or a guarantee issued by the bank (the former is required for advances of 30 percent or more, and the latter if the advance is over US\$ 10,000).

All-inclusive fees: Individual contracts, to the extent possible, should stipulate all-inclusive fees, including lump-sum travel and subsistence costs, as applicable. However, the office had not yet adopted this practice, and none of the contracts reviewed provided for all-inclusive fees. This reduced efficiency.

Evaluation: UNICEF policy requires a formal output evaluation on completion of assignment or at the end of the 11-month contracting period, whichever is sooner. This is to be used as a reference for consideration for future contracts. In three out of five consultancy contracts reviewed and all six institutional contracts reviewed, no evaluation form had been completed at the end of the contract.

Closure and expiry of contracts: Four of the five consultancy contracts were still open in the system although the contracts had already expired or final payment had been made. Of the six institutional contracts, five remained open in the system after their expiry date. When contracts remain open, any balance of funds that remains cannot be reallocated. Also, in three instances, contracts that expired had not been extended before further payments were made. This is against UNICEF's regulations. Moreover the payments were in effect not being made against an enforceable contract, which would leave the office with little redress if the payments were not used as expected.

Agreed action 16 (medium priority): The country office agrees to increase oversight over contract management by taking the following steps:

- i. Always check references, and include the checks in the files before the contract is processed.
- ii. Limit advances to 30 percent of the total value of the contracts and submit them for the formal approval of the Representative, and always obtain a bank guarantee from the vendor for those amounting to more than US\$ 10,000.
- iii. Stipulate all-inclusive fees in Individual contracts, including lump-sum travel and subsistence costs.
- iv. Prepare a formal output evaluation at the end of an assignment or after an 11-month contractual period.
- v. Close contracts for which final payment has been made so as to release unused funds.
- vi. Amend contracts that have expired before further payments are made.

Staff responsible for taking action: Human Resources Specialist and Supply and Logistics Specialist

Date by which action will be taken: December 2016

Travel management

Travel expenditures amounted to US\$ 1.9 million for the period from 2014 to November 2015. This represented 4 percent of total expenditure. The audit tested eight cases of travel by staff members for a total amount of US\$ 114,000, representing 6 percent of the total travel costs.

Medical clearance: UNICEF rules require a full medical examination, on which medical clearance will be based, when a staff member is to travel on official business to duty stations classified by the International Civil Service Commission in categories A, B, C, D and E. However, the office was not aware of this requirement and therefore had no system to monitor the date when staff members had had their latest medical examination (the latter's period of validity is two years).

Quotations: The audit found that for international travel, quotations were not always obtained from both the travel agencies. In one case, the office had requested a quote from only one travel agency and in another case, there was no evidence of the quotes in the file.

Moreover, the office confirmed that there was an issue with the slow processing of travel requests by the travel agencies with which it had a long-term agreement. In fact, the time taken meant that fares became more expensive than when the requests were made. The audit also found that the office did not make requests far enough in advance. In the eight cases reviewed, the requests were made between one and 13 days in advance, whereas the UNICEF standard is to make travel arrangements as early as possible and preferably at least 21 calendar days in advance. The audit noted that the agreements signed with the travel agencies did not specify processing time of travel requests.

Agreed action 17 (medium priority): The office agrees to increase oversight of its travel management by taking the following steps:

- i. Establish a process to ensure staff obtain required medical clearance before travel.
- ii. Ensure travellers make travel requests at least 21 days in advance.
- iii. Always send travel requests to both travel agencies for quotes.
- iv. Specify processing time in future contracts with travel agencies.

Staff responsible for taking action: Chief of Operations

Date by which action will be taken: November 2016

Supplies and warehouse management

Supplies are major programme inputs. In the case of the Burundi office, they amounted to US\$ 11.3 million over the period from 2014 to November 2015. This represented 24 percent of the total expenditures. The audit assessed whether they had been acquired economically, properly safeguarded, and distributed to end-users in accordance with distribution plans agreed with partners.

Warehouse management: The office had three different rented warehouses in Bujumbura, but all were on one site. They were rented from a private company, together with logistic services. The audit visited the warehouses and found no temperature control system had been installed in any of the three, and that their ventilation systems were not sufficient, although a Supply peer review by the Regional Office in 2013 had recommended that these points be addressed. The auditors also noted during their visit that temperature requirements for medicines were not adhered to, suggesting that the peer-review recommendations had not been sufficiently followed up.

In June 2014 the office had signed a memorandum of understanding (MoU) with CAMEBU²⁴ to store medicines and nutrition supplies. The audit noted that these services were paid by UNICEF to CAMEBU at the rate of 2 percent based on the procurement costs of the supplies (in accordance with the MoU) and not on their volume – which was, in this case, not to the advantage of UNICEF.

Finally, the office had signed an agreement with the Burundian Red Cross to use their warehouses across the country in order to pre-position emergency supplies. The agreement stated that UNICEF was to reimburse the costs incurred in handling of goods at their receipt

²⁴ CAMEBU (*La Centrale d'Achats des Médicaments Essentiels, des Dispositifs Médicaux et des Produits et Matériaux de Laboratoire du Burundi*) is a body under the Ministry of Public Health engaged in procurement of pharmaceutical, laboratory and other supplies.

and in their transfer from one warehouse to another. However, it was not clarified in the agreement how these costs would be calculated.

Supplies: The audit tested a sample of four supplies procurements (one off-shore and three local) for an amount of US\$ 90,775, or 0.8 percent of total supplies expenditures. It noted that the link between sales orders and the supply plan was not always clear. In two out of four cases examined, the supplies had not been included in the supply plan, and were justified by a note for the record.

The audit also noted that:

- In two cases, no distribution plan was attached to the sales orders.
- No proof of delivery to the implementing partners was found in any of the cases reviewed.
- In three out of the four cases, there were delays in delivery; these ranged from one to four months. The reasons for these delays were not recorded.
- The audit also noted that the target dates were generally close to the order date, and may therefore have been unrealistic.

Agreed action 18 (medium priority): The office agrees to increase control over its supplies and warehouse management by taking the following steps:

- i. Install an appropriate system to aerate and reduce the temperature in the warehouses, together with a temperature control mechanism.
- ii. Renegotiate the calculation method for the handling fees paid to CAMEBU so that it is based on the volume of supplies.
- iii. Amend the agreement with the Burundian Red Cross so that the method of calculating the handling fees is specified.
- iv. Link sales orders to corresponding items in the supply plan.
- v. Attach a distribution plan to all sales orders.
- vi. Obtain proof of all deliveries to implementing partners and conduct surprise visits when important deliveries have been made to key partners to check if the supplies have been received and are of good quality.
- vii. Define realistic target arrival dates, in consultation with suppliers, and based on their capacity.
- viii. Follow up delays in the delivery of supplies, record the reason for them, and consider whether penalties should be applied.

Staff responsible for taking action: Supply and Logistics Specialist

Date by which action will be taken: February 2017

Records management

The office had made a lot of effort to organize its electronic archives. An electronic filing plan was drawn up in 2015, both for new documents and for existing ones, the latter being reclassified accordingly.

For paper archives, the office did not maintain a central archiving system. Each Head of Section was responsible for archiving their section's documents using their own system and location, without systematic reference information such as document name, location, filing date, etc. All contractual documents were centralized in the Operations Section. Older documents (both

contractual, and from the sections) had been transferred to the warehouse, where they were stored in a specific location separated from the Programme supplies. An attempt to identify the location and content of the documents already archived, and the ones to be archived, had been made in February 2015 by the Operations Section but this was put on hold due to the crisis.

Moreover, the office did not periodically review its accounting, financial, budget and administrative records with a view to classifying them as permanent, non-permanent or routine in order to apply the corresponding retention period. Instead, the decision to destroy documents was made when the full storage capacity was reached. The last time documents were destroyed was in 2011 just before the move to MENU site.

Inadequate management of records can limit an office's ability to retrieve required information promptly. This may lead to potential loss of vital documents and/or loss of financial resources if unsupported costs have to be reimbursed to donors.

Agreed action 19 (medium priority): The office agrees to strengthen management of its archiving system by:

- i. Periodically reviewing records with a view to classifying them as permanent, non-permanent or routine.
- ii. Maintaining reference information for archived documents – indicating filing dates, locations and closure status – to assist retrieval of documents.
- iii. Ensuring that documents that exceed the retention period (as per UNICEF rules or specific conditions included in the contribution agreements) are properly disposed of and records of disposals are maintained.

Staff responsible for taking action: Chief of Operations

Date by which action will be taken: December 2016

Annex A: Methodology, and definition of priorities and conclusions

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

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

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

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

Priorities attached to agreed actions

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

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

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

Conclusions

The conclusions presented in the Summary fall into one of 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 office 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 the office, 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 the office, 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 office, 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 only where none of the agreed actions have been accorded high priority. The auditor may, in exceptional circumstances, issue an unqualified conclusion despite a high-priority action. This might occur if, for example, a control was weakened during a natural disaster or other emergency, and where the office was aware the issue and was addressing it. Normally, however, where one or more high-priority actions has 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.