

Internal Audit of the Chad Country Office

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Office of Internal Audit
and Investigations (OIAI)
Report 2016/21

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Summary

The Office of Internal Audit and Investigations (OIAI) has conducted an audit of the Chad Country Office. The audit sought to assess governance, programme management and operations support over the office's activities, and covered the period from January 2015 to May 2016.

The 2012-2016 country programme consists of six main programme components: *Child Survival and development; Basic education and gender parity; Child protection; Strategic communication; Social policies, planning, monitoring and evaluation; and Humanitarian action and emergency response*. There is also a cross-sectoral component. For the 2012-2016 period, it has a total budget of US\$ 152 million, out of which US\$ 57 million is regular resources (RR) and US\$ 95 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\$ 12 million for the period 2012-2017.

The country office is based in N'Djamena and has four zone offices (Abéché, Moundou, Mongo and Mao).

Action agreed following the audit

The audit found that controls were functioning well over a number of areas. For example, the office organized joint field missions with partners to key projects each year to see their main results and areas for improvement. It also conducted comprehensive mid-year and annual reviews of programme implementation.

In order to simplify implementation involving Government partners, consultancies and supply plans were annexed to the workplans signed with Ministries every year. 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.

An ethics briefing was organized each time a contract was issued or renewed. The office had also established mandatory and consultative committees with adequate membership composition and defined terms of reference.

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

- Ensure a comprehensive risk assessment and management to identify risks that may affect the achievement of results; train and guide staff members on risk assessment principles and processes; and establish a monitoring process for the implementation of planned mitigation actions.
- Strengthen human-resources capacity, and improve the recruitment process so that it is transparent, timely and fair. This will include addressing the staffing needs of the human

resources unit, establishment of selection criteria for each recruitment, and provision of interviewing training to staff.

- Define criteria for the identification of NGOs with the best comparative advantage as partners for UNICEF, correctly apply the rules on the indirect costs, increase the quality of the information submitted to the Partnership Review Committee, and decrease the time needed for the review of proposed partnerships.
- Implement in full the Harmonized Approach to Cash Transfers (HACT). Clarify the HACT governance structure, strengthen monitoring of HACT implementation, assess the office's internal capacity to perform spot checks, define a complete workflow for assurance activities and their follow-up, and have staff and partners fully trained on the HACT process.
- Systematically analyse and address the causes for delays in the submission of donor reports, and monitor timeliness of submissions. Use a quality-review checklist and ensure that information in the reports is correct.
- Regularly prepare supply and distribution plans, and ensure they take into account existing balances. Ensure that deliveries are made in accordance with the agreed delivery dates. Assess Government logistics capacity and define an exit strategy from those logistics roles that should be performed by the Government. Introduce a process for periodic and coordinated end-user monitoring, involving programme and operations staff.
- Take steps to improve inventory management and storage, including storage of supplies as specified by their manufacturers, making proper agreements with partners for storage on their behalf, training of partners, and prompt recording of supplies in VISION. Store supplies according to the conditions specified by the manufacturer, and, where health and nutrition supplies have been subjected to extreme temperatures, ensure they are tested prior to their distribution.
- Check to ensure that the most economical and direct route is used for travel, make correct payments for Daily Subsistence Allowances, and identify causes of delays in certification of travel. Establish a process to ensure staff obtain required medical and security clearance before travel.

Conclusion

The audit concluded that the controls and processes over the Chad country office needed significant improvement to be adequately established and functioning. The measures to address the issues raised are presented with each observation in the body of this report. The Chad country office has prepared action plans to address the issues raised.

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

Contents

Summary	2
Objectives	5
Audit Observations	5
Risk assessment	5
Vacancies and recruitment	6
Learning and development	9
Staffing structure	10
Management of zone offices	11
Programme planning	13
Selection of partners	14
Harmonized Approach to Cash Transfers	16
Programme monitoring	19
Donor reports	20
Cash-transfer management	21
Procurement	22
Contract management	24
Supply management	25
Inventory management	27
Budget management	29
Travel and entitlements	29
Guesthouses	31
Records management	31
Information and communication technology	32
Annex A: Methodology, and definition of priorities and conclusions	34

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.

Audit Observations

Risk assessment

UNICEF's Enterprise Risk Management (ERM) policy requires offices to have processes for periodic and ongoing identification and assessment of risks that may have an impact on their objectives. This is done partly through conducting Risk and Control Self-Assessment (RCSA). This 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.

According to the ERM guidelines, offices should regularly monitor implementation of mitigation measures for significant risks. They should also update their RCSA annually – or more often if required for emerging and declining significant risks. This can be done by including the significant risks and relevant action plans in the annual management plan, and involving the office management team in periodic monitoring.

The office had updated its risk profile in 2015 and 2016 and had uploaded it in inSight.¹ The risk assessment process had been participatory. Seven risk areas were identified as high: Fraud and misuse of resources; governance and accountability; information and communication technology (ICT); natural disasters; results-based management and reporting; safety and security; and supply and logistics. To mitigate and manage the risks, action plans were drawn up with identification of risk owners and timeline.

However, the audit found that there were some significant risks in the country and zone offices that were not included in the process. For instance, the human resources unit that supports almost 200 staff in N'Djamena and six other locations had been without a head, and had not been adequately staffed, for over a year (see observation *Vacancies and recruitment*, p6 below). Also omitted from the office's risk assessment was the potential impact of the transition to UNICEF's new Global Shared Services Centre (GSSC), which is taking over processing of numerous transactions previously dealt with in country offices. The Chad Country Office had been selected as one of those offices that would transfer some its current functions to GSSC later in 2016, and this will have an impact on the office's operations and on the profile of certain posts.

¹ 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 assists exchanges between country offices, regional offices and HQ divisions, as everyone sees the same data/information.

In addition, a risk arose from a structural gap between the budget allocated to the operations section and its management, resulting to obligations to third parties at times not being paid promptly; this can expose UNICEF to reputational risk. (This issue is dealt with further in the observation *Budget management*, p28 below).

Finally, zone offices' specific risks and challenges were not reviewed and considered and relevant action plans developed. Interviews with the section and zone-office chiefs suggested that the process of risk assessment was not well understood. In particular, they did not understand that they needed to identify and record risks that could prevent them from achieving their set objectives. This appears to have been due largely to a lack of training and guidance.

The audit also found that for the significant risks that the office did identify, there was no system for monitoring implementation of the action plans to mitigate them. For instance, in 2015, supply and logistics activities were considered as high risk. The action plans to mitigate the risk included joint planning and monitoring visits by both programme and supply/logistics staff; and a comprehensive market survey and evaluation of major suppliers. These had not been done as of the time of audit (see also the observation *Procurement*, p22 below). The audit was unable to confirm the status of implementation of 2016 action plan.

Agreed action 1 (high priority): The country office agrees to:

- i. Ensure comprehensive risk assessment and management at both the country and zone offices levels, so as to identify significant risks that may affect the achievement of results.
- ii. Train and guide staff members on risk assessment principles and processes.
- iii. Establish a monitoring process for the implementation of planned mitigation actions.

Staff responsible for taking action: March 2017

Date by which action will be taken: ERM focal point/Chief SPPME

Vacancies and recruitment

The office had 189 established posts. Of these, 35 were vacant, 22 of them for more than a year. The audit noted that those 22 included key senior positions like Human Resources Manager (13 months); WASH² Specialist (vacant for 2.5 years); Chief of Abéché field office (1.5 years); Education Specialist (1.5 years); and Nutrition Specialist (1.5 years). Prolonged vacancies limited the office's operating capacity and put strain on the existing staff. The office stated that these posts were vacant due to insufficient funding, and that the functions of some of the vacant posts were carried out by staff on temporary appointments.

The office did complete 71 recruitments during the period under audit (January 2015-May 2016). Selection panel members were duly appointed and a Central Review Body (CRB) for national recruitment was put in place. However, the audit made a number of observations on the recruitment process.

Time taken: Where recruitment did take place, the process was protracted. For national posts, the office had a key performance indicator of 60 days from the closing date on the advertisement to the issue of an offer letter; for international posts it was 90 days. The audit

² WASH: Water, Sanitation and Hygiene.

reviewed a sample of eight national recruitment cases and found it took an average of 156 days to complete the process, with only one case of the eight meeting the 60-day standard. The delays were mostly between closing date and interview of shortlisted candidates, which took an average of 97 days; there was an additional 32 days from interviews to CRB review, and another 26 days from that to issue of offer letter. The equivalent information for international posts (IPs) was not available. (The office stated that IP recruitments were shared between NYHQ and the country office and that it did not maintain that information.)

Selection by desk review: The audit found that in three cases out of 10 tested, a desk review was used to select and appoint a candidate. This is allowed for emergency countries, but there was no record of why this procedure was used for these posts and not for the others. In one case the desk review only considered two candidates (it should have a minimum of three, in line with UNICEF Executive Directive on Staff Selection CF/EXD/2013/04). In one instance, the candidate was directly selected by the Representative out of 109 candidates. The office said this was justified by the emergency situation, but it did not comply even with emergency recruitment procedures, which require that a desk review at least is completed. The office did not maintain a local talent group, which could have enabled more speedy and efficient selection.

Selection process: For local positions recruited through a competitive process, the office had no system to ensure that all the applications were considered and that the submission date had been respected. For example, the office accepted job applications either by email or deposited in a box kept for that purpose. The audit found seven applications dated June 2015 in one of the boxes for posts advertised in that month. These applications had been overlooked. Three of the seven applicants had emailed their applications as well, and those had been considered, but the remaining four had not.

In one instance, a candidate had to retake a test because his file had been deleted by a virus on the computer. However, the test was not cancelled for all the other candidates, which raised questions over the fairness and transparency of the recruitment process.

Several other weaknesses were noted in the selection process:

- In two instances, a candidate was added to the longlist sent from New York, without any indication as to whether they fitted the post criteria or had applied on time. This candidate was the one finally selected.
- Selection criteria for the establishment of the shortlist were not defined.
- The pass mark for the written test was defined only after the test.

In three of the 10 sampled cases, the recruitment processes were discontinued mid-way without any reason being recorded. The office told the audit team that the cause was lack of funding, but its availability ought to have been confirmed prior to the commencement of the process.

Competency-based interviewing (CBI):³ It is helpful if sufficient members of the selection

³ 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

panel that assesses short-listed candidates are trained in UNICEF's competency-based interview (CBI) techniques. This will help them apply the selection policy correctly. The audit reviewed a sample of 18 selection panel members who had participated in recruitment exercises between January 2015 and May 2016 and found that five had not been trained in CBI.

These weaknesses in the recruitment process were corroborated by staff interviews and also by the results of the most recent Global Staff Survey,⁴ in which staff expressed concern about the transparency and fairness of the recruitment process in the office. Some actions had already taken, for example creation of a functional mailbox to which applications were supposed to be sent, and always having an international staff member sit on panels for the recruitment of GS staff.

Failure to ensure that the selection process is effective, efficient, fair and transparent increases the risk of incorrect conclusions and decisions on selection of candidates in addition to creating an environment of distrust among staff and reputational risk.

The audit also noted that the Human Resources (HR) unit was not adequately resourced and that this had probably contributed to the weaknesses in the recruitment process, including the delays. The unit supported all the staff based in the country office in N'Djamena, in the four zone offices, and in the two project offices.⁵ The HR unit was also involved in the recruitment of consultants, staff development, and other HR-related roles.

However, the unit had been without a head (established at the P4 level), for more than a year. It was relying on one HR officer (National Officer, or NO2), a senior HR Assistant (G7) and a HR Assistant at the G5 level. In the absence of the P4 HR manager, the office engaged a P2 staff member on temporary assistance (TA) basis. The TA was supported by two other staff members – NO2 and general service (GS) – until April 2016, when another GS staff member joined the unit. Even then, the unit remained inadequately staffed and ill-equipped to deal with all its responsibilities.

This had become critical now that the office was preparing for a new country programme, with the associated HR management implications. The office stated that it did not have enough funds for the recruitment of an HR manager (a post that, in most offices, would be funded from Regular Resources). However, the office had not considered how it would manage the staffing gap in future, in view of this lack of funding.

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.

⁴ UNICEF's Global Staff Survey, first launched in 2008, is an exercise to increase understanding between staff and management by gathering opinion on a range of staff-related issues, including internal relationships and communications, transparency and accountability, work/life balance and efficiency. All staff are invited to participate; the responses are confidential, and the results are anonymized.

⁵ A project office is not the same thing as a zone office. It is an organizational entity established in the following situations: where UNICEF's assistance is through a multi-country programme managed by an area office or through a joint Country Programme; where specific functions are performed in a location outside the country; or where UNICEF has no official presence in a location but posts are assigned to it for specific purposes.

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

- i. Conduct a review of all the vacant posts and, in the context of the new country programme, draw up a plan to recruit for those posts that will be needed and request abolition of those that will not.
- ii. Review the HR unit's staffing needs and prioritize filling the post of the unit manager.
- iii. Establish selection criteria for each recruitment, and ensure that all recruitment follows UNICEF hiring procedures.
- iv. Identify the causes of delays in recruiting staff and implement corrective measures to ensure recruitment is completed within the established timeline.
- v. Ensure that each staff selection panel contains sufficient members who have attended UNICEF required training on interviewing techniques.

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

Date by which action will be taken: April 2017

Learning and development

The office had a Learning and Development Committee whose membership and roles were described in the Annual Management Plan (AMP). It was supposed to meet quarterly. The office stated that the committee had met five times during the period 2015 to May 2016, but minutes had been prepared for only two meetings.

Learning plans had been prepared in 2015 and 2016 and annexed to the AMP. The plan for 2015 only reflected individual training for 30 staff members. The 2016 plan had 22 items of approved training for individuals, and one group event. However, there was no evidence that these plans had been linked to office priorities and skills gaps as well as to the professional development needs of individual staff members. For example, in one zone office visited, the audit found that some staff members in Operations had not received basic training on UNICEF's management and accounting system, VISION, increasing the risk of errors in accounting and other transactions. The audit noted that, overall, the criteria for the approval of individual training requests had not been formally defined.

The implementation of the 2015 plan was also low, at 13 of the 30 approved training activities. There had been no analysis of why. Furthermore, the office did not keep track of the training actually taken by each staff member, which meant that it could not monitor implementation of planned learning activities.

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

- i. Implement a learning and development plan, matched to an appropriate budget that is linked to the office priorities and skills gaps, as well as to the professional development needs of individual staff members.
- ii. Analyse the execution of the training plan each year, and the reasons for any shortfall in implementation, in order to address any identified bottlenecks.
- iii. Ensure that the Learning and Development Committee meets periodically to prepare the office learning plan and monitor its implementation.

Staff responsible for taking action: Learning and Development Chair/Human Resources Manager

Date by which action will be taken: March 2017

Staffing structure

The country office had a total of 194 staff on the ground,⁶ of which 38 were international professionals; 66 were national officers; and 90 were general service. Of the 194 staff, 41 were temporary appointments, and 153 fixed-term or permanent appointments.

A country office's staffing structure should match the requirements of the country programme, which may evolve over time and will also change when the country programme cycle (normally five years) comes to an end. The audit review noted the following.

Polio budget reduction: At the beginning of the country programme in 2012, and following the outbreak of polio in Chad, a unit was created for polio eradication with four fixed-term and about 60 other personnel working under special service agreement (SSA) contracts. The unit was led by a P5 position that reported to the Representative.

No new cases of polio had been reported since 2013. Effort was still needed on immunization because polio was endemic in nearby countries. However, there was a planned reduction in polio programme activities, and a reduction in funding of about 56 percent was planned over the next four years. Despite this, the office had not reviewed the staffing structure to reflect this plan.

Programme and field office coordination: Discussions with office management suggested that the staffing structure and funding may not have been optimal. There was a P5 post in Child Survival & Development (CSD) that coordinated programme activities in a number of areas, but reported to the Deputy Representative, who was also a P5 and was responsible for overall programme coordination. Moreover the post was financed from regular resources (RR), while other core posts, such as HR manager and PM&E⁷ officer, were funded from other resources (OR), and the office had not been able to raise funds to fill them (see observation *Vacancies and recruitment*, p6 above).

Meanwhile, the four zone and two project offices had been supervised directly by the Deputy Representative since March 2015. (They were formerly supervised by the Chief, Emergency.) These offices operate in different regions of the country and require dedicated support and oversight. Assigning this role, as well as overall country programme coordination, to the Deputy Representative risked placing too much of a burden on one individual, and there was therefore a need to review this arrangement to ensure effective programme delivery. (See also following observation, *Management of zone offices*.)

Agreed action 4 (medium priority): The office agrees to review its programme and staffing structure and to take the following steps:

- i. Review all vacant posts, and, in the context of the new country programme, draw up a recruitment plan for posts that will be needed and request abolition for any that might not.
- ii. Assess the coordination role of the Child Survival & Development officer *vis-à-vis* that of the Deputy Representative, and ensure the roles are rationalized.
- iii. Reassess the supervision and coordination roles over the zone offices, and reassign

⁶ Not all of these were in established posts, so the number is not the same as that of established posts, of which there were 189.

⁷ Programme Monitoring and Evaluation.

- the responsibilities as necessary from the Deputy Representative.
- iv. Review funding requirements for proposed posts and draw up a strategy to obtain the required financial resources.
 - v. Reassess the level of existing posts in light of the latest situation if the country and of the organization as a whole.

Staff responsible for taking action: Representative, Deputy Representative, Section Chiefs, Chief of Operations and Country Management Team

Date by which action will be taken: February 2017

Management of zone offices

The Chad Country Office had four zone offices, in Abéché, Moundou, Mao, and Mongo. There were also two project offices, in Sarh and Bagasola; these had been established to provide close support in day-to-day monitoring of programme activities in Northern, South and Eastern Chad.

Each of the zone offices was responsible for programme implementation in specifically assigned regions. The audit visited one zone office, interviewed the chiefs of two of the others, and reviewed relevant documents. It noted the following.

Accountability framework: The functional relationships between the country office and the zone offices were defined by a memorandum signed by the Representative in February 2015. It covered planning of programme activities, preparation and implementation of annual workplans, coordination of programme activities and relationships with partners. However, it did not define the role of the zone offices for certain key functions. These included (for example) the zone offices' roles in the development of the SitAn,⁸ evaluations, programme monitoring and also all Operations and HR matters (see also *Decentralization*, later in this observation).

Zonal Management Plan: The zone offices were supposed to prepare Zonal Management Plans (ZMPs) defining the contribution of zone offices to the priorities defined at country-office level and reflected in Annual Management Plan (AMP) of the office. With one exception, the zone offices had drawn up ZMPs in 2015 and 2016. However, the ZMPs were not formally reviewed by the Deputy Representative and Chief Operations, or signed by the Representative, as foreseen in the February 2015 memo. The zone offices did not therefore consider them as official management tools and did not really use them.

The ZMPs also sometimes lacked target values against which their performance on assigned priorities could be assessed. The zone offices did prepare monthly reports, and held quarterly reviews during the Zonal Management Team meetings. However, their contribution to the overall performance of the country office was not assessed as part of the latter's own reviews.

Decentralization: According to the Country Programme Management Plan⁹ covering the 2012-2016 country programme, one pillar of the country office strategy was decentralization,

⁸ The Situation Analysis, or SitAn, is a review of the conditions for children and women in a country that will be done during a programme cycle in order to inform the design of the following one.

⁹ 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.

with zone offices taking over full responsibility for programme implementation and financial management while strategic functions were consolidated in the country office. The audit team visited one of the four zone offices and found that, in practice, the level of decentralization for programme planning and implementation was limited. Indeed, even though annual workplans were developed at a zonal level, this was only done once the national workplans had already been approved – so there was a top-down rather than a bottom-up approach. Moreover, programme budget management was centralized at country office level. (This also increased the workload on some country office staff centrally; see previous observation, *Staffing structure*.)

With regard to operations, the level of decentralization to zone offices varied from one function to another but was in general very limited. In the zone office visited by the audit, financial management had been recentralized in 2015 with the closure of the local bank account, but a finance assistant post still existed. The supply function in that zone office was partially decentralized; there was a supply assistant for local procurement but there was no local Contract Review Committee (CRC) for the review of contracts. In that zone office, HR was not decentralized at all (recruitment, training and attendance were managed at country-office level). However, there was still an HR assistant post.

The audit concluded that the zone office structure did not correspond to the level of decentralization currently applied. This could reduce efficiency and effectiveness.

Oversight and technical support: A review of the country office's travel plans and trip reports, as well as interviews with key staff at the zone offices, showed that there was insufficient oversight and technical support to the zone offices from programme sections of the country office. The February 2015 memo referred to earlier, which defined the relationship between the country office and the zone offices, stated that chiefs of sections were supposed to undertake one mission per month to zone offices where programmes under their responsibility were implemented. This target had not been achieved. This was due to weak supervision by the country office in N'Djamena, and to a lack of an effective strategy for oversight and technical support to zone offices.

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

- i. Define an accountability framework that reflects the respective responsibilities of the country office and zone offices for governance, programme management and operations.
- ii. Align the structure of the zone offices to the level of decentralization defined in the country office's strategy for the forthcoming country programme.
- iii. Include, in the zonal management plans, specific deliverables and performance targets that contribute to the achievement of the Chad Country Office's priorities.
- iv. Have the Zonal Management Plans reviewed and formally approved by the Representative.
- v. Ensure appropriate oversight and technical support to zone offices.

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

Date by which action will be taken: June 2017

Programme planning

UNICEF practices results-based management – that is to say, programmes must be planned against measurable targets, which implies that there should also be appropriate baselines against which progress can be measured, and indicators with which to measure it. These principles are crucial when planning the results for the country programme. But they are also important when drawing up the workplans that UNICEF offices agree with partners, in which responsibilities and timelines for those results will be agreed.

The audit looked at both the programme targets and the workplans, and noted the following.

Indicators: When developing their programme structure, country offices are supposed to define indicators for each programme outcome and output.¹⁰ For each indicator, they should also include baseline and target values. However, the baseline values for the current country programme were not complete. For example, for the Education programme, out of a total of 27 indicators, 10 indicators did not have baselines defined. There was a similar picture in other programme areas.

It was also noted that some indicators that were defined at a national level would have to be verified from sources of information available only in some regions. The office had not sufficiently checked the information sources available when the indicators were defined. Furthermore, output indicators had not been defined for all activities (for example construction of classrooms).

Workplans: These outline the activities to be undertaken to achieve both the output and outcome results. They identify the implementing partners, the total budget required and the quarter during which they will be implemented.

The office had prepared annual workplans (AWPs) in 2015 and in 2016 in cooperation with the relevant Ministries for Health and Nutrition, Education, WASH, HIV/AIDS, Child Protection, Social Inclusion and Strategic Communication. AWP were drafted towards the end of the year, jointly by UNICEF (including staff from the zone offices) and implementing partners (including Government and NGOs). Based on the national signed annual workplans, zone offices were supposed to prepare their own AWP with costed activities and target values for activity indicators.

The audit reviewed the annual workplans of two zone offices and noted that one of them lacked any budget for the activities. It also had incomplete information in terms of target values of the activities. It was also noted that, according to the Representative's February 2015 memo (see previous observation, *Management of zone offices*), the zone-office annual workplans should be approved by the Country Management Team meeting at which the AMP is accepted; they should also be signed by the Representative. Neither had been done in either in 2015 or in 2016. Also, the country office did not have clear budgets by activity for the zone-office workplans, which prevented it from having a clear view of their final budget or

¹⁰ 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.

measuring their contribution to the country office's own workplans.

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

- i. Consistently apply the review system for zone-office annual workplans, to ensure that activities are correctly costed and their target values adequately defined.
- ii. Officially approve the zone-office annual workplans (approval could be monitored through the Country Management Team).
- iii. Establish the missing baselines for the outputs and outcomes of the current country programme cycle, and ensure that, for the next programme cycle, all indicators are complete, specific and measurable and that appropriate and realistic sources of verification are defined.

Staff responsible for taking action: Chief Strategic Planning Programming Monitoring and Evaluation, Section Chiefs and Chief of Field Operations

Date by which action will be taken: February 2017

Selection of partners

The office had signed programme cooperation agreements (PCAs) and small-scale funding agreements (SSFAs)¹¹ with 19 non-governmental organizations (NGOs) in 2015, and nine agreements in 2016 as of May, for a total amount equivalent to US\$ 5.2 million. The audit focused its review on the agreements signed since the introduction of the new UNICEF procedure *Country and Regional Office Transfer of Resources to Civil Society Organizations* (FRG/PROCEDURE/2015/001). This was to verify how the office had implemented this new policy. Eighteen PCAs had been reviewed by the Partnership Review Committee (PRC) since the implementation of the new UNICEF procedures. The audit tested five of the eight PCAs and one SSFA. It noted the following.

Criteria for partner selection: Offices can select partners through open selection – that is, competitively – or they can use direct selection of the partner they believe is most appropriate. The audit noted that all but one of the PCAs tested were signed following direct selection. The audit also noted that the office had not defined any criteria for partner selection. UNICEF guidance is that offices should do this (though they can use office-wide or section-specific criteria at their discretion). Not selecting partners against pre-defined criteria increases the risk of selection of partners that are not the most suitable to help achieve UNICEF's objectives.

Indirect costs: As part of a PCA, UNICEF allows payment on request of Headquarters Support Costs to international NGOs (to help them maintain their core staff and infrastructure). However, such indirect costs are not usually paid to national NGOs whose headquarters are in the programme country, since technical support from the NGO's staff in these locations can be covered as part of the cost of the activity or programme. Indirect costs are not allowed for at all in SSFAs.

The audit noted that a lump sum of 7 percent of total direct costs had been included in the budget for two of the three PCAs with national NGOs where this aspect was reviewed. No justification was given. The 7 percent lump sum had also been included in the budget of the

¹¹ Under UNICEF's procedures, Programme Cooperation Agreements are required for larger activities, but the simpler SSFAs can be used up to a threshold of US\$ 50,000.

project for which an SSFA, rather than a PCA, was signed. [Redacted]

[Redacted]

Review of PCAs: The audit also noted weaknesses in the review performed by the PCA review committee. [Redacted]

[Redacted]

The sustainability of the programmes was not taken into account during the review. Previous experience with the partner was only documented in one case out of five reviewed (even though prior experience was always the justification for their selection).

The audit also found that risks linked to the implementation of the activities agreed in the PCAs were mostly not assessed. For examples risks for non-implementation due to the lack of enabling infrastructure such as banks. Further, the reported information on the partners' risk level in financial management, as determined by micro-assessment,¹² was incorrect in two instances, meaning that the wrong type of fund transfer would be chosen.

A representative of the Operations section sat in the PCA review committee in only one of the five cases reviewed, so that operational aspects – for example the budget in the PCA – might not have been sufficiently checked.

Finally, the office had set its own timelines for the review of programme cooperation documents, but these were not respected in any of the cases reviewed. It took from 16 to 98 days from the reception of the proposal from the implementing partner to the signature of the agreement (the office timeframe was 16 days for standard PCAs and 8.5 days for an emergency). The office had not analysed the causes for such delays.

Agreed action 7 (high priority): The country office agrees to:

- i. Define all the criteria for the identification and selection of NGO partners as recommended in UNICEF procedures (FRG/PROCEDURE/2015/001).
- ii. Ensure that the minutes of the Partnership Review Committee (PRC) record the rationale for the selection of NGO partners it recommends.
- iii. Monitor the correct application of UNICEF rules on indirect costs and verify its consistency with donor rules on a case-by-case basis.
- iv. Assess risks of non-implementation of the activities in the programme cooperation agreements, and document how they will be managed.
- v. Consider having a representative of Operations section sit regularly on the PRC.
- vi. Improve the quality of the files submitted and their review by the committee by systematically checking the risk assessment, the verification of the programme's level of sustainability, the evaluation of the previous performance of the partner where applicable, [Redacted] and the results of any micro-assessment.

¹² Micro-assessments of the partner's financial management capacity are part of the Harmonized Approach to Cash Transfers (HACT). See following observation, on HACT.

- vii. Analyse causes of delays in the process of review of partners' agreements and address the bottlenecks identified.

Staff responsible for taking action: Partnership Review Committee Chair and Secretary, Deputy Representative, Section Chiefs, Programme Monitoring & Evaluation Specialist and Chief of Operations

Date by which action will be taken: March 2017

Harmonized Approach to Cash Transfers (HACT)

Offices are required to implement HACT. A principle of this procedure is that 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,¹³ spot checks, scheduled audit for implementing partners expected to receive more than US\$ 500,000 during the programme cycle, and special audits when specific issues or concerns arise.

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

Macro-assessment: A macro-assessment had been undertaken in 2013 under the leadership of the Resident Coordinator,¹⁴ in close collaboration with the Ministry of Planning. According to HACT policy, a macro-assessment should be undertaken at least once per programme cycle. Chad country office is entering into a new cycle in 2017 but there was as yet no plan to conduct a new macro-assessment to cover the new cycle.

HACT governance system: In line with the 2016 AMP of the country office, the Monitoring and Evaluation (M&E) Specialist and the Budget Officer were HACT focal points, responsible for supporting the implementation of HACT in the office, monitoring the implementation of the assurance plan, liaising with the other UN agencies and training partners. However, the focal points had not been able to strengthen HACT implementation. In February 2016 the Country Management Team had created an internal HACT committee instead, but this committee was also not functioning as expected. In May 2016, the Representative had called

¹³ According to the latest UNICEF-specific HACT procedure issued in 2014 (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."

¹⁴ The Resident Coordinator represents the UN as a whole in a country. HACT is also required for some other UN agencies.

for the HACT committee to more systematically monitor and report on implementation of the assurance plan.

Training: The country office organized HACT training in 2014 and in 2015 for both staff and for Government partners, and for NGOs who had been rated as high/significant risk or who had never worked with UNICEF before. There were also training sessions in 2015 for spot checks in the country and zone offices.

There was a report template for programmatic visits, designed by the office's SPPME (Strategic Planning Programming Monitoring and Evaluation) section. However, staff were not trained on how to use it.

At the time of the audit, out of an estimated 123 staff members involved in the HACT process, 102 had completed the online HACT training. The office did not keep track of the number of staff members who had obtained the on-line training on FACE forms.¹⁵ Both the HACT and FACE training are compulsory for staff involved in HACT. Moreover the office had not reviewed the technical capacity of staff members to do spot checks before assigning them this responsibility.

Micro-assessments: For the current country programme, there had been two sets of micro-assessments. The first was done in cooperation with other UN agencies and concerned 81 partners, of which 62 were UNICEF partners. The second set was organized by UNICEF alone and concerned 40 partners. This had resulted in five partners being micro-assessed twice. In contrast, there were 28 partners receiving US\$ 100,000 or more annually that had not yet been micro-assessed. Nine of these partners were not considered as high risk in the 2016 assurance plan (although HACT policy is that they should be if they are not assessed).

The office had also signed SSFAs with 82 small national NGOs that often lacked capacity in project and financial management. These were not micro-assessed, as they were not expected to receive more than US\$ 100,000 during the programme cycle. However, HACT policy provides for simplified financial checks instead in these cases (although they are not mandatory). The office had planned to prepare a financial management capacity development plan for implementing partners by the first quarter of 2016, but this had yet to be done at the time of the audit.

Assurance activities: The Country Management Team had approved an assurance plan for 2015 in May 2015. The plan was based on the results of micro-assessments done in 2013, but five partners had been reassessed in 2014 and the plan had not been updated accordingly. For 2016, the office had prepared an assurance plan in February, and adjusted it in March following comments from the regional office. The audit noted that the information in VISION was not always correct regarding the micro-assessment results and dates or the level of funds to be received in the year by the partners. This could have an effect on planning of assurance activities.

The level of implementation of assurance activities in 2015 was very low. Out of the 86

¹⁵ 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.

planned spot checks, only eight were implemented. Out of the 145 planned programmatic visits, only 19 took place. None of the 23 planned audits were done. This was because there had been insufficient monitoring of the assurance activities. (The audit noted that not all assurance-activity reports had been transmitted to SPPME, which recorded them; it was therefore possible that more activities had taken place – but no information on this was provided.) Also, the office had not assessed the skills available internally for spot checks. The quality of the spot checks and programmatic visits reviewed by the audit varied considerably depending on the experience and background of the staff members performing them, but the office had no system for checking on this. As for the audits, the office said it was waiting for spot checks to be done first. Finally, the audit team noted that there was no defined procedure in the office for either follow-up of recommendations resulting from the assurance activities, or for the revision of the partners' risk levels in light of the results of the activities.

The weaknesses above increased the risk of inefficient use of resources and meant that UNICEF management received insufficient assurance on the use of funds by partners.

Agreed action 8 (high priority): The country office agrees to properly implement the Harmonized Approach to Cash Transfers (HACT) in accordance with the revised 2014 HACT guidelines and procedures. This will include the following:

- i. Within the UN Country Team, advocate a new macro-assessment, to be performed for the next programme cycle.
- ii. Define the exact role of the HACT committee, its monitoring tools and reporting schemes (form, fora and frequency), so that it can monitor the implementation of the assurance activities together with the Programme Coordination Team and the Country Management Team.
- iii. Ensure that all staff members involved in HACT implementation complete the mandatory HACT training (both HACT, and the Funding Authorization Certificate of Expenditure forms) and organize training on programmatic visits for eligible staff.
- iv. Conduct micro-assessments and audits of the implementing partners as set out in the HACT policy, and draw up a capacity reinforcement plan for those assessed as having weak capacity.
- v. Assess the office's capacity to conduct all the spot checks required, establish a system to assess the quality of the assurance activities performed by staff members, and explore other options as necessary, including the use of external audit firms to supplement internal capacity.
- vi. Clarify the process by which reports of spot checks and programmatic visits are transmitted to the Strategic Planning, Programming Monitoring and Evaluation section, and ensure that accurate information is recorded on which assurance activities have taken place.
- vii. Define a process for:
 - a. the follow-up of recommendations resulting from assurance activities, to ensure that they are implemented by partners; and,
 - b. the regular revision of the partners' risk rating based on the results of the assurance activities.

Staff responsible for taking action: Representative; Deputy Representative; Chief of Operations, Chief Strategic Planning, Programming, Monitoring and Evaluation; and HACT task force

Date by which action will be taken: June 2017

Programme monitoring

UNICEF's Programme Policy and Procedure Manual specifies several elements as necessary for an effective monitoring framework. They include detailed plans and schedules, field visits, analysis of information, progress reporting and monitoring of action taken.

The audit visited the zone office of Abéché and noted the vast region covered by the zone office. The most remote location in it was 400km away from the zone office. Given the number of programme activities to be monitored, this represented a significant challenge for programme officers. The zone office had an integrated checklist, including all aspects of Child Support and Development components, so that any programme officer could cross-monitor implementation of the planned programmes. The zone office had not, however, developed a monitoring strategy based on the risks identified linked to the partner, location or type of intervention.

According to the Representative's February 2015 memo on the relationship between the country office and the field offices, the chiefs of section were supposed to visit programmes implemented in the zone offices at least once a month, but none of them had met this requirement in 2015. The office had no consolidated monitoring plan for all sections, giving the type and timing of monitoring activities to be performed throughout the year. Also, there was no monitoring of whether the missions in the travel plan had taken place.

The preparation of trip reports was mandatory using a pre-defined and harmonized format. The audit reviewed 12 mission reports. The standard template was used in only four cases. The objectives of the missions were defined in only nine cases. Only three of the reports bore evidence of review by the supervisor. Recommendations were made in seven cases, but in only one case were there deadlines and assigned responsibilities for their implementation. In general, the office had no system to capture the results of the monitoring visits and the follow-up action required. A module for this purpose had been added to an internal IT tool for management of missions and vehicles, but this part of the application was not yet working. Only one chief of section was using an alternative (Excel) as an alternative.

Finally, weaknesses were found in the way the office was monitoring the quantity of nutrition supplies to be distributed to districts. The estimates for supplies were made only on the basis of the number of cases of malnourished children, without taking into account actual consumption of stock – for which UNICEF was not getting any data from the health centres, as the Government partners did not have any system for stock registration. Moreover, the audit verified that the total number of malnourished children in two different districts and could not reconcile it with the local authorities' registers. This created the risk of not correctly assessing the quantity of nutrition supplies needed in the nutrition centres.

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

- i. Define a monitoring strategy, taking into account the resources available for monitoring and the risks linked to the implementation of the programmes.
- ii. Set targets for the number and quality of field visits in the performance evaluation forms of the relevant section chiefs and programme officers.
- iii. Prepare a field-monitoring plan that consolidates all the monitoring activities foreseen by the office for the coming year, and keep track of its implementation, ensuring the effectiveness of monitoring activities undertaken.
- iv. Establish a process for tracking and follow-up of key issues identified during monitoring visits, with set deadlines for their implementation and responsibilities

- assigned to identified staff members.
- v. Reinforce the monitoring of quality of data on cases of malnourished children and establish a process for stock registration so that estimates can be made on the basis of stock consumption as well as the number of malnourished children.

Staff responsible for taking action: Representative; Deputy Representative; Chief Strategic Planning, Programming, Monitoring and Evaluation; Country Management Team; Chief Child Survival and Development; and Nutrition Manager

Date by which action will be taken: March 2017

Donor reports

From 2015 to May 2016, Chad Country Office submitted 90 donor reports, of which 41 were submitted late. Although the number of late submissions was part of the management indicators to be reviewed during CMT¹⁶ meetings, this was not followed up. There was no systematic analysis of the causes for the delays and the office did address them. Timely submission of donor reports was not given as an objective in the performance evaluation reports for the relevant chiefs of section.

In January 2016 the office had introduced standard operating procedures (SOPs) for the main office processes including the preparation of the donor reports. This stated that preparation of a donor report must start one month before its submission date. It also included the different steps for the preparation of the donor report and its internal quality review, with set timelines. However, the SOPs did not take into account the level of complexity of the donor reports or the reporting schemes. For example, some reports had to be sent directly to donors, while others had to be sent to the Regional Office, or to UNICEF's Public Partnership Division or Programme Division, for additional review, and/or for consolidation with relevant reports to the same donor from other offices.

The audit team was informed that the quality of the draft reports submitted to the report officer, and to the fundraising manager for the second level of review, was sometimes poor. It was also noted that the office did not use a checklist for the internal quality review of donor reports, although UNICEF HQ has produced such checklists for this specific purpose.

A review of two donor reports found that in both cases the total expenditure amount reported did not reconcile with the amount shown by the accounting system. In one of the reports, the amount reported as total expense was actually a commitment.¹⁷ Also, in neither case had the expenditure list been screened to ensure that all transactions were correctly accounted for, and charged to the programme according to the agreed budget. This screening is recommended by DFAM¹⁸ guidelines on the preparation of donor reports.

The absence of systematic reconciliation between accounting records and donor reports increased the risks of not detecting ineligible expenditures, thereby damaging UNICEF's

¹⁶ The country management team (CMT) advises the Representative on the management of the country programme and on strategic programme and operational matters. It consists of senior staff from Programme and Operations sections, and staff representatives.

¹⁷ An item of spending is considered expensed when it is confirmed that the item or service has been received and the money paid. A commitment occurs when the office has a legal obligation to incur an expense but has not actually done so yet.

¹⁸ DFAM is UNICEF's Division of Financial and Administrative Management.

reputation and creating a loss of resources.

Agreed action 10 (high priority): The country office agrees to analyse and address the causes for delays in the submission of donor reports, and monitor the timeliness of the submissions through the Country Management Team and programme coordination meetings. Specifically, the office will:

- i. Adapt the timelines for preparation and review of donor reports so that they allow for differing levels of complexity in the report preparation and approval process.
- ii. Introduce the use of a quality-review checklist to ensure that the internal quality review is complete, and that there is a record kept of it.
- iii. Ensure that the figures in the narrative or financial part of the report reconcile with the accounting entries, and that costs charged to the project are justified and in accordance with the agreed budget.

Staff responsible for taking action: Fundraising Unit, Section Chiefs, Budget Officer and Programme Officers

Date by which action will be taken: November 2016 and then ongoing

Cash-transfer management

Between 2015 and May 2016, cash transfers to implementing partners amounted to US\$ 18.3 million – 16 percent of the total expenditures. The audit sampled 17 direct cash transfer (DCT) transactions with six partners (two government partners, three national NGOs and one international NGO). The 17 DCTs amounted to US\$ 1,072,000 in cash advances and \$251,000 in liquidations.

The following was noted.

FACE forms: The partners did not always fill FACE forms correctly. In 14 cases out of the 17 under review, the activities mentioned on the FACE form referred to the global outcome defined in the annual workplans, whereas they should have reflected the budgeted activities as per the Itemized cost estimate. This made it more difficult for programme officers to check whether reported costs of activities corresponded to the budget – and also that there was no overspending of more than 20 percent on a specific activity, as allowed by UNICEF policy on transfer of resources to NGOs.

The Finance Unit did not maintain the list of authorized signatories used to verify the authenticity of signatures on the FACE forms. There was therefore a risk that forms with unauthorized signatures might be accepted by the country office.

Liquidation documents: In seven cases out of eight checked, financial reports had been requested from partners. This decision was not risk-informed and is not in line with HACT, which is meant to decrease the documentation required (see observation *Harmonized Approach to Cash Transfers*, p16 above). The office said it was to get an increased assurance from the partners, but it created confusion for them, as they had been told that liquidations could be processed on the basis of FACE forms provided there had been adequate assurance activities (spot checks, programmatic visits and audits). In fact, the office did not always ensure that the assurance activities had been done, although this was part of the office's internal checklist for liquidations. In four of the eight liquidations tested, this check was not recorded on the checklist, and the audit could not be sure that they had been done.

Timeliness: The audit reviewed the timeliness with which the office dealt with partners' requests for cash advances. Out of nine cases tested, only three met UNICEF's 10-day benchmark. For the other cases, it took an average of 23 days from the receipt of request to issue of payment advice.

The audit also checked the timeliness of eight liquidations, and found that in four cases the liquidation FACE forms were not stamped with their date of receipt. The office would therefore not have been able to track the time taken to process the liquidations and thus check that it complied with the 15-day benchmark in its SOPs. In three of the other four cases examined, the office had not met its own benchmark; they took 17, 23 and 27 days. The delays as compared to the benchmark were noted for both the programme and operations sections.

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

- i. Maintain a list of authorized signatures from implementing partners, for verification against signatures on Funding Authorization Certificate of Expenditure (FACE) forms.
- ii. Ensure that FACE forms are correctly filled in by partners.
- iii. Stop requesting financial reports in addition to FACE forms, or, if it is still regarded as necessary, ensure that the decision is informed by a risk assessment and management process. This should include an escalation of the risk to the Regional Office and/or the Field Results Group.
- iv. Track the time taken to process funds requests and liquidations and, as far as possible, respect the benchmark for payment of advances set in UNICEF guidelines and the time to process liquidations set in the office's own standard operating procedures.

Staff responsible for taking action: Section Chiefs, Budget officer, HACT focal point, Quality Assurance Specialist, ERM focal point and Finance Officer

Date by which action will be taken: March 2017

Procurement

The total programme supply procurement for 2015 and for the first five months of 2016 amounted to US\$ 24.5 million, or 23 percent of total expenses. Of this, local procurement accounted for US\$ 4.36 million. The sample of supply procurement reviewed by the audit contained 13 contracts for a total amount of US\$ 1.2 million, or 5 percent of total supplies.

In all the cases reviewed, suppliers had been selected from the vendor master file, and were therefore those with which the country office had already worked. There was no use of open tender procedures. Moreover the criteria used to determine which suppliers should be invited to bid were not recorded, pre-inspection visits were not always done and there was no evaluation of previous performance. These practices reduced both the transparency of the procurement process and the likelihood that the country office would select the supplier offering the best value for money.

The audit noted that a long-term agreement had been signed with a car-hire company, but without any pre-inspection visit. Just a few days before a Polio campaign, it was found that the cars put at the disposal of UNICEF were neither properly insured nor MOSS¹⁹ compliant.

¹⁹ Minimum Operating Security Standards. These, and the MORSS (Minimum Operating Residential Security Standards), are set by the UN Department of Safety and Security (UNDSS).

The contract had therefore to be cancelled and the services of another supplier used at extremely short notice. As there was no time for a new procurement procedure, the office had to use single-source selection, with a price 20 percent higher. The Contract Review Committee (CRC) only reviewed the new contract after the service had been rendered.

Of the 13 transactions reviewed, 11 involved competitive selection. For four of these, the files did not contain the bidders' acknowledgement of the receipt of invitation to bid. The other seven did, but there were no formal stamp on the receipt. There was therefore no record that all those invited to bid had received the invitation to do so. The audit also noted that there was no mechanism to ensure that all bids received were considered or that the deadline for submission was respected.

The audit found seven bids dating from 2013 that had been placed in a box other than the bid box, and had therefore never been considered. Also, out of the 11 competitive selections reviewed, the files for nine did not include the original bids; in the two cases where they were, the office had not stamped them with the date of receipt. Finally, in two cases, issues were found concerning the selection of the companies. In one case, the selected company was not the lowest bidder of those selected as having a valid technical offer. In the other case, two companies proposed the same price but there was no explanation of the criteria on which one of them had finally been chosen.

The office had not undertaken a market survey since 2012. It said it planned to conduct a market survey covering Chad, and that the terms of reference were under preparation at the time of the audit. Where it is practicable to perform a market survey, it can help expand an office's knowledge of available suppliers.

Finally, out of the 10 supply deliveries made, the audit noted that in five cases, the payment had been processed more than two months after the goods were received. A delay in payment is a reputational risk for UNICEF.

The audit did note that the office had a different, and more transparent, procedure for construction contracts. This did have clear criteria for choosing prospective contractors. An advertisement for expressions of interest was then widely circulated and a shortlist of qualified contractors were invited to bid. The technical proposals were reviewed by a technical team that included the Government partners. There was also a financial review of qualified bidders. All documents were then to be sent for the CRC review (although the audit made some observations on the CRC itself; these are discussed in the following observation, on contract management). To increase transparency further, in June the office had introduced public opening of the financial offers submitted by the companies that had passed the technical selection.

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

- i. Justify any decision to opt for restricted rather than open tenders.
- ii. Establish, and record, criteria for choosing which suppliers should be invited to bid.
- iii. Ensure that suppliers' acknowledgements of invitations to bid are stamped with date of receipt, and are kept on file.
- iv. Match information on the receipt of offers with the bids' envelopes to ensure that all offers were received, and that the submission deadline was respected.
- v. Systematically carry out pre-inspection visits.
- vi. Perform a comprehensive market survey as far as is practicable and update the

suppliers' database accordingly.

Staff responsible for taking action: Supply manager, Chief of Operations and Country Management Team

Date by which action will be taken: May 2017

Contract management

During 2015, and 2016 up to May, the office had issued a total of 1,377 contracts for services (383 to consultants and 994 to contractors). These had a total value of US\$ 34.8 million, representing 31 percent of the office's total expenditure for the period. The audit reviewed four consultancy contracts with a total value of US\$ 200,000, or 1 percent of the total value of 2015 and 2016 contracts. The audit noted the following.

Recruitment of consultants: No reference checks were done for the selected candidates (although UNICEF rules require them). The statement of good health was included in the file in only one case, and in two the certificate of insurance coverage was missing. The office had not recorded the basis for arriving at the fees in any of the cases.

Signature of contracts: UNICEF policy requires that contracts be signed before services are rendered or supplies delivered. The audit team was told that the operations section was sometimes asked to pay for services rendered for which no contract had been signed. This occurred in the country office as well as in several zone offices.

The Representative had issued a memo in January 2016 instructing staff members to stop this practice. However a review of a sample of 15 contracts issued from March to April 2016, found that for 10 of them, the activities covered by the contracts had started before they were signed – which was between eight and 48 days after start date of the contracts. The office had not identified the cause of this control breakdown. Management told the audit team that, in such cases, contracts were finalized before the payments were released. However, besides being against UNICEF policy, requesting vendors to render services without appropriate contracts exposes UNICEF to reputational, financial and legal risks.

CRC review: The audit reviewed minutes from the CRC for 2015 and 2016. There were minutes from a total of 74 meetings, representing contracts for both supplies and services worth just over US\$ 36m.

The audit noted that two contracts for which the CRC review took place *post facto* had not been notified to the regional office as required by UNICEF policy. (One was an emergency and the other one was an extension of a long-term agreement for four months.)

There were four cases where segregation of duties was not respected, in that the authorizing officer was also the chair of the CRC meeting. UNICEF policy recommends that CRC members are chosen among the staff members not involved in the commitments of funds and resources. Also, 12 meetings were chaired by staff from programme sections; UNICEF policy is that they should be chaired by the most senior officer of the Operations section. This created a risk of some operational issues not being reviewed.

Evaluation: Contractors were not always evaluated after their services, although previous experience with UNICEF had often been used as a justification for single-source selection. In one case a supplier was single-sourced on this basis but, when the CRC reviewed this new

contract, the delivery foreseen in the previous contract had yet to take place and the performance of the supplier could not have been assessed.

Closure and expiry of contracts: Of 15 expired contracts included in the tested sample, 11 were not closed at time of the audit, although the activities have been fully completed and the contracts had mostly expired. One, amounting to US\$ 91,500, had expired but there was still US\$ 69,000 remaining on the contract, which corresponded to an overestimation of an insurance premium. Failing to close this contract could lead to a loss of funds in case the grant expired; it also prevented reallocation of unused funds from the original commitments.

Agreed action 13 (medium priority): The country office agrees to:

- i. Always conduct reference checks for consultants and ensure that they provide statements of good health.
- ii. When fixing a consultant's fee, record the criteria on which the rate was decided.
- iii. Identify and address the reasons for which contracts are signed after services are rendered or supplies delivered.
- iv. Prepare Standard Operating Procedures on procurement of contracts for services and contract management, and distribute them to all staff.
- v. Notify the regional office of *post facto* contract review committee (CRC) cases.
- vi. Ensure that that CRC meetings are chaired by the most senior officer in Operations, and that staff members do not chair CRC meetings that consider contracts for which they are authorizing officers.
- vii. Recording formal evaluations of consultants and suppliers, in accordance with UNICEF policy.
- viii. Ensure that payments are made on time for services rendered and goods delivered.
- ix. Promptly release unused funds from completed contracts.

Staff responsible for taking action: HR Manager, Chief of Operations, Supply Manager and Finance Manager

Date by which action will be taken: April 2017

Supply management

Country offices should have effective processes so that the procurement of programme supplies is properly planned, implemented and monitored. UNICEF Chad had established SOPs for procurement of supplies and had also taken into account the simplified standard operating procedures for Level 2 emergencies.²⁰

The audit noted the following.

Supply and distribution plan: An adequate supply plan helps an office establish a standing level of readiness and standby arrangements, so that it can provide essential emergency

²⁰ 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.

supplies. The plan can include stockpiling if necessary, and will help an office to determine whether to procure locally or off-shore.

The office had prepared supplies plans for both 2015 and 2016, but both were incomplete. For instance, they did not take into account the quantity of stocks available in the warehouse, or those already procured and in transit, during the planning period. Further, distribution plans were not timely, and some supplies were procured without them. Inadequate supply planning could lead to inefficient procurement of supplies at suboptimal cost, or of excess supplies with their attendant long storage in the warehouse (see observation *Inventory management*, p27 below). The office said it was aware of the weaknesses in the supply plans and would take corrective measures in 2016.

The audit also noted that the 2015 plan was prepared very late in the year (September), and since it was prepared late, there was no analysis of its level of implementation at the end of the year. The 2016 supply plan was prepared during the first quarter of the year.

Delay in supplies delivery: The audit reviewed a sample of 17 supplies procurements between 2015 and 2016 and found late delivery by vendors in 11 of these cases. The delays ranged from 54 days to 154 days after the agreed delivery dates. The country office had not analysed the causes for these delays.

Logistics capacity assessment: The Basic Cooperation Agreement between UNICEF and the Government of Chad stated that in-country logistics of programme supplies was the responsibility of the Government. However, due to insufficient Government capacity, the office had been supporting it with in-country logistics and had spent US\$ 2.6 million during the period from January 2015 to May 2016. Moreover all deliveries were consigned to UNICEF's warehouse first and then dispatched to the Government partners, instead of being delivered directly to them which would have reduced logistics costs. The audit noted that the office had neither made a comprehensive assessment of Government capacity in this regard, nor drawn up an exit strategy from some of these roles as that capacity strengthened.

Supplies intent: Supplies would normally be procured with any of three intents (codes that define the location for delivery and the reason for it). They are CINV – storage in warehouse before distribution; PPOS – prepositioning/contingency in the country office's warehouses; and DDEL – direct delivery to implementing partners. CINV should be normal warehouse supplies for which the office has robust distribution plans, while DDEL will be sent directly to the partner and should not be received at the UNICEF warehouse. Finally PPOS are contingency/emergency procurement and are stored to assist emergency response.

The audit reviewed the intents for the US\$ 4.1 million worth of supplies in the warehouses and noted that 95 percent (US\$ 3.9 million) of the total stock was for CINV, four percent (US\$ 160,000) was DDEL and PPOS was only one percent (US\$ 48,000). The office stated that it did not consign supplies directly to implementing partners, so the DDEL intents were incorrect. Further, the office said that values for contingency supplies were grossly understated in VISION, implying that some contingency supplies were included as part of the warehouse stocks. The audit was unable to confirm the adequacy of the level of stored supplies since the intent recorded in VISION was wrong.

End-user monitoring: The office had no system for coordinated end-user monitoring to maintain awareness that supplies are delivered to the intended beneficiaries.

The above weaknesses were caused by combination of factors including inadequate supply planning, lack of distribution plan and weak monitoring of existing supplies by programme.

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

- i. Ensure that supply plans take into consideration inventory balances and orders.
- ii. Prepare distribution plans on time and share them with the supply unit.
- iii. Ensure that deliveries are made in accordance with the agreed delivery dates, and investigate if they are not.
- iv. Assess the in-country logistics capacity of Government partners and ascertain the level of capacity-building needed, and explore the possibility of direct delivery of supplies.
- v. Define an exit strategy by which to hand over in-country logistics roles to the Government.
- vi. Prepare distribution plans for supplies and ensure that they are delivered in accordance with the workplans on the basis of which they were procured in the first place.
- vii. Train staff responsible for raising sales orders to ensure that supplies are procured with the correct intents.
- viii. Introduce a process for periodic and coordinated end-user monitoring involving programme and operations staff.

Staff responsible for taking action: Supply Manager, Section Chiefs, Finance Officer, Representative, Deputy Representative, Procurement Specialist, Chiefs of Field Office
Date by which action will be taken: September 2017

Inventory management

According to data in VISION, UNICEF Chad had programme supplies worth US\$ 4.1 million in its warehouses at the time of the audit (May 2016). It maintained warehouses in five different locations: N'Djamena US\$ 2.4 million (59 percent of the total supplies); Abéché US\$ 821,000 (20 percent); Mongo US\$ 408,000 (10 percent); Mao US\$ 373,000 (9 percent); and Moundou US\$ 69,000 (2 percent). The office had logistics staff stationed in three zone offices (Abéché, Mao and Mongo) and a warehouse assistant in Moundou. All the warehouses were managed by UNICEF.

The audit noted the following.

Age of supplies: The office stated that there were also other supplies that were not recorded in VISION. The audit looked at these and found that some of them had been stored for a prolonged period. About 23 percent (US\$ 940,000) of the supplies had been kept in the warehouse for over six months. Included in this total were supplies with value of US\$ 227,000 that had been in the warehouses for more than 12 months.

Moreover, additional supplies of same type had been procured before the old stocks had been exhausted. For instance, a total of 16 motorcycles were currently in the warehouse. Of these, five had been received before 2012, but an additional four had been received in March of 2015 and seven more in November 2015. In another example, there were about 36,000 cartons of therapeutic spread with estimated value of US\$1.5 million. About 5,500 cartons received in 2015 had not yet been distributed, but another 23,000 had been procured and received in first quarter of 2016 and a further 7,000 cartons received in second quarter of

2016. This could lead to loss of funds due to expiry of the supplies.

Warehouse storage conditions: The audit visited the warehouses located in N'Djamena and Abéché, which between them were storing 79 percent of the total supplies. The warehouses had security guards. The stacking arrangements, including usage of pallets within the warehouse, were generally good and would ease access for picking and stock-counting. However, the audit noted PlumpyNut²¹ with value estimated at about US\$ 1.1 million stored in areas above the temperature level specified by the manufacturer (about 6,000 cartons with estimated value of US\$ 300,000 in N'Djamena, and about 19,000 cartons estimated value of US\$ 810,000 stored in Abéché). At the time of the audit's visit, the temperatures of the areas where these were stored were above 40 deg C; the manufacturer specifies below 30 deg C.

Non-UNICEF supplies: The audit noted that about 235 sets of refrigerators and solar panels belonging to partners had been stored in UNICEF warehouse without any agreement on responsibilities (including insurance), or storage costs where applicable. The office did not have any information on the value of these supplies. UNICEF supplies recorded in VISION are insured globally by Supply Division and such insurance does not cover supplies outside VISION, which are subject to special arrangements.

Partners' warehouses: UNICEF delivers supplies to the partners' warehouses at district level for onward delivery to sub-districts and end-users. The audit visited three such storage centres in N'Djamena and Abéché and noted that in two of them, there were no stock-recording systems to record what had been received from UNICEF and what had been issued out to the sub-districts and or beneficiaries. The audit was unable to confirm if the quantities of supplies meant for the sub-districts had indeed been issued to them by those centres.

Physical verification: A sample of eight supply items were chosen and traced from VISION records to their physical locations in the warehouse. They were found in their correct places. However, five motorcycles in the warehouse were not recorded in VISION. The office said this was because they were procured prior to VISION roll-out in January 2012, and that it had a manual record of these and other supplies. Not recording supply items promptly in VISION weakened accountability and increased the risk of pilferage. Moreover, these supplies would not be included in UNICEF financial statements, which could result in the understatement of assets. Finally, such items would not be covered by insurance as part of the global insurance handled by Supply Division, which covers items recorded in VISION.

Agreed action 15 (high priority): The country office agrees to:

- i. Store supplies according to the conditions specified by the manufacturer.
- ii. Where health and nutrition supplies have been subjected to extreme temperatures, ensure they are tested prior to their distribution, to ensure that they are fit for human consumption.
- iii. Sign an agreement outlining the responsibilities (including insurance), and payment of storage costs where applicable, when offering a service to store partner supplies not controlled by UNICEF.
- iv. Train partners on inventory storage and management.
- v. Ensure that all supplies under the control of UNICEF at the warehouse are promptly recorded in VISION.

²¹ A ready-to-use therapeutic food that can be used in emergency malnutrition cases.

Staff responsible for taking action: Logistics specialist, Supply manager, Chief Child Survival and Development

Date by which action will be taken: April 2017

Budget management

The country office spent around US\$ 6 million in operating costs per year. However, according to the 2012-2016 CPAP,²² the planned budget for these costs was only US\$ 3.4 million.

The country office had made efforts to decrease its operating costs. For example, in May 2016, it decided to move all staff from in the country office into one building (whereas they were previously in two). Also, it had started to explore the possibility to obtain rent-free property from the Government of Chad. However, this had not been done in consultation with the other UN agencies, with which it might have shared premises and costs.

The office also planned to invest in solar panels so that it would become completely self-sufficient in electricity and save the corresponding costs. It had already done so in 2014 for the Mao zone office. The audit observed that the country office could apply to HQ for possible funding from the Greening and Accessibility Fund.

The audit also noted that the budget owners' role had been assigned to the Representative, the Deputy Representative, and the Chief of Operations, as well as the chiefs of sections and their deputies. This role enabled them to commit funds in the accounting system. However, no financial limit had been assigned to them in the Table of Authority, so there was an increased risk of unauthorized levels of commitments being made.

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

- i. Identify sources of funds to pay for the office's operating costs.
- ii. Further pursue the possibility of obtaining rent-free property from the Government of Chad and explore possibilities for sharing premises and costs with other UN bodies.
- iii. Apply for funding from the Greening and Accessibility Fund to finance its investments in solar panels for the country office and all the zone offices.
- iv. Define financial limits for budget owners and notify them in the letters of delegation that they sign annually.

Staff responsible for taking action: Representative, Deputy Representative, Chief of Operations, Finance Officer, Country Management Team

Date by which action will be taken: March 2017

Travel and entitlements

Travel expenditures amounted to US \$ 3.6 million for the period from 2015 and 2016 to May. This represented 3 percent of total expenditure. The audit tested 15 instances of travel by staff members, for a total amount of US\$ 102,618 – about 3 percent of the total travel costs.

²² The CPAP is the Country Programme Action Plan, 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.

Nine cases involved international travel.

Routeing: UNICEF policy is that the ticket quote selected should correspond to the most direct and economic route. The audit found in four of the nine cases of international travel, there was no evidence of this as there had been no comparison of quotations.

Processing of travel authorizations: The audit checked the calculation of the Daily Subsistence Allowance (DSA) for 12 cases, and found that two staff members received more DSA than they were entitled to. The first one received full DSA instead of one-third while the second one received full DSA on the last day of travel instead of the 40 percent entitlement payable. There were also delays in the processing of travel authorizations and payment in corresponding DSA. In four cases, the Travel Authorization was approved after the travel had taken place and in three other cases, the travel took place before the DSA had been paid. Several staff members complained to the audit team about the delays in the payment of travel allowances.

Travel certification: A staff member must submit certification of travel within 15 calendar days of their return, to confirm that travel was completed either as originally authorized or with changes. At the end of May, 290 cases had still not been certified after being open for an average of 149 days. Several reminders had been sent by the Chief of Operations to staff members to remind them of their obligation to certify their travel. However, since the office had not found out why each case was outstanding, they could not be easily resolved.

Medical and security clearances: A medical examination is required when the 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, 86 staff members had not renewed their medical clearances, which were no longer valid. In one instance, a staff member had travelled without it. This could lead to staff having medical issues during their travel not being covered by medical insurance.

The audit noted that in seven instances out of 12, the traveller had not requested security clearance before travelling although this is compulsory under UN rules. This again meant that the staff would not be insured, and would also cause complications for UNDSS²³ in case of security problems.

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

- i. Always check that the most economical and direct route is selected for travel.
- ii. Make correct payments for Daily Subsistence Allowance as required by UNICEF policy.
- iii. Identify and address causes of delays in the processing of travel authorizations.
- iv. Identify and address causes of delays for certification of the 290 outstanding travel authorizations and monitor their final resolution.
- v. Establish a process to ensure staff obtain required medical and security clearance before travel.

Staff responsible for taking action: Head of Travel Unit and Chief of Operations

Date by which action will be taken: April 2017

²³ UN Department of Safety and Security.

Guesthouses

Under exceptional security or emergency situations, UNICEF may need to arrange temporary accommodation for staff. If necessary, an office can set up a guesthouse for staff on short- or longer-term assignments and for visitors and staff on official travel duty. This is what had been done in Abéché and in Mongo.

UNICEF policy is that a guesthouse must be self-financing (apart from security-related costs). However, the office had not compared the total cost of the guesthouses in with their revenues to see if the nightly fee for the guesthouses covered the annual costs. The audit team estimated that they might not. Moreover, the audit noted that no reconciliation was done to ensure that the number of nights invoiced matched with the amount of cash collected.

The audit visited the guesthouse of Abéché and noted that it was used not only by staff from UNICEF, other UN agencies and NGOs, but also by several private companies; this is against UNICEF rules. The audit also noted inadequate segregation of duties in the roles of collecting cash, and recording it; both were assigned to the same Finance Assistant. There were no compensating controls to ensure that funds collected were fully accounted for.

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

- i. Ensure that guest houses are self-financing.
- ii. Segregate administrative and financial tasks in the management of guesthouses.
- iii. Reconcile revenues collected from the guesthouses with the recorded bookings.
- iv. Restrict access to guesthouses to NGOs and UN agencies.

Staff responsible for taking action: Finance Officer, Administration and Finance Assistants in Field Offices, Chiefs of Field Office and Chief of Operations

Date by which action will be taken: February 2017

Records management

Country offices should determine the most efficient means of filing and archiving in electronic and manual systems, depending on the type of documentation and the facilities available, so as to make documents secure and easy to retrieve. Failure to do so could lead to loss of documents that are required for legal reasons, and/or to loss of financial resources if unsupported costs have to be reimbursed to donors.

Neither the country office nor the zone offices maintained a central archiving system. All contractual documents were centralized in the Operations section; otherwise, however, each head of section was responsible for the archiving their section's documents using their own system and location.

Older documents had been transferred to two different sites: a container on the office site for the Finance archives; and the warehouse for all other documents. Neither of these locations had smoke detectors in case of a fire. There was no inventory of the content of the archives. There were also documents from the Supplies section dated 2015 in the warehouse; those less than three years old should normally be kept at the office so that they can be retrieved more easily.

The office did not periodically review its accounting, financial, budget and administrative records with a view to classifying them as permanent, non-permanent or routine in order to

apply the corresponding retention period (see UNICEF Financial and Administrative Policy 1, Supplement 3, *Retention of records*).

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

- i. Periodically review records with a view to classifying them as permanent, non-permanent or routine.
- ii. Make an inventory of the existing archives to identify sections and years for which supporting documents are not complete.
- iii. To assist retrieval, maintain reference information for archived documents, indicating filing dates, locations and closure status.
- iv. Ensure that documents that exceed the retention period are properly disposed of in line with UNICEF rules (subject to any specific conditions included in the contribution agreements), and maintain records of disposals.

Staff responsible for taking action: UNV Archivist, Chief of Operations, Section Chiefs and Programme Assistants

Date by which action will be taken: July 2017

Information and communication technology (ICT)

The office had a procedure for providing users with access to core UNICEF ICT resources, and had correctly assigned provisioning and de-provisioning of access to the HR unit, as it maintained the employment records of staff members and consultants. A review of the access of all 218 ICT users in the office noted that all users' accesses were in sync with their contract expiration dates.

However, consultants had been given access to the office's ICT resources without their signing a non-disclosure agreement (NDA) as required in the UNICEF ICT policy. The office was not aware that non-staff members should have signed either a Memorandum of Understanding (MoU) or a Non-Disclosure Agreement (NDA) prior to approval and subsequent account creation.

The audit also noted that the office had identified low internet connectivity with slow software delivery in Chad as high risk. This may result in serious constraints to programme implementation and access to critical information. During the audit, low internet connectivity was a recurring challenge. The office had taken some mitigating measures, including alternate internet connectivity in case of failure of the primary link. However, although other UN agencies in Chad had similar problems, no effort was made to coordinate with them to seek a more permanent cost-effective solution. (In fact, following a peer review in April 2016, the Regional ICT Manager had suggested increased cooperation between UN agencies to share IT maintenance and staff.)

Agreed action 20 (medium priority): The country office agrees to:

- i. Grant access to Information and communication technology (ICT) systems and applications to consultants on the basis of a Memorandum of Understanding or a Non-Disclosure Agreement, in accordance with UNICEF's ICT policy.
- ii. Consider, in collaboration with other UN agencies in N'Djamena, conducting a review

- of cost and benefits of procuring larger VSAT²⁴ equipment that can provide better internet services to the participating agencies.
- iii. As recommended in the Regional ICT Manager's peer-review report, consider sharing maintenance costs of ICT equipment as well as IT staff among UN agencies.

Staff responsible for taking action: ICT Specialist

Date by which action will be taken: April 2017

²⁴ VSAT stands for very small aperture terminal – a satellite ground station with a small antenna that is used where communications are poor or unreliable and when no adequate internet service provider is available.

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 overall conclusion presented in the summary falls 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 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 needed improvement to be adequately established and functioning.

[Adverse conclusion]

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