

Internal Audit of the Ethiopia Country Office

January 2017



Office of Internal Audit
and Investigations (OIAI)
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Summary

The Office of Internal Audit and Investigations (OIAI) has conducted an audit of the Ethiopia Country Office. The audit sought to assess the office's governance, internal risk management and internal control. The audit visited the office from 19 August to 8 September 2016, and covered the period from 1 January 2015 to 31 August 2016.

The year 2016 was a bridging period for the office, with the completion of the previous country programme and the commencement of the new 2016–2020 country programme in July 2016. The new programme is designed to align with the Ethiopian Government's second Growth and Transformation Plan and contribute to the four pillars of the United Nations Development Assistance Framework (UNDAF) 2016–2020. (An UNDAF is a broad agreement between the UN as a whole and a national Government, setting out the latter's chosen development path, and how the UN will assist.)

The 2016-2020 country programme has six main programme components: *Health, Nutrition, Water, sanitation and hygiene (WASH)*, *Learning and development*, *Child protection*, and *Social policy and evidence for social inclusion (SPESI)*. There is also a cross-sectoral component for functions that support the programme. The total approved budget for the country programme is US\$ 449.9 million, of which US\$ 143.1 million is Regular Resources (RR) and US\$ 306.8 million is Other Resources (OR). Regular Resources are core resources that are not earmarked for a specific purpose, and can be used by UNICEF wherever they are needed. Other Resources are contributions that may have been made for a specific purpose, and may not always be used for other purposes without the donor's agreement. An office is expected to raise the bulk of the resources it needs for the country programme itself (as Other Resources), up to the approved ceiling. Some countries also have an element of Other Resources (Emergency); this was the case for the Ethiopia country programme, which had an OR(E) ceiling of US\$ 156 million.

The UNICEF country office is in Addis Ababa. It maintains nine zone offices covering eight regions, but was in the process of closing three of the zone offices as of the time of the audit. Three zone offices (Somali, Afar and Gambella) are located in areas classified by the UN as security phase three (this requires, among other things, relocation of non-essential staff).

As of September 2016, the office had a total of 369 approved posts, of which 47 were for international professionals, 165 for national officers and 157 for general service staff. It is one of UNICEF's largest offices, with total budgets of US\$ 239 million in 2015 and US\$ 277 million in 2016. Total expenditure was US\$ 202 million in 2015 and US\$ 126.6 million in the first seven months of 2016 (of which US\$ 117 million was under the old country programme and US\$ 9.6 million under the new 2016-2020 country programme).

Action agreed following the audit

The audit noted a number of controls that were functioning well. The office's governance structures were generally well established and functioning at country and regional levels, and there were adequate procedures related to delegation of authority, responsibilities and monitoring. The office had set out its management and programme priorities, with specific performance indicators and baselines for each.

The research and evaluation function was well managed and supported the achievement of

programme objectives. The office had completed comprehensive equity-focused regional and national situation analyses of children and their families in Ethiopia, which provided the basis for its 2016-20 country programme. Two year workplans were drawn at national and regional levels, in close consultation with relevant partners. All the workplans that the audit team reviewed had been endorsed by the Ministry of Finance and Economic Cooperation (MoFEC). Zone offices also prepared annual workplan outputs which were directly linked to overall country programme outputs and outcomes.

The office had adequate controls in place to monitor and report on progress. Its own analysis showed that all outcomes and almost 90 percent of the outputs were on track. The audit review noted that although most achievements could be verified, disaggregated data was not fully available for some regions, and there were issues with the quality and timeliness of a number of verification sources (especially from Government administrative systems) that constrained accurate reporting. The office was aware of these issues and was already taking action to address them.

The office conducted annual planning and mid-year review exercises with its regional and national-level partners, led by MoFEC. The audit team interviewed several partners who commended UNICEF for its technical capacity, policy advocacy role, knowledge, regional-level presence, and sustained experience in Ethiopia. The audit found that the office generally had adequate controls related to the planning and management of programme cooperation agreements with non-Government organizations.

In 2015, UNICEF Ethiopia received US\$ 11.1 million from the Central Emergency Response Fund (CERF). This is a humanitarian fund established by the United Nations General Assembly in 2006 to enable more timely and reliable humanitarian assistance. UNICEF's share was allocated to rapid response activities in the areas of health and nutrition, and water and sanitation. The audit found that controls and processes over the management of CERF-funds were generally established and functioning during the period under audit. With the exception of two grants for which implementation had started in January 2016, all funds received had been spent. The office had adequately assessed the capacity of its implementing partners, and it had conducted adequate assurance activities to ensure CERF funds were used for the intended purposes.

The office had adequate controls for planning and allocating funds to its priority activities. An analysis of utilization against OR expired grants during the 2012–15 country programme showed that the grants were fully spent. The office had adequate controls to ensure donor reports were issued on time. Procedures related to financial and budget management were generally adequate. The office had key financial controls with respect to bank reconciliations and segregation of duties for payment processes related to partners, and for procurement.

As a result of the audit, however, and in discussion with the audit team, the country office has agreed to take a number of measures to address weaknesses or make improvements. Two have been identified as high priority – that is, they address issues that required immediate management attention. These were as follows.

- Increase oversight over the management of technical assistance to Government partners by reviewing the overall strategy for supporting capacity-strengthening at national and regional levels.
- [REDACTED], and close gaps in the Disaster Recovery Plan to ensure uninterrupted internet connectivity.

Conclusion

Based on the audit work performed, OIAI concluded at the end of the audit that, subject to implementation of the agreed actions described, the controls and processes over the country office were generally established and functioning during the period under audit.

The Ethiopia Country Office, the Eastern and Southern Africa Regional Office, the Information and Communication Technology Division and OIAI will work together to monitor implementation of the measures that have been agreed.

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Objectives and scope

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

Managing risks to the programme

UNICEF's Enterprise Risk Management (ERM) policy requires offices to have processes for regular, ongoing identification and assessment of risks that may have an impact on their objectives. The office had updated its risk management profile in 2015 and 2016, and had identified four high-risk areas: Funding and External Stakeholder Relations; Information and Communication Technology (ICT) Systems and Information Security; Natural Disasters and Epidemics; and Supply and Logistics. Action plans to mitigate and manage the risks were also developed, with identification of risk owners and timeline.

The audit reviewed the risks identified by the office and the actions it had planned to mitigate them by looking at a sample of sectoral strategy notes. These are internal documents that describe the multi-year strategies a UNICEF office will pursue to achieve the results planned for the country programme.

The strategy notes showed that, in some areas, the office had built risk analysis into programming relatively well. The SPESI,¹ WASH and Nutrition programmes had assessed mitigating actions against external risks in ways that were linked directly to assumptions identified by the programme. The SPESI assessment further described the connections between the risks and mitigation actions at both output and outcome levels. However, the depth of analysis of behind the planned mitigating actions in the strategy notes varied significantly between programmes. For example, there were marked differences between the Health, and Education and Child Protection programmes. Where there were significant external risks to the achievement of an outcome, there was inadequate description of how programme strategies would be modified to meet them, should they materialize.

Additionally, the audit noted several risks that were identified within all the programmes. They included availability of funding, increasing disasters and/or prolonged emergencies, and frequent turnover amongst Government personnel. These risks required a concerted approach in planning mitigation actions.

The audit also noted that there was incomplete understanding of the risk-management process at the zone-office level. The development of the risk profile at country level was not conducive to full participation of all key staff members, and zone offices were not encouraged to develop their own specific profiles, helping them identify and manage region-specific risks. In two zone offices, key staff members interviewed had not participated in the process and did not have common understanding of what "risk" meant within the UNICEF context.

Agreed action 1 (medium priority): The country office agrees to revise its risk assessment

¹ Social Protection, Evidence and Social Inclusion.

processes and clarify links between risks and mitigating actions across all programmes, to increase coherence and effectiveness. It will also strengthen its risk-management process in general through further training and guidance, ensuring a participatory and bottom-up approach involving key staff members at all levels.

Responsible staff members: Chief of Operations; Chief of Field Operations and Deputy Representative.

Date by which action will be taken: 31 March 2017.

Resilience

Resilience programming means the implementation of interventions that can respond to complex risks and vulnerabilities, and ensure that development gains are secured. UNICEF's resilience approach focuses on sustaining results for children despite natural or human-made shocks and stresses. Programming for resilience also means addressing underlying causes of shocks and stresses, in order to break cycles of vulnerability.

Resilience programming was especially important for the Ethiopia country programme. Government-led nationwide programmes have led to many more children surviving, thanks in part to UNICEF-supported interventions, but these children continue to face stress due to climate change, inter-country migrations, and rural-urban migration. Moreover the country has had protracted interventions to provide relief in humanitarian situations, making it especially necessary to protect the considerable progress towards the Millennium Development Goals (MDGs). The audit therefore regarded resilience programming as an important risk area for the purposes of the audit.

The office rated natural disasters as one of its high-risk areas. The office's strategy note on resilience, and related documentation, showed there was already significant momentum behind resilience programming in Ethiopia. This included Government-led strategies for social protection, scalable community-based systems for Health and Nutrition, and significant Government leadership on cross-sectoral Disaster Risk Management (DRM).

The audit review looked at whether the office had clearly set out the assumptions, major risks and mitigation strategies underlying its programming for resilience. It noted the following.

Clarity: The Ethiopia Country Office is already supporting several resilience-strengthening activities across all programme sectors; this had shown gains in the last country programme. Discussions with programme sections and field offices showed a good understanding of resilience in both theory and practice. However, most programme staff interviewed felt that there was a need to improve clarity, especially on how to integrate resilience into programming. They thought that the momentum generated for resilience during development of the country programme had diminished; also that some sectors (such as Nutrition or WASH) that had made significant headway on resilience might be over-emphasized.

There was also no framework with specific practical steps to operationalize resilience. Given that staff and partners were previously used to working within sectors, increasing advocacy of multi-sectoral approaches to resilience with federal and regional bureaus will require strong and cohesive leadership.

Sectoral implementation: Discussions during the audit also revealed that there was a need

for strong technical leadership to drive a cross-sectoral approach to resilience. The office did have very strong technical sections, but these were still vertically structured. In addition, each section has its own outcome relating to resilience. While this demonstrated the priority attached to resilience, it nevertheless posed the risk that sectors would resort to more vertical interventions and partnerships rather than the required multi-sector approach. Capturing all resilience-related outputs within an integrated approach would assist their implementation. This could be accomplished by identifying one of the office's flagship programmes to ensure cross-sectoral representation, with measurable indicators and means of verification to monitor progress and improve accountability for resilience.

Regional specificity: Each of the country's nine regions show significant diversities and unique complexities. Current and prior country programmes have included region-specific approaches, including joint programmes for the regional states which are among the most poorest and most vulnerable. However, the different pace at which interventions are implemented could result in less attention being paid to issues of resilience. For example, two field offices interviewed during the audit noted that the focus on emergencies in their regions increased the risk to an effective resilience-based approach, as did the limited capacities and high turn-over in regional Governments.

Measurement and analysis tools: The office's strategy note observed that no specific monitoring and evaluation (M&E) framework had yet been agreed for resilience. The note stated that these should include outcome indicators demonstrating reduced vulnerability and volatility of outcomes, and process indicators demonstrating characteristics of resilience-building interventions. However, the office was taking part in a number of relevant UNICEF regional pilot initiatives and Ethiopian Government-led strategies that should help with developing such a framework.

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

- i. Strengthen communication on cross-cutting strategies to ensure impact across sectors.
- ii. Ensure resilience approaches are context-specific, given the unique needs and environment of each region.
- iii. Develop and implement a multi-sectoral results framework with assigned responsibilities and indicators of progress, to cover cross-sectoral implementation and monitoring of resilience intervention.

Responsible staff members: Deputy Representative and Chief of Social Protection, Evidence and Social Inclusion

Date by which action will be taken: April 2017

Convergence strategy

A discussion paper prepared by the Ethiopian Country Office as part of its country programme development defined convergence as "two or more things coming together, joining together or evolving into one", with the aim of establishing synergy between the Government, UNICEF, other partners, and communities/beneficiaries.

The office's discussion paper identified challenges to, and opportunities for, maximizing convergence amongst UNICEF-supported programmes. The paper also took note of some successful convergent interventions among programme components in WASH, nutrition, child

protection and education. UNICEF's organization-wide 2014-2017 Strategic Plan² has also, for the first time, identified support to integration and cross-sectoral linkages as an explicit implementation strategy.

However, the discussion paper also raised some questions, and at the time of the audit visit in August 2016, there was not yet a concerted approach to addressing these. For example, the paper noted differences in the understanding of the meaning and approaches to convergence both within UNICEF, and with and between its development partners. During meetings with programme staff, the audit team found that although there was some agreement on concepts, opportunities and challenges, there was room to improve geographic, institutional, beneficiary and partnership convergence activities amongst some programmes, which had themselves noted fragmentation amongst geographic locations and target groups. For example, in convergent woredas (the third-level administrative divisions of Ethiopia), nutrition intervention could be in one kebele (the lowest local level), while WASH or education efforts might be in another. Also, the annual workplans did not track the effective and efficient implementation of convergent activities, and did not clearly set out convergence activities, or their targets or indicators.

An ongoing discussion on convergence as a strategy was being led by the Ministry of Finance and Economic Cooperation (MoFEC) and a bottom-up approach was planned with regional bureaus, who would also be involved in the identification and selection of districts to implement the strategy.

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

- i. Review and/or revise the convergence strategy, in collaboration with the Government, to ensure clarity and commonality in approaches in light of the country programme outcomes; and put in place mechanisms to operationalize and oversee the strategy.
- ii. Review the adequacy and efficiency of the implementation of converged activities, and use the results in conjunction with other planned assessments as milestones to identify lessons learned and to adjust programme strategies. These results should also be used as an input for the planned impact evaluations of the two virtual outcomes³ at the end of the country programme.

Responsible staff members: Deputy Representative.

Date by which action will be taken: May 2017.

Direct cash transfers to implementing partners

During the period from January 2012 to June 2016, direct cash transfers (DCTs) to implementing partners constituted the largest element of programme expenditure by the office, amounting to US\$ 300.9 million (or 43 percent of the office's total expenditure during that period). During the period under audit (January 2015 to August 2016), the office had disbursed a total of US\$ 132 million in DCTs. The audit noted the following.

Outstanding DCTs: The office regularly monitored the status of outstanding DCTs. At the time of the audit visit in August 2016, the office had outstanding DCTs worth approximately US\$ 21

² The Strategic Plan can be found online at <https://www.unicef.org/strategicplan/>.

³ "Virtual outcomes" refers here to outcomes that are not explicit outcomes on their own, but can be expected to arise from cross-sectoral outputs.

million, of which US\$ 2.4 million (12 percent) had been outstanding for over six months and US\$ 86,674 over nine months. Of the DCTs reviewed by the audit, four out of 10 were delayed (by between one and six months). The office said that delayed implementation of planned activities by partners was the major reason. Late submission of liquidation documents, poor quality of progress reports, and incorrectly completed FACE forms⁴ were other factors.

Training: The office had conducted training on HACT⁵ for 84 Government partners, 33 NGOs and 47 UNICEF staff in 2015, and 28 partners and eight UNICEF staff so far in 2016. However, the office said that not all key partners had participated in this training. More comprehensive training, including on how to manage direct cash transfers, would strengthen the financial management capacity of all involved and would lead to efficient processing of related transactions.

Partners also commented on differences in practices between programme sections within the UNICEF country office. For example, one partner who had underspent against activities was instructed immediately to refund the unused balance and then request the funds again (even though DCT policies allow reprogramming following the completion or cancellation of activities). Another partner who had overspent on some activities was requested to liquidate the surplus only on their future DCT request. These weaknesses were attributed by the office staff interviewed to insufficient understanding of HACT procedures, together with the fact that those of them involved in these transactions were not always included in the training.

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

- i. Ensure that all key staff and implementing partners have been properly trained on the Harmonized Approach to Cash Transfers, including on how to request and account for direct cash transfers
- ii. Put in place closer monitoring and supervision to ensure that both implementing partners and UNICEF staff comply with these procedures in practice.

Responsible staff members: HACT Specialist

Date by which action will be taken: 31 March 2017

End-user monitoring of supplies

The office undertook end-user monitoring of supplies as part of regular field monitoring, mostly in collaboration with the partners. In one region, beneficiaries were also consulted through focus group discussions.

While this approach helped give the office some assurance that supplies were delivered to the intended beneficiaries, the audit noted that it was not undertaken in a structured manner,

⁴ 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.

⁵ Offices are required to implement the Harmonized Approach to Cash Transfers (HACT). With HACT, the office relies on implementing partners to manage and report on use of funds provided for agreed activities. This reduces the amount of supporting documentation UNICEF demands from the partner, thus cutting bureaucracy and transaction costs. HACT makes this possible by requiring offices to systematically assess the level of risk before making cash transfers to a given partner, and to adjust their method of funding and assurance practices accordingly.

and there were no means to ensure that issues such as quality or appropriateness of supplies were fed back to the relevant managers for corrective action. Also, the audit reviewed 27 field trip reports and although it found planning and coordination were generally adequate, it also found that teams undertaking field visits did not always have the necessary skills between them, and that they needed better tools for reporting field-visit findings. The office was awaiting the release of e-tools by UNICEF's Field Results Group in October 2016 to assist in this regard.

In fact, the new country programme had noted the need for a comprehensive review of the office's approach to field and programme monitoring, which would also link the financial and supply inputs of UNICEF more closely to the programmatic results. This would allow UNICEF to play a stronger role in monitoring for equity and sectoral results that went beyond UNICEF's specific inputs.

The audit also noted one specific problem with partners' storage of supplies. UNICEF delivers supply items, including Ready-to-Use Therapeutic Food (RUTF) and pharmaceuticals, to partners at the district levels for onward delivery to end users. The audit team visited one of the storage centers in Teru district of Afar region and found that supplies were not appropriately stored. For instance, health and nutrition supplies were not stored in racks or cabinets but were kept on the floor, and were exposed to dust, insects and rodents. They were also at around 44 degrees centigrade (manufacturers' instructions for RUTF and pharmaceuticals were below 30 degrees centigrade).

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

- i. Establish an end-user monitoring mechanism including systematic feedback on the performance of supplies procurement and distribution systems.
- ii. Establish quality assurance mechanisms to ensure that supplies under the custody of implementing partners are appropriately stored. This can be done through field visits to partners' storerooms, and through close collaboration with and support to implementing partners to ensure that they are aware of how to store supplies properly.

Responsible staff members: Chief of Programme Management Unit

Date by which action will be taken: 31 March 2017

Temporary technical assistance to Government

The country office had provided various forms of temporary assistance to both federal and regional Governments to strengthen their capacity and assist implementation of UNICEF-supported programmes. The amount and type of assistance required were negotiated at regional and national levels during the annual work-planning process. Over the period 2014-2016 (the three Ethiopian Financial Years, or EFYs, 2007-09), the office had spent approximately US\$ 5.6 million on technical assistance. The use of technical assistance in 2016 (EFY 2009) had increased slightly by 13 percent over 2015, but by 163 percent when compared to 2014 (EFY 2007). The distribution of technical assistance varied by programme and region, reflecting the varied geographic foci pursued by the office.

At the time of the audit, the office was funding 345 technical assistance posts in Government departments at the national, regional and local levels across the country. Technical assistance was effected through DCTs, direct payments and third-party contractors. The requests for

technical assistance were made by the different levels of Government during the annual work-planning process, which commenced with discussions at the woreda, regional and federal levels. The office stated that all terms of reference for technical assistance were reviewed by MoFEC, which determined the rates to be paid and maintained records of all the technical assistance requests.

The audit noted the following.

Contracting: The audit reviewed different types of payment and found that the choice of contracting type was not based on specific pre-agreed criteria. Additionally, there was a lack of uniformity in selection practices even within the same region. The audit could therefore not ascertain whether or not the procedure used to provide technical assistance in any particular region was linked to a specific risk or other requirement.

Assurance on technical assistance: Direct cash transfers that were paid for technical assistance to Government partners and were budgeted in annual workplans (AWPs) amounted to US\$ 2.9 million from July 2015 to June 2016, and US\$ 2.2 million for the period January 2016-July 2017. It is therefore expected that some level of assurance should be provided on the provision of the paid-for assistance, and on its quality.

Confirmation of the provision of technical assistance was primarily via management's approval of the payments for the DCT liquidations and certifications. The office said that technical assistance inputs were continuously monitored by UNICEF programme officers and the Government's regional-level Bureau Coordinators, and that regular reports were submitted for certification prior to payments. However, the audit reviewed a sample of 13 progress reports compiled during programme visits, and noted that the actual performance of contractors under the different contracting methods was not always assessed systematically. Consequently, there was insufficient evidence (except in the case of Oromia) to demonstrate that payments for technical assistance were based on agreed deliverables, and that those deliverables were always verified prior to payment. The audit also could not find evidence of sufficient assurance on the use of technical assistance and achievement of deliverables through programmatic visits, spot checks and audits.

Strategy: The use of short-term technical assistance can be key to delivering transformation. In the long term, however, workforce, skills and capacity plans need to be put in place to ensure sustainability and reduce dependence on external support. The audit found no strategic workforce plan for this. A plan to assess where Government personnel should be recruited and where short-term resources (such as for emergencies) should be allocated would not only plan for the future, but would also help the office demonstrate value for money from the technical assistance being provided.

The office stated that provision of technical assistance had been discussed during the country programme development process. However, given that the new 2016–2020 programme had begun some way into 2016, and annual workplans had already been prepared for that year, it was agreed that the discussions would resume in 2017.

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

- i. Establish appropriate criteria to inform choice of methods and procedures for contracting for technical assistance.
- ii. Strengthen its activities to obtain reasonable assurance that actual performance of

contractors under different contracting types is systematically assessed; payments for technical assistance are based on agreed deliverables; and the achievement of the deliverables is verified prior to payments.

- iii. Implement a strategic workforce plan for allocating short-term resources (such as for emergencies) and determining where personnel are to be recruited.

Responsible staff members: Chief of Operations, Chief of Field Operations and Deputy Representative

Date by which action will be taken: 30 June 2017

Inventory management

UNICEF Ethiopia had programme supplies worth US\$ 13.4 million in its warehouses at the time of the audit visit in August 2016. It maintained warehouses in three different locations: Addis Ababa (with US\$ 13.3 million), Gambella (US\$ 66,030) and Jijiga (US\$ 82,430). All the warehouses were managed by UNICEF. The audit noted the following.

Pre-positioned stock: In UNICEF, supplies would normally be procured and registered in UNICEF's management system, VISION,⁶ under any of these three "intents": CINV (storage in warehouse before distribution), PPOS (pre-positioning in country office), or DDEL (direct delivery to partners). CINV are the normal warehouse supplies for which the office has planned, and for which there are robust UNICEF-controlled distribution plans. DDEL, however, will be sent directly to the partner and so should not be retained in the warehouse at all. Finally PPOS are contingency emergency stocks which are procured and stored in case they are needed for emergency response, and need to be managed to maintain stocks but also to minimize the risk of excess supplies that will not be needed.

The audit reviewed the "intents" for the supplies in the warehouses and found that according to VISION, 85 percent (US\$ 11.5 million) of the total stock was for CINV and 10 percent (US\$ 1.4 million) was DDEL, whilst the remainder (US\$ 588,000) was PPOS. Some of the DDEL supplies had been in the warehouse for over six months. The office reported that the DDEL stock was incorrectly recorded in the system. The audit noted that values for prepositioned supplies appeared to be understated in VISION by more than 50 percent, implying that DDEL stocks might have been overstated in VISION as a result. Due to the failure to record stocks correctly in the system, the country office had inadequate assurance that they were being managed efficiently, and were failing to safeguard the stock items properly.

The audit was unable to confirm the adequacy of the level of pre-positioned supplies since the intents recorded in VISION were incorrect and the country office was unable to provide a consolidated statement of the actual prepositioning. For instance, some sections indicated that some pre-positioned supplies were included as part of the normal warehouse stocks.

Agreed action 7 (medium priority): The office agrees to ensure adequate control over, and management of, its inventory, including ensuring that stock items are correctly recorded in the VISION financial system. If necessary, the country office should seek assistance with this from the regional office or headquarters.

Responsible staff members: Chief of Supply and Chief of Field Operations.

⁶ From Virtual Integrated System of Information. Resource mobilization, budgeting, programming, spending and reporting are all recorded in VISION, which was rolled out in January 2012.

Date by which action will be taken: 31 March 2017.

Information and communications technology (ICT) infrastructure

A country office is required to establish effective ICT controls to ensure the confidentiality, integrity and availability of information. It should also prepare a disaster recovery plan, which is a series of procedures to restore normal office operations within a pre-determined time following a disaster and/or major event. These requirements are particularly applicable to offices with a high number of users like the Ethiopia office, which has almost 400. The audit noted the following.



Internet service provider (ISP): The audit team noted insufficient quality of service from the ISP sometimes contributed to poor connectivity in terms of speed and availability of bandwidth. For example, the primary link from the ISP was not available for over 40 percent of the time in July 2016. The office confirmed that, on average, the quality of internet links was below 60 percent of contracted bandwidth, which reduced access. However, the audit found that the country office did not have a service level agreement (SLA) in place with the ISP to deal with such performance issues. At the time of the audit, the office was planning to review these issues with the responsible parties.

Disaster recovery plan (DRP): UNICEF offices should update their DRP and conduct tests at least annually. Though the office had moved to new premises in 2014, the DRP dated 2011 was updated and partially tested only two years later (in August 2016). Moreover remote connectivity had not yet been tested, although in an emergency staff might need to carry out their usual tasks remotely.

On one occasion when the Internet was disconnected, on 6-7 August 2016, VSAT⁷ satellite connection was used, for minimal email and VISION services. However, while the satellite phones could be used for voice communication, they had not yet been configured for data communication, so staff could only use VSAT for email and data if they were in the office. Also, the office had not tested the phones, particularly for zone offices facing additional security issues like roadblocks. The audit also noted that, by incorporating the VSAT link as an active link in the firewall as a failover mechanism, e-mail from staff members' homes could have been routed over the ISP link and then, if that link became congested, be automatically re-routed over VSAT link.

⁷ 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.

Staff satisfaction survey: A UNICEF global staff satisfaction survey completed in 2014 showed that the office scored about 17 percent below the global and ESARO averages (which were both 75 percent) for whether the ICT services were seen to enable good job performance. At the time of the audit, the office had not carried out a country-office user survey to identify key areas for improvement, which may include training of local users.

Regional office peer review: Some of the above ICT control weaknesses could have been detected through a regional peer review, but none had been done on-site since 2012. This was despite the fact that a regional risk assessment in November 2014 had identified the office as high risk and therefore requiring an on-site review. The audit team was told that a peer review was planned for the last quarter of 2016, and that it did take place in November 2016, after the completion of the audit.

Agreed action 8 (high priority): The country office agrees to [REDACTED] [REDACTED] close the gaps in the Disaster Recovery Plan so as to ensure uninterrupted internet connectivity.

Responsible staff members: ICT Manager

Date by which action will be taken: The office reports the action as having been taken, except for the staff satisfaction survey; this will be completed by 31 March 2017

Annex A: Methodology, and definitions of priorities and conclusions

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

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

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

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

Priorities attached to agreed actions

- High:** Action is considered imperative to ensure that the audited entity is not exposed to high risks. Failure to take action could result in major consequences and issues.
- Medium:** Action is considered necessary to avoid exposure to significant risks. Failure to take action could result in significant consequences.
- Low:** Action is considered desirable and should result in enhanced control or better value for money. Low-priority actions, if any, are agreed with the country-office management but are not included in the final report.

Conclusions

The conclusions presented in the Summary fall into one of four categories:

[Unqualified (satisfactory) conclusion]

Based on the audit work performed, OIAI concluded at the end of the audit that the control processes over the office were generally established and functioning during the period under audit.

[Qualified conclusion, moderate]

Based on the audit work performed, OIAI concluded at the end of the audit that, subject to implementation of the agreed actions described, the controls and processes over the office 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.