

Internal Audit of the Haiti Country Office

December 2017

Office of Internal Audit
and Investigations (OIAI)
Report 2017/18



Summary

The Office of Internal Audit and Investigations (OIAI) has conducted an audit of the Haiti Country Office. The audit sought to assess the office's governance, risk management and internal controls. The audit team visited the office from 19 April to 11 May 2017, and the audit covered the period from January 2016 to April 2017.

The 2013-2016 country programme consisted of three main programme components and a cross-sectoral component with a total budget of US\$ 74 million. The 2017-2021 country programme consists of five programmes (*Health; Nutrition; Water, sanitation and hygiene (WASH); Basic education; and Child protection*); together with *Programme effectiveness*. The total budget is US\$ 148.6 million of which US\$ 23.6 million is Regular Resources (RR) and US\$ 125 million Other Resources (OR). RR are core resources that are not earmarked for a specific purpose. OR are contributions that may have been made for a specific purpose or programme, and may not always be used for other purposes without the donor's agreement. An office is expected to raise the bulk of the resources it needs for the country programme itself (as OR), up to the approved ceiling.

The Haiti Country Office is in Port-au-Prince, with outposted staff in Hinche, Gonaïves and Cap-Haïtien, and two temporary zone offices (Les Cayes and Jeremie, created for the response to Hurricane Matthew in October 2016). As of June 2017, the country office had 85 approved posts, of which 21 were international professionals, 32 were national officers, and 32 were general service staff.

The audit identified a number of areas which were functioning well. Working closely with its partners, UNICEF had responded quickly to the emergency caused by Hurricane Matthew in October 2016 that left an official death toll of 546 and displaced about 175,000 people. By the end of that month, UNICEF had already raised US\$ 20 million against its US\$ 36.6 million appeal for the response to the Hurricane Matthew and cholera emergencies. The country office led sectoral coordination of WASH, education, nutrition and child protection in response to the emergency, facilitating the delivery of priority interventions. In addition, UNICEF Haiti played a major role in assisting the Government in the review and development of a medium-term plan (2016-2018 MTP), which was a subcomponent of the 10-year National Cholera Elimination Plan that informed the UN Secretary-General's "New Approach to Cholera".

The audit team also noted that, with the help of UNICEF's Latin America and the Caribbean Regional Office (LACRO), the country office had successfully implemented an Information and Communication Technology (ICT) plan. This included a full review of the office ICT infrastructure and the development of a disaster recovery plan (DRP). Given Haiti's susceptibility to repeated shocks, planning for resilience in ICT helps ensure UNICEF's ability to deliver support to its partners and communities during natural disasters.

Action agreed following the audit

The audit identified a number of areas where further action was needed to better manage risks to UNICEF's activities. In discussion with the audit team, the country office has agreed to take a number of measures to address these risks and issues.

Three are being implemented as a high priority; that is, to address issues requiring immediate management attention. They are as follows.

- The country office agreed to strengthen partnership coordination and risk management. This will include mapping its partners across the various sectors, as well as advocating for better coordination of other actors in those sectors. In addition, the office has agreed to put in place mechanisms to ensure clarity of responsibilities between UNICEF and its partners. It will put in place partnership management strategies where necessary to mitigate the risk of not achieving planned results.
- The country office supports the salaries of a number of short-term Government staff through cash transfers. UNICEF records this support as capacity-building in the workplan. The office agreed to establish an inventory of the number and type of staff being supported by cash transfers and define an exit strategy as appropriate for this form of support.
- The office has agreed to strengthen its programme assurance activities, including ensuring that appropriate steps are taken to properly assess and address any unmitigated operating risks using all available evidence, and to analyse and address trends and issues identified by assurance activities.

Conclusion

Based on the audit work performed, and acknowledging the challenging operating environment for UNICEF and its partners in Haiti, OIAI concluded that the country office's governance, risk management and internal controls needed improvement to be adequately established and functioning.

The country office, regional office and OIAI will work together to monitor implementation of the measures that have been agreed.

Contents

Summary	2
Objectives	5
Observations	5
Field offices	5
Funding	6
Partnership management	8
Work planning	9
UNICEF support to Government	10
Protection from sexual exploitation and abuse	11
Programme assurance activities	12
Management of cash transfers	15
Data validation	16
Programme supplies	17
Annex A: Methodology, and definition of priorities and conclusions	18

Audit 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.

This report presents the more important risks and issues found by the audit, the measures agreed with the client to address them, and the timeline and accountabilities for their implementation. It does not include lower-level risks, which have been communicated to the auditee in the process of the audit.

Audit Observations

Field offices

As part of the 2017-2021 country programme, Haiti Country Office identified geographic areas in the departments of Centre, Artibonite, South and South-East for priority programme activities. The office saw these as areas where it could encourage convergence between different but complementary interventions. These included a national sanitation campaign, the fight against cholera, and support to maternal and child health, with the additional aim of improving the visibility and engagement of UNICEF outside Port-au-Prince. In support of this, a field presence was to be established through the eight outposted staff in Gonaïves, Artibonite, Hinche in the Centre and Cap Haitien in the North, who would use office accommodation provided by partners.

The main tasks of the outposted staff were to monitor the implementation of the programme and provide feedback to the country office, whilst ensuring UNICEF visibility at sub-national level. However, the audit team noted that there were no benchmarks against which the country office could assess whether the outposted staff were performing as required. Neither were there clear coordination and oversight mechanisms in place to manage them. The identification of key performance indicators will be essential in helping the country office assess whether these staff will need more resources, and whether the outposting will need to be reviewed in order to better achieve the decentralization and convergence strategies of the country programme.

During the Hurricane Matthew emergency response, two temporary zone offices were established at the heart of the hurricane zone, in Jeremie and Les Cayes; the first had 10 posts, the second had 21. Zone office staff had a technical reporting line to their programme sections in Port-au-Prince and reported administratively to their chief of zone office.

The country office had developed an exit strategy for these zone offices. This is important in cases where a zone office has been set up to respond to a disaster but where that office may be neither necessary nor viable once the response is over. The exit strategies had specific actions, but there were no milestones to guide the sequence of actions to move from emergency response to recovery, or to assess whether all sectors were on course in execution of the strategy. As Haiti can expect to be hit by further natural disasters in future, effective planning for, and monitoring of, exit strategies from disaster situations is important.

The office's 2017 Annual Management Plan (AMP)¹ did not define the zone office reporting mechanisms and information flows needed to manage post-emergency programme activities. Instead, each section monitored the implementation of its own planned activities, using different mechanisms, and there was no coordination of the overall management of programme implementation. The audit team also noted that key priorities related to the zone offices and outposts were not included in the 2017 AMP.

Agreed action 1 (medium priority): The country office agrees to define the performance measures, reporting mechanisms and information flows needed to manage outposts and zone offices. These can be set out in the Annual Management Plan, and the office should monitor the efficiency and effectiveness of the field presence strategy adopted as part of its annual management review. The country office also agrees to define indicators and milestones for use in the monitoring and management of the exit strategy for zone offices.

Responsible staff members: Deputy Representative and Chief Planning, Monitoring & Evaluation

Target date for completion: February 2018

Funding

Haiti is prone to natural disasters. The Humanitarian Needs Overview (HNO)² for Haiti indicated an estimate of nearly 2.1 million Haitians who were affected by Hurricane Matthew passing through Haiti in October 2016. This included 1.4 million people who needed humanitarian assistance in 2017.

A country programme resource mobilization strategy and action plan for 2016-2017 had been developed in 2015, whilst the office had produced two Humanitarian Appeals for Children (HAC)³ in 2016 and one in 2017 (as of April 2017) as part of its resource mobilization⁴ strategy for emergencies. UNICEF and other UN agencies in Haiti also successfully mobilized resources for the treatment of cholera cases and the improvement of water and sanitation. As of 31 October 2016, UNICEF had received US\$ 20 million against its US\$ 36.6 million appeal for the response to the Hurricane Matthew and cholera emergencies.

However, the audit noted the following.

¹ An office's annual management plan (AMP) ensures that that office's human, financial and other resources remain focused on the country programme and its hoped-for outcomes for children and women. To this end, it establishes key priorities, and assigns staff responsibilities for them.

² The HNO is a needs assessment prepared annually for all humanitarian responses using tools provided by humanitarianresponse.info, a service set up by the UN's Office for the Coordination of Humanitarian Affairs (OCHA). More information is available at <https://www.humanitarianresponse.info/en/programme-cycle/space/page/assessments-tools-guidance>

³ A HAC is an appeal that UNICEF launches for assistance for a particular crisis or emergency response, and will state how much UNICEF thinks it needs to raise for a given situation. The appeals page is at <https://www.unicef.org/appeals/>

⁴ While the terms "resource mobilization" and "fundraising" are often used interchangeably, the former is slightly broader; although fundraising is its largest single component, it also includes mobilizing resources in the form of people (volunteers, consultants and seconded personnel), partnerships, or equipment and other in-kind donations.

Data for HAC: Prior to the hurricane, the 2016 HAC had stated that a countrywide target population of 500,000 children needed to receive assistance. The post-hurricane HAC (updated in October 2016) reflected a target of 575,000 children requiring assistance, this time in the hurricane-affected areas only. For 2017, the number was reduced to 532,000. The office told the audit team that differences in the October 2016 and 2017 HACs reflected a change in the focus population – and were also related to data collection and estimation challenges. The latter make it important that the office includes in the HAC its data sources and methodology used, so as to provide clarity on the target population and enable validation of data used in funding appeals.

Central Emergency Response Fund (CERF) loan: UNICEF also received a CERF⁵ loan of US\$ 8 million to scale up the response to the cholera epidemic in Haiti. The loan repayment was due at the end of 2017, but at the time of the audit the office forecast that it would be unable to repay the loan. The office had referred the matter to UNICEF headquarters, requesting that the loan be converted to a grant. At the time of the audit, the Office of the UNICEF Executive Director (OED) informed the audit team that it continues to engage with the CERF Secretariat and the Secretary General’s Special Envoy for Haiti who had committed to mobilize resources to pay the loan, and will continue to raise this issue at the highest levels.

Underfunded programmes: The previous and current country programme relied heavily on other resources (OR funds)⁶; these constituted 84 percent of the total budget in both programme cycles. Funding constraints were identified as programme risks in some programmes, such as Child Protection and Education. In 2015, the office drew up a resource mobilization strategy and action plan for 2016-2017, but these were very broad and did not set out a clear roadmap to address the risks of underfunded programmes.

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

- i. Ensure that the mechanisms for collecting and reporting beneficiary data are reflected in the HAC appeals, and any changes in methodology or adjustments to numbers are clearly set out.
- ii. Continue to engage with the Office of the Executive Director to address the funding shortfall for the CERF loan (such as its conversion into a grant, or reimbursement).
- iii. Update its resource mobilization strategy, including an integrated approach to addressing key underfunded programme results.

Responsible staff members: Representative, Deputy Representative and Chief, Planning, Monitoring & Evaluation

Target date for completion: February 2018

⁵ The UN’s Central Emergency Response Fund (CERF) combines contributions from multiple donors into a single fund with a US\$ 450 million annual target. This money is kept for use at the onset of emergencies or in rapidly deteriorating situations, providing immediate availability of funds in a humanitarian disaster. The funds can also be used in protracted crises that have failed to attract sufficient donor support. In the case of Haiti, CERF funds had been made available for the cholera and hurricane responses.

⁶ A UNICEF office has two main types of funding, regular resources (RR) and other resources (OR). Regular Resources are core resources that are not earmarked for a specific purpose. Other Resources are contributions that may have been made for a specific purpose such as a particular programme, strategic priority or emergency response, and may not always be used for other purposes without 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.

Partnership management

NGO partners had played a crucial role in the implementation of programme activities in Haiti. During 2016 (including the response to Hurricane Matthew), NGOs received 86 percent of the country office's total cash transfers. The audit noted the following.

Mapping of partners: UNICEF offices are required to leverage the comparative advantage of Government and civil society actors. To do this, offices need to strengthen their analysis of prospective partners at the national and sub-national level. The Haiti Country Office had accepted partners based on publication of their status in the official newspaper or a certificate from the Ministry of Planning, but both the country office and the Government had raised concerns that although all the partners and main actors in the various sectors were required to register with the central registering authority (the Ministry of Planning), the monitoring of these actors was not yet fully functional. For example, there were some religious associations that undertook interventions within the same sectors as UNICEF, although little was known about their objectives and activities. There was thus not a comprehensive picture of the actors in each sector, the location of their activities, or their specializations, training, recruitment practices and codes of conduct – all information that would help UNICEF assess where it could best focus its activities for the most impact.

The capacity of the Government to coordinate and monitor programming in the field of child protection was enhanced with the operationalisation of Child Protection Working Groups. In addition, the Government partner responsible has a process through which operational actors in social welfare are validated by signing protocols with them. It was however noted that additional progress could be made by consolidating and extending policy implementation in order to improve the overall coordination and governance of the child protection sector. Limited coordination of the main actors, particularly in sectors such as child protection, may create gaps in accountabilities, makes it harder to attribute outcomes in respect of funds spent, and may reduce the overall impact of the work done.

Partner responsibilities: From meetings with Government partners and reviewing cash transfer assurance activities, the audit team noted that findings of scheduled audits were shared with partners. However, the partners had not reacted to nor explicitly validated those findings. In the sample of HACT audits reviewed by the internal audit team, the action plans for addressing the HACT audits' findings had not been formally agreed or committed to by the partner, even when significant risks were identified in the report. Moreover, there was no clear understanding as to who was responsible for corrective action to address weaknesses in the partners' processes, with UNICEF initiating corrective actions in some cases. When such actions are performed without a clear understanding as to who is responsible, there is increased risk that the partner may not commit the necessary resources to properly implement and maintain the system or procedures being put in place, and may not even understand what is required. To be most effective, a partnership should be collaborative, with clarity on the responsibilities and obligations of each partner. This helps ensure that the responsible partner commits itself to the remedial actions and that they are implemented properly. (See also *Programme assurance activities*, below.)

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

- i. Carry out a mapping of its partners, including creation of a comprehensive database of NGOs with their location and specializations. Within the UN Country Team, UNICEF Haiti will advocate for better coordination of actors within the various sectors.

- ii. Ensure that there is clarity on the responsibilities and obligations of each partner in relation to the programme, and that the partnership risks that may impact implementation are identified. Where the partner does not have the systems to manage key risks, the country office will ensure that its own mitigation strategies describe how the risk of not achieving planned results will be reduced. Partnership risk management strategies can be recorded in the Annual Management Plan or, if pertinent, in an updated Strategy Note.

Responsible staff members: Deputy Representative and Chief Planning, Monitoring & Evaluation

Target date for completion: February 2018

Work planning

UNICEF agrees workplans with its partners. These include plans for detailed activities and set out what the partner will accomplish during specific periods, outline how outputs will be achieved, activities to be carried out, and the period for the provision of inputs and implementation of interventions, and specify the support to be provided by UNICEF. The workplans should, wherever possible, be signed by March each year.

In Haiti, the country office had obtained authorization to extend activities from the 2012-2016 country programme through to the end of the first quarter of 2017, to allow workplans to be agreed with partners after the February 2017 election. At the time of the audit visit, all but one of the five workplans had been signed.

However, the audit team noted that the office did not have a standard mechanism for developing its workplans. For example, the 2017-2018 workplans for the Health and Nutrition programmes specified the budget at activity level, but those for the WASH⁷ and Education programmes did not. The agreed workplans provide the basis for the requisition of inputs and disbursement of funds. The office argued that not specifying funds at an activity level allowed more flexibility. However, a well-considered budget should be built up alongside the results chain, thereby ensuring an appropriate linkage of expenditure from the activity level to the output and then outcome.⁸ The linkage of the cost estimates to the results chain would enhance the country office's results-based budgeting.

The audit team also noted that the targets defined in the country programme document were not translated into annual milestones in the signed workplans. This made it more difficult to monitor progress toward achievement of the results foreseen in the workplans.

Agreed action 4 (medium priority): The country office agrees to enhance results-based budgeting by ensuring that all workplans provide activity planning and budgets; and to define appropriate milestones in order to assess annual progress towards achievement of planned results.

⁷ Water, Sanitation and Hygiene.

⁸ UNICEF programmes plan for results on two levels. An outcome is a planned result of the country programme, against which resources will be allocated. It consists of a change in the situation of children and women. An output is a description of a change in a defined period that will significantly contribute to the achievement of an outcome. Thus an output might include (say) the construction of a school, but that would not in itself constitute an outcome; however, an improvement in education or health arising from it would.

Responsible staff members: Deputy Representative and Section Chiefs

Target date for completion: February 2018

UNICEF support to Government

Over the years, limited Government budgets for the social welfare sector had led to a reliance on UNICEF and other organizations for implementation of national programmes at the decentralized level. The Haiti Country Office had thus been providing funding for a number of short-term Government staff salaries through cash transfers. The audit reviewed this aspect with two Government partners.

The country office had had recent discussions with one of the Government partners in order to ensure that staff names were checked against national identification cards. However, this was not done with all the Government entities where support was provided. One of the audit reports reviewed noted that staff were being paid without contracts and there was no evidence of work they had done. Moreover, other international organizations and donors also provide support for Government salaries across all sectors. Government controls over recruitment, supervision and payment should be regularly assessed to ensure coordination among donors and technical and financial partners in order to optimise fund allocation, avoid duplication, and confirm that employees exist and are providing the service for which UNICEF provides funding.

The audit noted that the office had not received any assurance on whether the supported staff were serving the purposes intended. Nor had it established whether the Government could continue to provide the services without UNICEF support, and there was no clearly defined exit strategy.

It was also noted that UNICEF's support for these staff was recorded as a capacity-building activity in the sectional workplan. However, it was unclear how the effectiveness of this capacity building would be measured, particularly in respect to UNICEF-related programmatic activities at community level where the ultimate objective would be achieved, and the office did not have a consolidated list of all the staff being supported, including the type of contracts and tenure and purpose of services to be undertaken. Moreover, the numbers of staff fluctuated significantly over time, as the numbers needed depended on the workload. For example, one of the Government partners had 83 staff in 2016, which reduced to 76 by 2017 when UNICEF stopped funding coordinators and administrative staff. At the time of the audit, in one of the projects reviewed, the other Government partner had six staff supported by UNICEF. The audit team also noted that the staff salaries supported included administrative staff, such as coordinators and a driver. In the view of the audit, much of the funding of staff in the social welfare sector was not capacity-building but simply support to the structure of the organizations, and might not add value in the long term.

For both partners, it was also found that the related Government staff contracts were raised only when the UNICEF cash transfers were received, and the tenure of the contracts was aligned with their validity dates. Both Government partners said that the short-term contractual status and funding of those staff was a major concern, in that it had an impact on the continuity and effectiveness of services offered. For example, the late payments of cash transfers delayed the issuance of new contracts for staff, which could adversely affect the implementation of programme activities.

Capacity-building should aim to provide sustainable change at an identified level (national, sub-national and community). The current initiatives clearly show the provision of child-related services that are dependent on funding sources that are neither long-term nor guaranteed.

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

- i. Establish an inventory of all consultants supported through cash transfers.
- ii. Clarify the tenure and nature of Government staff contracts that will be supported by cash transfers.
- iii. Develop a mechanism to monitor the types of support provided and its effectiveness.
- iv. Develop various scenarios in support of a documented exit strategy.

Responsible staff members: Representative, Deputy Representative, and Chief Planning, Monitoring & Evaluation

Target date for completion: February 2018

Protection from sexual exploitation and abuse (PSEA)

Multidimensional poverty coupled with the impact of natural disasters has had a severe effect on the condition and rights of children in Haiti. There are many documented child-rights violations in Haiti, including child labour, trafficking, migration, and sexual exploitation and abuse (SEA).

It is generally acknowledged that the risk of SEA is usually elevated in humanitarian crises, during which women and children are particularly vulnerable. In February 2017, the United Nations Secretary-General issued a strategy⁹ to improve the UN's system-wide approach to preventing, detecting and responding to SEA. UNICEF's Programme Division has been working on a number of policies and tools to strengthen UNICEF's approach to SEA, but these had not yet been deployed to country offices at the time of the audit visit. The audit team noted that the country office has, through its Child Protection programme, developed local SEA prevention and monitoring practices which could be extended to other programmes and contribute to enhancing the office's capacity to identify and mitigate SEA risks as part of its programming.

At the time of the audit, the UN Stabilization Mission in Haiti (MINUSTAH) dealt with reported cases of SEA through its Conduct and Disciplinary Unit (CDU) and performed outreach based on community networks identified by the Mission. UNICEF sat with the CDU on the PSEA committee. However, the audit team noted that this committee had not met for some time, and in addition MINUSTAH was in the process of changing its mandate and reducing its presence. Furthermore, systematic collaboration including the sharing of data had not been provided for in the relevant workplans, and there were no active partnerships on the beneficiary feedback mechanisms at the time of the audit, although the audit team noted that work was underway for collaboration on victim assistance between UNICEF and CDU.

The audit team also noted that there was potential for UNICEF to do more to utilize local NGO partners' systems for the identification and care of SEA victims, as well as build on systems

⁹ Secretary-General's Bulletin *Special measures for protection from sexual exploitation and sexual abuse* (ST/SGB/2003/13).

and practices developed within the Child Protection programme. The same applied to the processes established by the relevant Government partner with regards to the training and monitoring of staff and partners working at community level in the prevention, detection and response to SEA against children.

Further, all UNICEF partners should be encouraged to adopt UNICEF's ethos, policies and procedures regarding child protection and child rights issues, including SEA. The office did not have processes to regularly assess the uptake of and adherence to such policies. The Haiti Country Office's child protection section did have a policy, drawn up in 2016, that was meant to be adopted by all partners working in the child protection sector, but the policy had not been extended to all those partners, suppliers and contractors who might, through UNICEF interventions, have increased access to children. Neither was the office using wider partnership networks strategically to enhance the effectiveness of PSEA at community level.

Child protection had the smallest budget in the current Haiti country programme. That in itself was not necessarily a problem; however, given limited resources and the cross-sectoral issues impacting child rights, a comprehensive approach to child-rights violations, and in particular SEA, requires systemic multisector engagements, with strategic use of UNICEF partners. A fragmented approach could reduce the ability of UNICEF in Haiti to detect violations of child rights and could impede the organization's response. The new country programme document (CPD) is addressing these concerns through a stronger focus on cross-sectoral and integrated programming in the field of violence prevention, detection and response.

Agreed action 6 (medium priority): The country office agrees to, in coordination with Programme Division:

- i. Work with the Haiti PSEA committee to agree and document priority areas of collaboration, including data, outreach and beneficiary feedback mechanisms within the UN Country Team.
- ii. Ensure that any cross-sectoral/integrated activities related to the agreed priority SEA collaborations are set out in the annual management plan, and are implemented.
- iii. Disseminate UNICEF policies, procedures and tools to staff and partners who have access to children, so that the policies, procedures and tools are understood and adopted by UNICEF staff, partners and contractors.
- iv. Put in place mechanisms to regularly assess the acceptance and adoption of these principles and requirements amongst UNICEF and its partners, and improve collaboration on data exchange and beneficiary feedback mechanisms.

Responsible staff members: Representative, Deputy Representative and Section Chief, Child Protection

Target date for completion: February 2018

Programme assurance activities

Transparency International's Corruption Perception Index (CPI) for 2016 ranked Haiti 159 out of 176 countries listed. Risks in Haiti include diversion of funds through fraud, corruption and theft, and the misallocation of budgets and resources.

UNICEF and some other UN agencies manage cash transfers to partners under the Harmonized Approach to Cash Transfers (HACT). With HACT, an office relies on implementing partners to manage and report on the use of funds provided for agreed activities. This is

meant to cut down on bureaucracy and paperwork, but does require UNICEF offices to systematically assess the level of risk before making cash transfers to a given partner where the partner will receive in excess of US\$ 100,000 per annum (or else the office must treat the partner as high risk by default). They should then adjust their method of funding and assurance practices accordingly.

A key part of risk assessment in HACT is the macro-assessment, which is undertaken at least once in each programme cycle.¹⁰ This assesses the public financial management environment within which the agencies undertake cash transfers to implementing partners. The 2013 macro-assessment for Haiti concluded that the supreme audit institution did not have the capacity to conduct reliable audits of government partners. The macro-assessment recommended that the UN agencies should take extra precautions to compensate for these weaknesses. The UNICEF country office used an audit firm contracted by the Field Results Group (FRG) in UNICEF headquarters to carry out micro-assessments, audits and spot checks when required.

The audit noted the following.

Micro-assessment: Micro-assessments are done to give the office information on the level of risk which may be presented by working with a particular partner. The office had completed all the necessary micro-assessments of Government partners, of which one was rated low risk and the rest medium risk. However, the ratings for Government partners did not take account of the result of the macro-assessment, which had identified key issues that included absence of a consolidated Government annual budget, fragmented budget execution, and donor contributions not being accounted for separately. Furthermore, the audit team noted that scheduled audits performed in 2016 (on Government partners that had received more than US\$ 500,000) had in some instances been rated as high risk with a qualified audit opinion. The auditors' concerns included the absence of an accounting system, lack of a dedicated account for UNICEF funds, and no bank reconciliations. The results of the scheduled audits reconfirmed some of the findings from the macro-assessment, but the country office had not adjusted the ratings of these partners accordingly and so risked not exercising an adequate level of control over them.

FRG told the internal audit team that the micro-assessment methodology that was being used at the time by the country office had weighted each of the questions equally, without consideration to the relative significance of the control. It was therefore extremely unlikely in practice that any partner would be given a significant or high risk rating. This weakness within the HACT methodology has since been addressed, and micro-assessments are now performed using an improved weighting system. FRG stated that country offices would be advised to revise the ratings when necessary, but have not as yet asked country offices to assess the impact on the new methodology on their partners' current risk ratings.

Assurance plan: The office had drawn up assurance plans for 2016 and 2017 that included micro-assessments, programmatic visits, spot checks and scheduled audits. There were 181 assurance activities planned in 2016 and 133 in April 2017. The audit team noted that planned assurance activities were based on partners' risk profiles and the total amount transferred during the year or the country programme cycle. The costed assurance activities (audits and

¹⁰ Macro-assessment results are valid during the period of a programme cycle, including any Board-approved country programme extension(s), and for a period up to five years in cases where the period crosses over two cycles.

some spot checks) amounted to US\$ 212,875. However, this did not include the costs for onsite reviews conducted by UNICEF staff (spot checks and programmatic visits).

The audit also found that a number of the 2016 and 2017 assurance activities reviewed were related mainly to 2015 programme activities. Time-lags in the assessment of the partners increase the risk that weaknesses that might allow misallocation or misappropriation of funds will not be identified promptly. Furthermore, delays in identifying funds for potential reprogramming or refunds can result in their loss, as the funds can reach their expiry date.

Programmatic visits: During programmatic visits, UNICEF staff discuss implementation issues or delays with the partners. These visits may result in a specific action plan, depending on the significance of the issues identified. The office had standard programmatic visit reports, and these were being used. However, the audit team noted that the quality of the reports varied, and some had precisely targeted recommendations while others had broader actions that were not easy to monitor.

Follow-up of assurance activities: The HACT assurance and implementation plan was discussed in the CMT,¹¹ and the office had an assurance activities tracking sheet that recorded information and recommendations resulting from programme visits and spot checks. However, there was no formalised process to prioritise the findings and to monitor the implementation of key findings. There was no other review of the findings from the audits, programme visits and spot checks in order to agree on priority actions and allocate responsibilities.

Some of the recommendations included in the database were not time-bound and/or were difficult to close. The office stated that any prioritization included in the report was linked to specific timelines agreed with the partners rather than to the significance of the issues identified. In some instances, the tracking sheet showed that recommendations, including urgent ones, had remained open for six to 12 months. Also, the office's HACT team maintained the database and closed the recommendations based on information received from the officer who had completed the assurance activity, but the validation of those actions was not documented and not formalised.

In addition, the tracking sheet did not include key findings and recommendations arising from the HACT audits. Further, there were delays in finalising scheduled HACT audits, due in part to the difficulties some partners had in providing proof of expenses. Despite this, the risk rating of the partner in these cases remained unchanged and no special audits were conducted.

Given the macro-assessment's conclusion regarding the public financial system, and the inconsistency between the macro- and micro-assessment results (and indeed the HACT audits whose results were in some cases inconsistent with the micro-assessments), the office needed to ensure that its assurance procedures could more quickly and effectively identify, analyse, and respond to red flags and anomalous trends.

¹¹ An office's country management team (CMT) advises the Representative on the management of the country programme and on strategic programme and operations matters. It consists of senior staff from Programme and Operations sections, and staff representatives.

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

- i. Ensure that the risk rating of implementing partners properly reflects all available evidence, and put in place mechanisms to manage any unmitigated risk. This can be done in consultation with UNICEF's Field Results Group (FRG).
- ii. Ensure that tracking mechanisms cover all assurance activities, including tracking implementation of recommendations arising from assurance activities and feedback from the partner; and define staff responsibility for closing recommendations, and the information required to do so.
- iii. Put in place mechanisms to identify and respond on a timely basis to red flags, anomalous trends and transactions and report or escalate the result to an appropriate committee or level for action.
- iv. Ensure the costing of the assurance plan includes all assurance activities and that those activities relate to current cash transactions as far as possible. The office should focus on the quality of assurance and other control activities conducted as well as on whether an adequate number and coverage of assurance activities is achieved.

Responsible staff members: Deputy Representative and Chief Planning Monitoring & Evaluation

Target date for completion: February 2018

Agreed action 8 (medium priority): The Field Results Group agrees to issue advice to those offices which have not yet utilised the new micro-assessment methodology to consider the impact of recent assurance activity findings on their partner risk ratings. In addition, FRG will incorporate relevant guidance on this process within the UNICEF HACT procedure.

Responsible staff members: FRG, Chief, Implementation Modalities

Target date for completion: February 2018

Management of cash transfers

Cash transfer is the major programme input for UNICEF in Haiti, being 50 percent (US\$ 14.8 million) of the 2016 spending. The internal audit team selected a sample of transactions for review and noted the following.

Type of cash transfer: UNICEF procedures provide that the risk associated with a particular partner is managed by using the most appropriate type of cash transfer for that partner. Thus, instead of a direct cash transfer (DCT) to the partner, an office can instead reimburse the partners' expenses after the fact, or pay them itself directly at the time they are incurred.

The audit team noted that for some partners, more than one type of cash transfer was used with no link to the risk associated with each. For example, in one instance, the office had used a combination of DCTs and direct payments. The DCTs were used for financial support, whilst the direct payments were made to construction companies based on a Government request. The office also used reimbursements for the same partner. The audit additionally noted that disbursements were made at times when the partner had DCTs that had been unliquidated for over six months. UNICEF policy is that this should not be done without the authorization of the Regional Director, but there was no evidence that this approval had been obtained.

Delays in disbursements: These varied from 12 and 60 days after the scheduled start date for implementation. For example, in one case, a three-month programme cooperation agreement (for the period October to December) was signed in November and funds were transferred 15 days before the proposed end date. Such delays could have an adverse impact on programme implementation.

Supporting documentation: A review of a sample of reimbursements found there was no evidence of authorization or agreement to initiate the activities for which payment was being made. As such, the audit team could not confirm that expenses had been authorized prior to being incurred. Examples included a failure to obtain pre-authorization of expenses related to reimbursements amounting to US\$ 87,000 and US\$ 208,000. In addition, the majority of the transactions sampled did not provide detail of the activities performed as required.

The review of liquidations also noted instances of incomplete documentation, with liquidations being filed without the required activity report. This meant that the completion of the activity could not be confirmed and linked back to the workplans.

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

- i. Ensure that cash transfers are appropriately authorized, adequately supported by appropriate documentation, and linked to the workplans.
- ii. Put in place procedures to prevent the use, without proper authorization, of multiple types of cash transfer to the same partner, with unliquidated cash-transfer balances of more than six months.

Responsible staff members: Deputy Representative and Chief Planning, Monitoring & Evaluation

Target date for completion: February 2018

Data validation

The office produced 37 donor reports in 2016 and 2017 (as at April 2017), and submitted them on time.

Triangulation of data – that is, its cross-checking against different sources or types – is important in ensuring the accuracy and validity of data reported by the office. The audit team selected 15 results statements in five donor reports and reviewed the documentation supporting them, and the methodology and tools used to validate the reported data.

In six out of the 15 instances tested, the data reported relied on the reports provided by partners or on programme activity visits; in a number of instances, there was no evidence of how the office had validated or triangulated the reported data with relevant partner reports or programme monitoring. As an example, in one instance, the data reported stated that 110 women and 157 men had taken part in hand-washing awareness activities in a given location, but the information was supported only by the partners' own activity report without other means of validation of the numbers.

This is an issue which has been identified in a number of country office audits. OIAI is engaging with relevant headquarters divisions on how country offices can best be supported to strengthen the quality of data validation.

Programme supplies

In 2016, UNICEF's programme supplies in Haiti amounted to US\$ 5.3 million; the quantity procured had increased with the Hurricane Matthew emergency. The total value of the inventory held was US\$ 3.1 million.

For local procurement, the Haiti Country Office publicly advertised invitations to bid, requests for quotations and expressions of interest and proposals, to obtain the best possible costs. However, although the office noted the difficulty of finding local suppliers, it had not done a market survey since 2012. Widening the supply base is a good practice that not only helps obtain the best value; it can also assist local businesses, which could promote resilience. The office has planned to launch a market survey in 2017.

During Hurricane Matthew, the office had set up temporary transit warehouses in the field for prepositioning of emergency supplies and their distribution to partners. The office said that US\$ 2.2 million (71 percent of total inventory) were issued from Port-au-Prince warehouses. It said that limited accessibility to affected areas risked disruption of programme supplies, and noted the need to perform a logistics assessment as part of emergency resilience building and supply strategy. The last logistics capacity assessment had been undertaken in 2012.

The audit team reviewed planning and timeliness of delivery of supplies to partners in 2016, and during 2017 up to April. It noted that in some cases, supplies were not delivered within agreed deadlines. For example, with two NGOs the office had signed PCAs that had cash and supply components. Officials of these NGOs in Les Cayes said that although funds were received immediately, there had been delays to supplies that constrained their activities. The audit team's review showed the procurement of school kits ordered as part of the hurricane response arrived late. The country office had decided to keep the school kits in the warehouse and said they would be distributed in the next school year.

Supply end-user monitoring activities were not done. The audit team's review of a programme field trip noted that there had been questions raised related to incomplete items in the school kit. The supply section was, however, not aware of the issue raised in the programme trip report and so did not follow up with the supplier.

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

- i. Conduct a market survey for locally-procured supplies, in order to widen the local supply base used.
- ii. Ensure, at the planning stage, more coordination between the supply and programme sections and clarify the procurement process so that agreed delivery times are known and communicated to partners, and are met.
- iii. Perform a logistics capacity assessment in order to maximize efficiency, and as part of emergency resilience building and supply and logistics strategy.
- iv. Include supply end-user monitoring in programme monitoring and ensure that the supply section receives any feedback on the use and quality of supplies.

Responsible staff members: Chief of Operations and Supply Specialist

Target date for completion: February 2018

Annex A: Methodology, and definition of priorities and conclusions

The audit team used a combination of methods, including interviews, document reviews, testing samples of transactions. The audit team 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 its clients 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 that being audited (for example, a regional office or headquarters 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 the 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 four categories:

[Unqualified (satisfactory) conclusion]

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

[Qualified conclusion, moderate]

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

[Qualified conclusion, strong]

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

[Adverse conclusion]

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