

# Internal Audit of the Somalia Country Office

December 2018

Office of Internal Audit  
and Investigations



Report 2018/13

## Summary

The Office of Internal Audit and Investigations (OIAI) has conducted an audit of the Somalia Country Office. The objective of the audit was to assess the office's governance, internal risk management and internal control, with a focus on key risks and activities. The audit team visited the office from 1 to 18 October 2018, and the audit covered the period from January 2017 to September 2018.

The current country programme runs for only three years, 2018-2020; this reflects the need for UNICEF's programme to evolve along with the changing environment in Somalia. The current programme has six main components: *Health; Nutrition; Water, sanitation and hygiene (WASH); Education; Child protection; and Social protection*. All are aligned with the priorities of UNICEF's Global Strategic Plan for 2018-2021. There is also a component to support programme-wide areas such as planning, management, operational support and monitoring.

The total approved budget for the 2018-2020 country programme is US\$ 267.7 million, of which US\$ 40.7 million is Regular Resources (RR) and US\$ 227 million is Other Resources (OR). RR are core resources that are not earmarked. OR are contributions that may have been made for a specific purpose, and may not always be otherwise used 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 budget. The office also planned to raise a further US\$ 154.9 million in 2018 to respond to the humanitarian needs of internally displaced persons (IDPs) and refugees. This type of funding is known as Other Resources (Emergency), or ORE. The total budget allotments for 2017 and 2018 were US\$ 191.5 million and US\$ 219.2 million respectively.

In 2018 the country office was re-established in Mogadishu after 25 years in Nairobi, Kenya. The relocation from Nairobi to Mogadishu was being done gradually to allow time to enhance national staff capacity in Somalia, and assist continuity of programmes. At the time of the audit the office was in phase two of a four-phase change process. In phase one, which started in January 2018, vacant posts were moved to Somalia and hired directly into the country. Phase two commenced in April 2018 with the move of the Country Management Team (CMT)<sup>1</sup> to Mogadishu. Phase three, in December 2018, will see a combination of post abolition and establishment, as well as movement of positions remaining in Nairobi. Phase 4 will be an assessment of the relocation and will establish what, if anything, remains to be done. It will take place in June 2019, at the Mid-Term Review.

As of October 2018, the country office had 301 approved posts, of which 87 were for international professionals, 95 for national officers and 119 for general service staff. Of the 301 established posts, 68 were vacant – but this vacancy rate reflected the phased approach to the re-establishment in Mogadishu. For 52 vacant posts, recruitment was underway; a further 16 posts were being reassessed. At the time of the audit, construction was underway to increase the accommodation and office space.

Somalia is now divided into six regions, including five known as Federal Member States, they are Galmudug, Hirshabelle, Jubaland, Puntland and South West State, as well as Somaliland. UNICEF Somalia has nine offices. Eight are in Somalia itself and one is in Kenya; the latter is the UNICEF Somalia Support Centre (USSC) in Nairobi, which until the second quarter of 2018 continued to perform the country-office function. The country office is now in Mogadishu, with three zone offices and four sub-offices. In two of the sub-offices there is no staff presence, except for an inter-agency arrangement

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<sup>1</sup> An office's 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.

with World Food Programme (WFP) for use of their warehouses in both locations for transshipment of programme supplies.

The audit noted a number of positive practices. In order to deliver results for children, the office took advantage of opportunities, and managed risks, as they arose. For example, during programme visits, the audit observed that the office had applied an integrated approach in its pre-famine response, ensuring that there were synergies between the planned health and nutrition responses. Moreover, a close partnership had been established with WFP and FAO. The office had been successful in raising both OR and ORE funds, and was viewed as a good partner by the Government, donors and implementing partners.

A review of the change management process associated with the re-establishment of the office in Mogadishu found that it was robust. Staff involvement had been ensured, and decision-making was based on analysis of the situation in Somalia and on affordability. The regional office had been closely involved in designing the change management process, and provided oversight at the implementation stage. The 2017 annual reviews in zone offices were held in October, enabling their consolidation into the annual review at country level, which took place in November. National partners were included in the review at the local level. The focus of the annual review was to assess results and discuss implementation challenges, and find ways to strengthen programme implementation where required.

### Action agreed following the audit

However, 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 and regional office have agreed to take a number of measures to address these risks and issues. The following action is being implemented as a high priority – that is, to address issues requiring immediate management attention:

- The office will reduce the time it takes to develop programme documents with partners, and avoid gaps between them in cases where continuous service delivery is required.

### 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 country office's governance, risk management and internal controls were generally established and functioning during the period under audit. The Somalia Country Office, the Eastern and Southern Africa Regional Office (ESARO) and OIAI intend to work together to monitor implementation of the measures that have been agreed.

## Contents

<b>Summary</b>	<b>2</b>
<b>Objectives</b>	<b>5</b>
<b>Observations</b>	<b>5</b>
Office structure/decentralization	5
Results structure	6
Knowledge of the situation of women and children	7
Partnership management	9
Monitoring	11
Results assessment and reporting	14
Prevention of sexual exploitation and abuse	15
Cluster coordination	16
Accountability to Affected Populations	17
Harmonized Approach to Cash Transfers	18
Financial management	19
Procurement of supplies and services	20
Construction management	22
<b>Annex A: Methodology, and definition of priorities and conclusions</b>	<b>24</b>

## Objectives

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

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 client in the process of the audit.

## Audit observations

### Office structure/decentralization

UNICEF Somalia has nine offices, of which three – Garowe, Hargeisa and Mogadishu – are zone offices. Each zone office is headed by a P5-level Chief of Office, who is supported by a Zonal Management Team. Local staff associations and Partnership Review Committees (PRCs) have been established in each zone office.

The country programme is implemented through three workplans, covering Central South Region, Puntland and Somaliland. These plans are signed by the Representative and the respective Chiefs of the zone offices on behalf of UNICEF. In Central South region the workplan is signed with the federal Government. In Somaliland and Puntland, the workplans are signed with Federal member states. In the north of the country, the governance environment is stronger; the Ministries of Somaliland and Puntland are increasingly robust bodies. UNICEF has strengthened engagement with them in the past few years and has helped them gradually take on delivery of services for children. Meanwhile, however, the emergence of four other Federal Member States (Galmudug, Jubaland, South West State and Hirshabelle) in Central South Region has created additional complexity in terms of the political dynamic as well as challenges in terms of planning and allocation of resources.

Moreover, with the re-establishment of the country office in Mogadishu, interaction with the federal Government was changing. For example, section chiefs rather than zone-office staff were now engaging with higher-level federal officials. As both the country-office and zone-office staff interact with the federal Government, it is important that their roles and responsibilities are clearly defined, to avoid mixed messaging and confusion. At the time of the audit, the roles and responsibilities of zone office staff and country office staff with regards to the federal government and programme implementation in Central South were yet to be clearly defined.

The audit noted that it was not only UNICEF staff that were affected by the lack of clarity. Counterparts and implementing partners also requested further clarification.

The Federal Member States in Central South are still fairly new, and their roles and responsibilities *vis-à-vis* those of the federal government are being discussed as part of the constitutional review process. Nonetheless it is important that the office determines how the zone office should engage the member states in Central South region in the programme review and planning process. This had yet to be done at the time of the audit.

**Agreed action 1 (medium priority):** The office agrees to develop a framework on roles and responsibilities of the country office and zone office in Central South Region, and clarify the way forward with regards to engaging member states in that Region.

Responsible staff members: Representative (lead), Deputy Representative, Chief of Operations and Chief of PM&E

Date by which action will be taken: March 2019

## Results structure

UNICEF practices results-based management, and requires that results be evidence-based, and that they be reported against defined indicators and baselines. To assess the extent to which the office had met these requirements, the audit looked at three areas that should reflect this. The first was the Country Programme Document (CPD), which sets out the office's intentions for the current country programme cycle, including the results framework, and states what resources will be devoted to each programme component.

Secondly, offices, including country offices, upload their results to a Results Assessment Module (RAM) so that they can be viewed across the UNICEF system, allowing easy access to information and comparability of results. The results reported in RAM should be evidenced-based and should relate to each other in a logical sequence. Finally, the office's workplans, which operationalize the programme, should detail outputs, indicators, targets, baselines, activities and who will implement them, and timelines and planned inputs.

The audit noted the following.

**Country Programme Document (CPD):** A review of the results and resources framework in the 2018-2020 CPD found that it was of good quality. Results were framed in terms of the concrete changes expected to be achieved for children. All but two indicators had baseline and target figures (but the lack of baselines had subsequently been addressed in the workplans). The application of national targets in the Somalia CPD was a new approach; in the previous CPD, the targets had been disaggregated by zone and reflected the local context. According to the office, the use of national targets reflected the fact that the CPD was aligned with the National Development Plan.

**Results Assessment Module:** The audit reviewed the detailed result structure in the RAM. It was aligned with the results and resources framework in the CPD, and the outcomes and outputs were coherent and logical.

However, there was scope for further improvement in indicator selection. Generally, sex disaggregated baseline values and targets were not provided, so it was difficult to assess UNICEF's contribution to increasing gender equality. In education, the selected indicators at output level did not fully demonstrate the stated results. In water, sanitation and hygiene (WASH), the indicator and/or target selection could have been strengthened for two of the outputs. In one case an additional indicator would have been required to measure WASH at decentralized level, as the result statement outlined results expectations for 'all [geographical] levels'.

**Workplans:** UNICEF offices agree workplans with their implementing partners. According to UNICEF's Programme Policy and Procedure Manual (PPPM), workplans can be developed on an annual or multi-year basis, or as rolling workplans (RWPs). In the latter case, the workplan is subject to interim review – at which time an additional six months will be added on to the rolling workplan to make up a new

18-month cycle.

A review of the 2018-2019 RWPs found that they should be further strengthened. Most importantly, the zone office RWPs did not adequately reflect the wide differences in local programme context between Somaliland, Puntland and South Central. Zone-office plans generally had the same baselines and targets at outcome level. Moreover, it was found that the narrative in each zonal workplan was generally identical and most activities were similar.

The office was aware of the need to strengthen its planning at regional level and had decided in 2018 to develop regional strategy notes similar to the Programme Strategy Notes<sup>2</sup> supporting the CPD. The office had disseminated a guidance note on development of those regional strategy notes. The guidance note stated clearly that each region was a distinct programming environment that posed unique challenges, including but not limited to access, security, and recurrent natural and man-made emergencies, and that each region demanded a specific approach and resources to address those challenges. However, at the time of the audit the zone offices had yet to develop the regional strategy notes.

**Agreed action 2 (medium priority):** The office agrees to complete the development of regional strategy notes so that their contents are reflected in the workplans for 2019. It also agrees to refine the result structure at zone office level to ensure they reflect the regional context, and establish clear and relevant performance expectations for each zone office.

Responsible staff members: Chiefs of Field Office, Representative, Deputy Representative and Chief of PM&E

Date by which action will be taken: March 2019

## Knowledge of the situation of women and children

UNICEF programmes need to be designed on the basis of the best possible information on the situation of children and women. However, getting accurate, reliable and up-to-date data is a challenge in Somalia. The most detailed data pertain to the humanitarian response, where information sources include the Drought Impact Needs Assessment (DINA) and the Food Security and Nutrition Analysis Unit (FSNAU)<sup>3</sup> twice-yearly reports. The office also makes use of UNHCR data on internal displacement and IOM's displacement tracking matrix to determine population movement. In addition, an interagency early warning indicator dashboard has been established to guide the humanitarian response.

Although data exists on the pre-famine response, there are ongoing discussions on the accuracy of the data. This leads to requests from partners and other agencies for additional data, but overall the office had found that it had enough data relating to the humanitarian situation, and that rather than gathering more, attention should be given to analysis of the data that was available.

The audit agreed with this. However, the larger data gaps pertained to development, rather than to the humanitarian situation. According to the 2018 Somalia country profile by UNICEF's Division of Data, Research and Policy (DRP), on progress against the 44 child-related Sustainable Development

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<sup>2</sup> An office prepares Programme Strategy Notes when preparing a new country programme, explaining what it wants to do in a given sector, why, and what the outcome should be.

<sup>3</sup> The DINA is a collaboration between multiple bodies including the Government and the UN. The FSNAU is a nutrition surveillance unit supported by various partners with management from FAO. See <https://reliefweb.int/report/somalia/somalia-drought-impact-needs-assessment> and <http://www.fsnau.org/>.

Goals (SDG) indicators, there is no data from Somalia for 17 and insufficient trend data for 10. Only for 12 indicators is there data enabling an assessment of progress against SDGs. (The remaining five SDG indicators are not applicable to Somalia.) The largest data gaps are in the SDG components on learning, fair chance and protection. Based on its review of statistical data, DRP ranks Somalia as 145 out of 146 for national statistical capacity.

The most recent Multiple Indicator Cluster Survey (MICS)<sup>4</sup> is from 2011 and covers only Somaliland and Puntland. The last time a country-wide MICS could be carried out was 2006 (MICS3). A MICS had been planned for August 2016-August 2018, as part of the sixth global round of MICS, which was launched in 2016. However, the Government had decided to conduct a Demographic and Health Survey (DHS)<sup>5</sup> instead. According to UNICEF guidance, offices should consider alternating DHS and MICS every 2-3 years, especially within the SDG context, where there is increased pressure for more frequent data collection. The sixth global round of MICS responds to SDG data needs by broadening the scope of its tools and including new SDG indicators. This is an added value of MICS compared to DHS. Also, at the time of the audit, limited information was available with regards to the DHS; UNICEF had been given information on the sampling methodology and indicator selection, and provided feedback, but the final tools developed for the DHS by UNFPA had not been communicated to the country office.

More positively, a *ProPAN* survey<sup>6</sup> (2016) and an Infant and Young Child Feeding Knowledge Attitude and Practice Study (2016) were undertaken in nutrition, and an education baseline mapping (2016) conducted.

Thus some action had been taken to support the development of an evidence-based 2018-2020 country programme. Moreover in June 2017 the office had established a research committee for studies, surveys and evaluations. However, this had met only once in 2017 and twice in 2018. This was attributable to staff turnover in committee membership and chairpersonship during the 2018 transition year. To address data gaps, an interagency effort was required. There was an UN monitoring and evaluation (M&E) working group, but it had met only once in 2017-2018 and had no strategy or workplan.

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

- i. Undertake a data-gap analysis and develop a road-map for addressing the gaps, which could include as an option a Multiple Indicator Cluster Survey in the national survey schedule in Somalia.
- ii. Contribute to inter-agency efforts to reinvigorate the UN monitoring and evaluation working group.

Responsible staff members: Chief PM&E (Lead) and Deputy Representative

Date by which action will be taken: June 2019

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<sup>4</sup> The MICS is a survey technique developed by UNICEF to provide rigorous data on households, from women, from men and children, providing internationally comparable data.

<sup>5</sup> The DHS programme is an international effort to collect accurate health and population data.

<sup>6</sup> *ProPAN* is a set of research tools designed for ministries of health, NGOs and other organizations trying to improve diets in order to prevent early childhood malnutrition in children under two. It was devised by UNICEF, WHO and the Pan American Health Organization (PAHO).



## Partnership management

The office implemented its programme through 160 Government and non-Government partners in 2017 and 152 in 2018. In total, approximately US\$ 143 million was transferred to NGOs and Government counterparts in the period January 2017 to October 2018. At the time of the audit there were 117 active agreements with NGO partners, of which 82 were with local NGOs and 35 were with international ones. The values of the active partnership agreements with local and international NGOs were US\$ 52.4 million and US\$ 38.9 million respectively.

Somalia's operating context had constrained UNICEF's oversight of partners in the field, or to directly obtain beneficiary feedback. There was thus a constant need for improved due diligence, and coordination and information sharing with other development and humanitarian actors.

The audit found that a generally strong due diligence process had been established for the selection of partners. As part of the process, the office reviewed all passports and curriculum vitae of NGO staff to verify that they were not on the UN sanctions list. Moreover, UNICEF conducted reference checks with other UN agencies and made use of the UN Risk Management Unit (RMU)<sup>7</sup> in Nairobi. All partnerships were registered in the RMU's contractor information management system (CIMS). UNICEF Somalia's management of risks associated with partnerships had improved, in that the number of high and significant risk partners,<sup>8</sup> and disbursements to them, had dropped significantly from 74 and US\$ 19.8 million in 2017 to 44 and US\$ 5.1 million in 2018.

However, the audit noted the following.

**Partnership documents:** Two main documents underpin an office's partnership with an NGO. The programme cooperation agreement (PCA) is the formal partnership document. The programme document (PD) is produced by the partner and the relevant programme section in the UNICEF office, explaining what the proposed collaboration is for, and includes the budget and result framework. These documents are submitted together to the office's Partnership Review Committee (PRC). However, although the PCA is the formal agreement, it is the PD which sets out what the partnership will actually do.

According to a 2017 survey of partnerships by UNICEF's Field Results Group (FRG), the average time to develop a PD was 66 working days in Somalia. This was the time from submission of the PD to the PRC to the signature of the PD by the Representative and the head of the NGO. In reality the development process was significantly longer, as the PD would go through several draft versions prior to submission. For example, four NGOs the audit met in Nairobi said they had submitted a partnership proposal in February 2018, two months before their existing partnership with UNICEF expired, but the PDs had yet to be signed at the time of the audit in October. A long development process, and starting to draft PDs shortly before expiry of existing partnerships, led to gaps between PDs. This is a high risk, as several of the gaps pertain to nutrition and health where continued service provision (provided through the PDs) is required. Amongst key causes for the lengthy process, and some of the gaps, was submission of poor quality PDs by partners, who then did not always have the capacity to timely address UNICEF's comments.

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<sup>7</sup> The UN's Somalia Risk Management Unit was established to support all United Nations bodies working in Somalia, partners, and donors. Based in the Office of the Resident and Humanitarian Coordinator in Nairobi, it helps manage risk and builds capacity in doing so.

<sup>8</sup> The risk rating of partners is that reached by the micro-assessment of partners under the Harmonized Approach to Cash Transfers (HACT). See observation HACT later in this report.

According to the office, further causes of delay included the transition to the new country programme, with most PCAs/PDs expiring from the previous cycle and needing renewal; staff turnover because of the restructuring and move to Mogadishu; late submission by partners; and negotiation with international NGOs on new cost-recovery procedures. However, the audit also noted that there was duplication, in that PDs below \$400,000 were reviewed by both zone office and country office PRCs.

The office was taking steps to speed up the process. One was a centralization of partnership management. This will make it easier to provide consistent messages to the partners. As part of the consolidation, the office also plans to synchronize indicators across partnerships. Moreover, the office was considering having 'off the shelf' PDs on common interventions.

In addition to looking at the time taken in prepare the partnership documents, the audit review of a sample of nine of them found that the results framework for six of the partnerships were good, with outcomes and outputs presented in a coherent and logical sequence, with indicators relevant to the result statements, and with baselines and targets established. In three cases, however, the indicators selected were insufficient to measure the scope of the work in question. The audit also found that the partners in two of these three cases did not contribute financially to the partnership.

**Thresholds:** The audit also noted in several cases that the PD process may need to more closely follow thresholds established in the office. There were six cases of PDs established below the US\$ 400,000 and US\$ 1 million thresholds. As such, they avoided the required additional scrutiny by the country office and the regional PRCs. However, shortly after they were approved, they were amended such that their values exceeded the thresholds established. These cases had all occurred in 2017 and were part of the pre-famine response and scale-up of partnerships. Moreover, there had been cases of insufficient information sharing between zone-office and country-office staff, resulting in PDs being approved without the knowledge of the budget owner. Consequently in 2017 there were financial liabilities for which there was no funding at the time of signature, e.g. US\$ 1.24 million in the area of health. The office had subsequently reallocated funds to cover these costs.

The office had strengthened internal controls in 2018 and no exceptions were noted by the audit with respect to PDs established since. Thus, no recommendation is issued with regards to the adhering to PD thresholds and ensuring financial liabilities can be met.

**Multiple PDs:** There was a practice whereby a specific section of the office could have multiple PDs with the same partner. This was not an efficient way managing partnerships. Whilst the number of PDs had been reduced in 2018 compared to 2017, action was required to ensure that, as a general rule, a section is not permitted to have more than one PD with an individual partner in the same zone.

**UN Partner Portal (UNPP):** The office had volunteered to be part of a pilot of the UN partner portal, specifically out of recognition of the value of the UNPP and its potential to contribute in the office's ongoing partnerships processes reform. UNICEF participation in the pilot, which ran from May to July 2018, was led by the Field Results Group.

The UNPP is designed to support harmonization and simplification of UN business processes for partnering with NGOs. It is a collaborative inter-agency effort led by UNHCR, UNICEF and WFP. The portal serves as a central platform for the self-registration of NGOs, their due diligence screening by the UN, and their interaction with UN on partnership opportunities. Within UNICEF, UNPP is part of the eTools suite of products. As part of the pilot, UNICEF Somalia encouraged NGOs to register accounts and create profiles, and 20 did so.

The portal had some advantages. It enabled sharing of partnership information, for example red flags, across UN agencies. Moreover, as part of the pilot, a selection process had been undertaken through four requests for proposals issued in the portal. According to the office, this had been efficient, reducing the transaction time from 66 to 21 working days.

The office expects that the portal will be fully rolled out in Somalia in early 2019. At that point, NGOs will have to register their information in the portal if they want to enter into partnership with UNICEF. For non-emergency partnerships, the office envisages that open selection will systematically be done through issue of request for proposals to pre-qualified partners in the database. This will make it easier to determine where partners work and ensure that only one partner covers a specific geographic area. This will help the office achieve its objective of consolidating the number of partners. The audit noted that this would enable more efficient implementation of assurance activities. However, the audit is of the view that any consolidation should be based on rigorous analyses of available partners and their capacities. The office would need to obtain buy-in from the government for this new method of partner selection.

**Release of funds and supplies to partners:** There were challenges with regards to timely release of supply and liquidation of funds. For example, four partners in Nairobi had experienced stock-out of supplies and had also received short-duration supplies, which expired while in their warehouse. Moreover, none of the four partners were being paid on time. The issue of stock-out and short-duration supplies were confirmed during the audit's site visits in Central South Region. (See also observations *Financial management* and *Procurement of supplies and services* later in this report.)

**Agreed action 4 (high priority):** The office agrees to take the following steps to reduce the time it takes to develop programme documents (PDs), and avoid gaps between PDs in cases where continued service delivery is required:

- i. Strengthen quality assurance of PDs by progressing towards full centralization of their review at country-office level.
- ii. Eliminate, as far as possible, the practice of one section having multiple PDs with the same partner.
- iii. Conduct a rigorous analysis of implementing partners' capacities and of delivery chains at field level, and use the results for evidence-based consolidation of the number of partners.

Responsible staff members: Deputy Representative, Chief of PM&E and Chief of Sections

Date by which action will be taken: April 2019

## Monitoring

UNICEF offices monitor programme activities in a number of ways. One is through assurance activities on the proper use of funds; those are covered in the observation on the Harmonized Approach to Cash Transfers (HACT), later in this report. However, this observation focuses on the country office's broader monitoring function, which includes field monitoring, third-party monitoring, programme reviews, partner monitoring, and the use of technology for development for monitoring purposes.

The audit noted the following.

**Third-party monitoring (TPM):** The security situation in Somalia had constrained the office's monitoring activities. The inaccessibility of many parts of Central-South Somalia and a few locations in Puntland and Somaliland made it difficult for staff to independently assess programme

implementation and verify results reported by partners or local authorities. Therefore, the office had contracted five firms for TPM, through long-term agreements (LTAs). TPM was also done by donors, and the office reported that the donors' findings were generally similar to the findings of its own contractors.

In 2017, there were 192 TPM missions at a total cost of about US\$ 1.5 million. This large number and high cost of mission resulted in the need for the office to streamline its field monitoring activities. This yield dividend as, in 2018, the number of TPM had significantly decreased, with only 98 missions conducted in the first three quarters of the year and only seven planned for the last quarter. The expected cost of TPM in 2018 was US\$ 723,000. Notwithstanding, the audit found that the office could further strengthen planning of its TPM approach.

Based on a yearly plan, the Programme Monitoring and Evaluation (PM&E) section reviewed the office partner list to identify those likely to need TPM. According to the office, those partners were matched to the programme sector(s) to which they are related, and the number of TPM visits were reportedly then assigned for the year, across sections. PM&E also compiled quarterly data on the number of TPM visits to be undertaken, as it manages the contracts with service providers.

According to PM&E and the various programme sections, TPM missions were allocated with a view to HACT minimum requirements (see HACT observation below) and requirements given in programme documents. They would also reflect programmatic needs as they arise during implementation. Once the need for a TPM mission had been determined, PM&E determined which LTA holder was most suitable for which mission (and would subsequently review and rate TPM reports before payment). The office reported that strong involvement of zone offices and sections in the planning of TPM helped make it relevant and ensure that its findings were used for programmatic purposes.

The audit also reviewed a sample of TPM reports prepared by the consulting firms and found that the quality could be improved. Most importantly, the differences between planned and actual results achieved were not analyzed and, in many cases, no recommendations were made to address the weaknesses identified. This supported the office's own review findings regarding TPM reports. A 2017 review had found that, between the different firms, reports ranged from those that provided a comprehensive understanding of the programme to others that presented minimal information. Recommendations remained too general in most of the cases, and less precise as to who should take action and when, or what follow-up mechanisms should be in place. Programme staff at both national and zone office level expressed concern with regards to the quality of TPM, including accuracy of data.

The audit was of the view that, to improve quality of TPM activities carried out by firms hired by the office, that the PM&E needed to improve the quality assurance reviews of the contactors' terms of reference so that they are specific to address the gaps noted in the TPM reports. Also, the PM&E should also analyze individual TPM reports in more depth to ensure the TPM reports include information agreed. The HACT taskforce established in May 2018 was found by audit to be a more suitable forum for TPM review than the Research and Evaluation Committee as TPM is not a research and evaluation activity but a HACT activity.

The office was aware of the need to further strengthen TPM and was recruiting a HACT officer to this end.

**Monitoring by partners:** Several TPM monitoring reports found that partners themselves did insufficient monitoring of the interventions they were implementing. The audit reviewed nine of the PDs and found that expectations from partners' M&E were not clearly outlined, other than to encourage partners to undertake joint monitoring with the Government.

**Monitoring by staff:** Audit noted that there generally was less in-country travel in 2018 than 2017. There were 917 monitoring trips undertaken in the period January to September 2017, whereas the number for the same period in 2018 was 687. The office had expected relocation to Mogadishu would result in at least the same amount of travel and preferably more field monitoring. The office noted that 2017 had been an exceptional year due to the pre-famine response, which led to an extraordinary number of field visits and deep field missions – making the numbers for 2018 look lower in comparison.

**Use of technology for development (T4D):** The office made commendable use of T4D for monitoring purposes. The Nutrition section was first to make use of ONA, a mobile data collection and visualization platform. Stabilization centres and outpatient therapeutic centres were mapped and service provision data entered directly into the system by the service provider. Based on data entered at local level (by service providers), the office was able to get an overview of service provision and determine trends. The contract with ONA had been extended in 2018 to include child protection. As part of the contract, ONA will establish a database and reporting templates for child protection interventions.

At the time of the audit no system had been established for validating the accuracy of data uploaded to ONA, other than reviewing that GPS coordinates are in Somalia.

**Agreed action 5 (medium priority):** The office agrees to strengthen the quality of third-party monitoring (TPM) by:

- i. Improving quality assurance reviews of TPM terms of reference by PM&E.
- ii. Conducting in-depth analysis of TPM reports to ensure they include agreed information.
- iii. Transferring the review of TPM reports from the Research and Evaluation Committee to the recently established HACT taskforce.

Responsible staff members: Deputy Representative, Chief of PM&E and Chief of Sections  
Date by which action will be taken: March 2019

**Agreed action 6 (medium priority):** The office agrees to ensure that programme documents include monitoring expectations for implementing partners, and that performance against these expectations is assessed as part of HACT assurance activities.

Responsible staff members: Section Chiefs (lead), HACT Specialist & PRC Chair, Chief PM&E, and Deputy Representative  
Date by which action will be taken: April 2019

**Agreed action 7 (medium priority):** The office agrees to establish performance expectations with regards to field monitoring for all staff.

Responsible staff members: Representative (lead), Deputy Representative, Chief of Operations, Chiefs of Sections and Chief of Field Offices.  
Date by which action will be taken: March 2019

**Agreed action 8 (medium priority):** The office agrees to conduct data quality audits of ONA to ensure that data in the system is accurate and reliable for reporting and programming purposes.

Responsible staff members: Section Chiefs (lead), Chief PM&E and Deputy Representative

Date by which action will be taken: June 2019

## Result assessment and reporting

UNICEF practices results-based management, and requires that the results be evidence-based, and that they be reported against defined indicators and baselines.

The audit noted the following.

**Results Assessment Module (RAM):** Offices, including country offices, upload their results to the RAM so that they can be viewed across the UNICEF system, allowing easy access to information and comparability of results. According to the end-year RAM data for 2017, six out of seven programme outcomes were on track. Moreover, 21 out of 38 programme outputs were rated as on-track. As the end of 2017 was also the last year of the previous country programme, all outcomes and outputs should have been rated as either fully achieved, partially achieved or not achieved.

One outcome and 11 outputs were rated as constrained. The audit found that the office's results rating generally reflected programme implementation. However, it was also noted that the quality of result assessment and reporting could further improve. For example, three out of 45 statements were not adequately measured by the selected indicators.

In many cases the rating and the end-year status updates were not aligned at outcome and/or output level. For example, the nutrition outcome was rated as on-track despite status against one indicator being rightly recorded as 'no progress'; for another indicator, no update was provided; and for the remaining two indicators the rating is recorded as on track although neither indicator had been achieved.

Similarly, the education outcome was rated as on-track, with planned results achieved in two out of three zones. However, the audit observed that the enrolment figure in Central South (22 percent) was below the 2011 baseline (42 percent), though this was explained as a result of updated GER data produced in 2017, and because targets had previously been using weak baseline data (this was also noted in the end-of-year RAM). There were also several outputs where the rating was not aligned with the status of its indicators. For example, one output was rated as constrained despite all four indicators being fully achieved.

Lastly, there were no end-year data updates provided for the indicators in the area of education. However, ratings were applied nonetheless: the outcome and four out of five outputs were rated as on-track, although there were no data against which to confirm this. The fifth output was rated as met. Inaccurate ratings can lead to loss of trust by external parties.

**Humanitarian Action for Children (HAC) indicators:**<sup>9</sup> The number of HAC indicators increased from 21 in 2017 to 24 in 2018. A review of 2017-2018 results indicators found that they had frequently changed. In seven some cases the wording changed, and in 14 other cases the 2018 indicators were different. Thus it is not possible to determine results achievement over time.

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<sup>9</sup> 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 HAC indicators measure the performance of the humanitarian response related to that appeal. The appeals page is at [www.unicef.org/appeals/](http://www.unicef.org/appeals/); the page for Yemen can be found at [www.unicef.org/appeals/somalia.html](http://www.unicef.org/appeals/somalia.html).

**Supporting documentation:** The audit reviewed the Country Office Annual Report and a sample of donor reports and found that supporting documentation for 14 of the result statements (annual report, RAM and donor reports) the office generally relied on implementing partners' reporting, without attempting to validate the result claims.

More positively, the office planned to support the government's health monitoring and information system (HMIS), and the World Bank was investing in the education monitoring and information system (EMIS); these would support the availability of routine data for results reporting in education and health. Moreover, discussions were held in the office regarding using ONA to consolidate beneficiary data for the humanitarian response.

**Agreed action 9 (medium priority):** The office agrees to implement the 2018 guidance<sup>10</sup> for preparing and submitting Country Office Annual Reports. It also agrees to apply lessons learned from the regional office's scoring on its quality of reporting, ensuring they are reflected in its upcoming end-year reporting and subsequent RAM updates over 2019.

Responsible staff members: Deputy Representative (lead), Chief of PME and Chief of Operations

Date by which action will be taken: January 2019

## Prevention of sexual exploitation and abuse (PSEA)

At global level, UNICEF has important preventative and response mechanisms for PSEA and Prevention of Sexual Harassment and Abuse of Authority (PSHAA). The Somalia office has not had any reported cases of Sexual Abuse and Exploitation (SEA) directly involving its partners. However, the environment is not without significant risk, with the large peace-keeping presence, and international actors with various mandates currently on the ground.

A PSEA action plan was produced in 2017 covering the period July 2017 to August 2018. Key activities such as staff awareness raising and focal points had been implemented. The office had appointed a PSEA focal point for each zone office and for the country office. According to the ToR for PSEA focal points, they are expected to promote awareness in local communities on their rights, and on options for reporting incidents of SEA. They should also help the representative fulfil his/her responsibilities in accordance with the Secretary-General's Bulletin (SGB) on Special Measures for Protection from Sexual Exploitation and Sexual Abuse (ST/SGB/2003/13), and support inclusion of SGB standards in contractual arrangements with non-UN bodies and individuals. The focal points had not had training, but they had been briefed on the ToR and had participated in office workshops on PSEA in August and September 2018 (a workshop in Hargeisa, for Somaliland staff, was still pending). The office was reportedly in the process of putting together a training package for focal points.

Staff had generally completed the AGORA<sup>11</sup> courses on PSEA and PSHAA. However, a dozen or so staff had still to do so. PSEA posters were displayed in the country office, and zone offices and a PSEA pocket guide were provided to staff. The pocket guide was being translated into Somali to ensure local staff such as drivers would benefit from the guide.

In 2018 the office received US\$ 400,000 from HQ to undertake PSEA activities. At the time of the audit, the office was planning use of the funds. Amongst activities the office was considering was a PSEA risk assessment, capacity-building of focal points, community awareness raising and establishment of a

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<sup>10</sup> UNICEF Procedure for Country Office Annual Reporting (DRP/PROCEDURE/2018/001, 1 November 2018).

<sup>11</sup> Agora is a free portal offering tailored learning solutions to UNICEF's staff, partners and supporters.

reporting mechanism. This reflected the significant gaps in these areas. There was also a need to build the PSEA capacity of implementing partners, Government counterparts and consultants outside the area of child protection. However, important steps had already been taken regarding capacity-building of partners. Thus reviews of some partners' child safeguarding and protection policies and protocols had been undertaken.

**Agreed action 10 (medium priority):** The office agrees to put in place systematic mechanisms to build the capacity of PSEA focal points, raise community awareness in line with the IASC's<sup>12</sup> standard operating procedures on community-based complaint mechanisms, establish a reporting mechanism, and train implementing partners on UNICEF's PSEA policies and requirements.

Responsible staff members: Representative (lead), Deputy Representative, Chief of Operations, HR Manager, Chief PM&E and HACT Specialist

Date by which action will be taken: June 2019

## Cluster coordination

The aim of the Inter-Agency Standing Committee (IASC) Cluster Approach is to strengthen system-wide preparedness and technical capacity to respond to humanitarian emergencies by ensuring that predictable leadership in the main sectors leads to a predictable and effective humanitarian response. UNICEF plays a crucial role in this, as it is responsible for leading the Water and Sanitation (WASH) and Nutrition Clusters and the Area of Responsibility (AoR) for Child Protection, as well as for co-leading the Education Cluster with Save the Children and supporting UNFPA in the AoR for Gender-Based Violence.

In Somalia each of the cluster secretariats consisted of a cluster coordination, a cluster officer and a cluster information manager. The overall responsibility of the secretariat was:

- Coordination, information sharing and mobilization of partners.
- Liaison and cooperation with Government authorities.
- Coordination within the cluster mechanism between the Humanitarian Coordinator (HC)/Humanitarian Country Team (HCT), other clusters, OCHA<sup>13</sup> and donors.

At national level, all clusters sat together at the drought operation and coordination centre in Mogadishu. This has helped interaction between clusters, for example between the nutrition and food security clusters. In addition to the national level there were cluster coordinators at zone level (Central South, Puntland and Somaliland) and strategic advisory groups had been established to support dialogue and decision making on strategic direction for the clusters.

A review of UNICEF-led clusters found that they generally functioned well. Donors interviewed by the audit expressed satisfaction with the cluster coordination. The nutrition cluster in particular was mentioned as one where efficient and effective coordination had taken place. However, whereas the WASH cluster since February 2018 had conducted national-level cluster coordination meetings every two months in Mogadishu, nutrition and education clusters still conducted their cluster meetings in Nairobi. No plan had been drawn up for the gradual transition of all cluster functions to Mogadishu.

<sup>12</sup> The IASC is the Inter-Agency Standing Committee; these are found in countries where there is a humanitarian response, and coordinate the humanitarian response of UN and other bodies. See <https://interagencystandingcommittee.org/iasc/>.

<sup>13</sup> OCHA is the United Nations Office for the Coordination of Humanitarian Affairs. Founded in 1991, it is intended to be the focal point for the UN's response to major disasters.



Such a plan would also address the recent communication from the Minister of Planning that all NGOs that want to operate in Somalia should be based inside the country no later than January 2019.

**Agreed action 11 (medium priority):** The office agrees to review lessons learned from the WASH cluster with regards to meeting in Mogadishu instead of Nairobi, and determine how best to replicate these lessons in the nutrition and education clusters.

Responsible staff members: Chief of Emergency (lead) and Deputy Representative.

Date by which action will be taken: June 2019

## Accountability to Affected Populations (AAP)

UNICEF observes the IASC's and definition of AAP as, "An active commitment to use power responsibly by taking account of, giving account to, and being held to account by the people humanitarian organizations seek to assist", and as putting "communities and people at the centre of humanitarian action and promoting respect for their fundamental human rights underpinned by the right to life with dignity, and the right to protection and security as set forth in international law".

In 2011, the IASC endorsed five associated commitments regarding AAP: Leadership/governance; Transparency; Feedback and complaints; Participation; and Design, monitoring and evaluation. In humanitarian operations, UNICEF applies the IASC Task Force on Accountability to Affected Populations Operational Framework as its main set of standards. Legal provisions have been incorporated into the UNICEF partnership agreements with NGOs to ensure that they put AAP measures in place and also mitigate the risk of sexual exploitation and abuse. However, the quality of the mechanisms differed amongst partners. They also generally took the form of a complaint mechanism after service provision, rather than systematically involving the affected population in the programme design process.

The office was aware of the need to strengthen accountability to the affected population and was in the process of developing a strategy in this regard. Meanwhile, in Somalia a partnership was entered into with an NGO on AAP in the cash transfer programme. The NGO conducted post-distribution monitoring and process distribution monitoring, and established a feedback channel to help ensure that programming was responsive and accountable to those they were seeking to serve. Initial post-distribution monitoring was implemented through SMS surveys.

However, due to low response rates, the SMS surveys were replaced with computer-assisted telephone interviews. The NGO produced a report on the cash transfer programme outlining findings coming out of its monitoring/feedback channel. According to the office, the NGO was also establishing a complaints and feedback tracking system to increase internal accountability for reception and management of, and response to, complaints. This work on AAP in the area of cash transfer was found to be a good initiative, and lessons learned should be replicated in other programme areas where the AAP mechanism was generally informal.

**Agreed action 12 (medium priority):** The office agrees to, drawing on HQ guidance and models, review its approach to accountability to affected population to gradually expand beyond complaint mechanisms, and pilot increasing participation by communities in the design of interventions as appropriate in the Somalia context.

Responsible staff members: Deputy Representative (lead), Chief Emergency, Chief Social Policy, Chief of C4D and Chiefs of Section

Date by which action will be taken: June 2019

## Harmonized Approach to Cash Transfers

UNICEF country offices are required to ensure that funds disbursed to implementing partners are used for the intended purposes. In order to provide reasonable assurance, UNICEF and some other UN agencies implemented the Harmonized Approach to Cash Transfers (HACT). This is a risk-based framework under which offices assess the risk attached to a partner and determine the most suitable type of cash transfer to be used, and the amount and frequency of assurance activities. For example, an office can make direct cash transfers (DCTs) in advance for agreed activities, but where it regards this as too high a risk with a given partner, it can use reimbursement instead. The same principle is applied to assurance activities; these can include programmatic visits spot checks of the partner's financial management; and audits. The type and frequency should depend on the risk assessment and the amount involved.

The audit assessed the office's HACT processes and monitoring mechanism, and noted that the office was using the result of the micro-assessments to determine the risk rating of partners and thus the best way to transfer funds. However, it also noted the following.

**Programmatic visits:** The audit reviewed a sample of eight programmatic visits and noted that in four instances, challenges and bottlenecks were either not reported, or were not described in sufficient detail to provide a clear picture of the barrier or bottleneck. In six cases, no timeline was given for addressing the issues. In only two cases did the sampled reports include the progress towards programme activities targets, and none of the reports reviewed included follow-up of previous recommendations.

**Spot checks:** To assess the overall quality of spot-check reports, the audit reviewed a sample of 15 reports by UNICEF staff completed during 2018. In 10 cases, no deadline for the implementation of the agreed actions was included, and in 11, no staff were assigned for follow-up.

In three cases, findings were not specific and agreed actions were not adequate. For example, the spot checks conducted on one partner detected reported expenditures without supporting documentation. However, relevant details, such as the amounts and the activities they were for, were not specified; and agreed actions did not require the partner to provide the missing documents or refund the unjustified amount. Moreover, none of the reports reviewed included a specific risk rating for the issues detected, and several omitted the annexes containing relevant information such as the expenses test and other detail.

**Scheduled audits:** UNICEF's HACT policy requires partners receiving more than US\$ 500,000 to be audited once during the country programme cycle. A scheduled audit is an independent review of the effectiveness of internal controls. The audit reviewed a sample of five audit reports and noted that in two cases high-priority issues were detected, including possible forgery of vendor's invoices. However, the firm conducting the audit had made no apparent effort to confirm the documents' legitimacy and the office had not followed up to ensure this was done.

**Assurance activities follow-up:** At the time of the audit the office had no follow-up mechanism to enable systematic monitoring of findings and recommendations stemming from assurance activities. This reduced the office's ability to take timely action on significant issues that could impair programme implementation. The office said this would be addressed by the introduction of E-tools, a suite of

online tools designed to help UNICEF offices in various tasks; this is expected to be rolled out in late 2018.

The weaknesses in the assurance-activity reports and follow-up mechanisms limited the office's ability to identify and address in a timely manner, weaknesses that could result in fraud and/or misuse of funds.

**Agreed action 13 (medium priority):** The office agrees to strengthen HACT implementation by:

- I. Ensuring that recommendations arising from assurance activities are specific and timebound, and that responsibility is appropriately assigned in the office for their implementation.
- II. Effective follow-up of high- and medium-priority recommendations arising from spot checks and scheduled audits through the roll-out of the financial assurance module in E-tools.

Responsible staff members: HACT Specialist (lead), Chief of PME, Deputy Representative, Chief of Operations and Chiefs of Sections.

Date by which action will be taken: April 2019

## Financial management

From January 2017 to October 2018, the office transferred a total amount of approximately US\$ 143 million to NGO and Government counterparts, using a combination of the different cash-transfer methods allowed by UNICEF. The office was using direct cash transfer (DCT) as the main way to disburse funds to partners. At the time of the audit, expenditure on DCTs amounted to US\$ 121 million.

Timely processing and release of funds is crucial to ensure programme activities take place within the agreed timeframe. The audit noted DCTs released close to grant expiry (this is a sign that disbursements are being made too slowly, but can also lead to hurried and potentially inefficient expenditure close to the deadline). It was noted that in 73 cases with a total value of US\$ 4.7 million, DCT disbursements were made within 30 days of grant expiry. In one instance, US\$ 1.04 million was disbursed 19 days before expiry.

In order to assess the efficiency of the office's cash disbursement request processing, the audit reviewed the supporting documents for eight transactions but was unable to determine if there were bottlenecks. This was due to supporting documents being not well organized or incomplete, or the scanned copies being of low quality.

In three instances, there were delays in processing DCT liquidations. For example, a liquidation presented by Ministry of Health and Labour was processed 24 days after receiving the request. (There is currently no fixed standard for the number of days, but the audit thought that this was too long.) Similar issues were brought to the audit's attention by other partners. The office said that the delays were caused by a combination of internal and external factors. However, currently there is not a clear workflow for processing liquidations within the office. Moreover, in some instances, the partners were not fully aware of the minimum requirements for liquidation supporting documents, such as activity reports for the reported expenditures. Delays in liquidation processing can result in bottlenecks, as they can delay future cash disbursements to the partner – and thus in turn delay programme implementation by that partner.

The audit also noted that, in several cases, the office placed 77 purchase orders (POs), amounting to US\$ 1.5 million, within 30 days of grant expiry. The office stated that unexpended funds were being

monitored during Country Management Team and Programme Coordination Unit (PCU) meetings, in order to ensure programme sections took action promptly, and that donor restrictions were considered. However, there was no formal mechanism to monitor expenses related to POs, particularly those raised towards the end of the grants' lifespans.

Given the number of transactions processed by the offices, the absence of controls impairs the office's ability to comply with donor grant conditions.

**Agreed action 14 (medium priority):** The office agrees to conduct a review of the processes related to funds disbursement with a view to streamlining it wherever possible, and improve financial records management. This includes determining and addressing the root causes behind DCT and liquidation delays.

Responsible staff members: Chief of Operations (lead), Chief PME, HACT Specialist and Admin & Finance Manager.

Date by which action will be taken: June 2019

**Agreed action 15 (medium priority):** The office agrees to strengthen the monitoring of purchase orders raised close to grant expiry.

Responsible staff members: Chief PME– (lead), Chief of Supply & Logistics, Deputy Representative and Chief of Operations.

Date by which action will be taken: April 2019

## Procurement of supplies and services

The audit reviewed the office's procurement of supplies and services and noted the following.

**Planning:** Prompt procurement and distribution of programme supplies was difficult in Somalia, due to local market limitations and access constraints. A large proportion of procurement was done offshore and brought in through Kenya, which added considerable time to the process. In addition to this, once the goods are in-country (Somalia), distribution encounters further delays as result of the complex political environment and access limitation for certain areas. To avoid stock-outs, the office had prepositioned supplies in 11 UNICEF-controlled warehouses. It was also doing a market survey to establish what was available locally.

UNICEF policy recommends that once major activities have been identified by programme staff, the next step is to identify the type and quantities of supplies needed. This is primarily the responsibility of programme staff, but it is also important that supply staff support, and give advice on, the process (e.g. in terms of cost and availability of products/services). The Supply Unit was not involved in the development of workplans, and this could make it harder for the office to forecast the supplies and services needed; it could also lead to a disparity between budgeted and actual expenditure.

**Supply storage and distribution:** According to September 2018 inventory analysis reports, the office had about US\$ 12.3 million worth of supplies stored in 11 different locations. It was noted that the office kept programme supplies worth US\$ 1.9 million that pertained to expired grants. These supplies were not prepositioned supplies and should have been distributed within the grant periods.

During meetings with four implementing partners and one donor, late delivery of supplies and stock-outs were raised as an area requiring improvement for UNICEF Somalia. One donor expressed

concerns about stock-outs of nutrition supplies in Mogadishu. Stock-out was also highlighted in third-party monitoring reports and noted during audit visits to project sites. For example, a programme monitoring visit conducted in Burddubo and Garbaharrey raised issues related to medicine stock-outs in both locations. The office said that Supply Unit involvement at the proposal stage could enhance timely forecasting and delivery supplies and services.

In addition to planning, there were weaknesses in distribution controls. At the time of the audit, the office had not obtained proof of acknowledgement of receipt for release orders worth about US\$ \$7.8 million. Some of these acknowledgments of receipt had been outstanding for more than two months. According to the office, transportation companies handed over inventory to personnel like security guards and warehouse labourers who were not authorized to acknowledge receipt of supplies when Government partners' programme officers were not present. The delay in obtaining acknowledgement of receipt from authorized programme personnel represents a risk for UNICEF, as no accountability is established for supply items.

The office was aware of the need to improve the supply chain, and, in collaboration with the Ministry of Health, it had developed a 2018-2021 supply chain strategy that took into consideration the main factors affecting the delivery of nutrition and health supplies.

**Warehouse:** To improve warehouse oversight, the office had introduced registers to keep track of UNICEF staff's monthly visits to warehouses. This control was noted at all three warehouses visited by the audit.

During the visit to Mogadishu warehouse, it was noted that monitoring of cold-room temperature and equipment required further improvement. The containers used as cold rooms had no warning system in case of temperature fluctuation, which could therefore go unnoticed without continuous monitoring. At the time of the audit visit, one container's air-conditioning (AC) unit was not functioning. It was also noted that each container had only one AC unit, which, in case of failure, may result to damages in the supplies kept the containers.

**Open contracts:** The audit conducted a review of contracts issued from January 2017 to September 2018 to assess the office's contract management function.

The office had issued 1,097 institutional contracts for a total amount of US\$ 35.3 million during the period under review. The audit noted that 57 contracts worth US\$ 1.6 million showed a balance had remained open for an average of 25 days beyond validity. In 53 instances, contracts showed some unspent balances of 60-100 percent of the total value after or near the expiry dates. Seven of these contracts pertained to construction and engineering services. The office said that in some cases this was from underestimating the time needed to complete the agreed task, or unexpected external factors.

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

- i. Review barriers and bottlenecks to improvement of procurement planning and distribution, avoid stocks-outs and obtain confirmation of acknowledgments of receipt.
- ii. Enhance monitoring of temperature-controlled storage facilities.
- iii. Strengthen contract monitoring to ensure significant deviations are addressed promptly, including contracts with unspent balances on or near their expiry dates.

Responsible staff members: Chief of Supply/Logistics (lead) and Chief of Operations

Date by which action will be taken: April 2019

## Construction management

UNICEF policy and procedures for procurement of supplies, equipment and services gives country offices the choice between partnership or procurement. Considerations for the selection should be carefully assessed by the office's programme sections and the supply unit. PCAs should not be used for implementation if there are construction works above US\$ 100,000 per programme document (PD) in a calendar year.

**Construction planning:** The office had made significant investments in construction projects as part of the health, WASH and education programmes. The execution of these projects was done through both institutional contracts and PCAs. In 2017 the office expended nearly US\$ 10 million on construction, of which US\$ 3 million was done via PCAs.

Given the nature of the work and the resources needed, there should be periodic in-depth capacity assessments of the partners undertaking it, to make sure quality standards and deadlines are met. This was not always done. For example, third-party monitoring reports in several cases recorded implementation challenges with regard to construction. More specifically, a TPM report pertaining to sites in Gedo region highlighted logistics challenges in the reception of materials, and delays in the construction of gender-segregated toilets at schools, health facilities, and the water system.

The audit noted that some of the above problems arose from the need to ensure close coordination between the Supply Unit and programme sections undertaking construction work. In some instances, programme sections committed themselves to delivering construction projects without involving the Supply Unit early enough. This resulted in unrealistic timeframes for project completion; it also led to problems with budgeting, as aspects related to the construction, such as specialized equipment, were not always fully considered. Moreover, monitoring requirements were not determined and clearly outlined in PDs.

**Government partners:** The audit visited a WASH project that included the construction of water distribution points (kiosks) in the Garowe camp for internally displaced people (IDPs). The work was implemented through a Government partner, which had sub-contracted the construction work to a private company. The role of the partner was to monitor the construction work and ensure compliance with the construction specifications.

According to the office and the partner, the construction failed to meet the agreed specifications and as a result the water kiosk had to be destroyed and rebuilt. Moreover, the fences surrounding the water points had to be replaced. This was clear indication that the partner did not have the capacity or technical knowledge to provide proper oversight of the construction. The problems had been identified by spot checks conducted in October 2017 and March 2018, which found that the partner did not comply with its own procurement guidelines.

**Monitoring:** Construction projects undertaken through PCAs/PDs need to be closely planned, designed and monitored to ensure specifications are met and delays avoided. In the project mentioned above, monitoring activities were carried out by programme staff who did not have the technical knowledge necessary to identify issues in a timely manner.

The audit noted that larger-scale projects were usually planned, executed and monitored with more rigour; problems were more likely to arise in small-scale construction, which were normally monitored by programme staff and/or the implementing partner.

**Agreed action 17 (medium priority):** The office agrees to strengthen planning and monitoring of small-scale construction projects to ensure deadlines and specifications are met, drawing on in-house engineers/architects, and external expertise as needed, to monitor the quality of construction work.

Responsible staff members: Chief of Supply/Logistics (lead), Chief of Operations and Chief of PME

Date by which action will be taken: March 2019

## 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. 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 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 the client's own (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 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.