Internal Audit of the South Sudan Country Office

December 2018

Office of Internal Audit
and Investigations

oiai

Report 2018/17

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Summary

The Office of Internal Audit and Investigations (OIAI) has conducted an audit of the South Sudan Country Office. The audit sought to assess the office's governance, risk management and internal controls. The audit team visited the office from 17 July to 8 August 2018. The audit covered the period from January 2017 to June 2018.

The 2016-2018 country programme had six main programme components: *Health*; *Water, Sanitation and Hygiene* (WASH); *Nutrition*; *Education and adolescent development*; *Child protection*; and *Social policy*. There was also a cross-sectoral component. The original approved budget for the 2016-2018 country programme was US$ 115.4 million, of which US$ 16.8 million was Regular Resources (RR) and US$ 99.1 million was 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 South Sudan country programme also estimated that US$ 245 million would be needed in Other Resources Emergency (ORE) funds during the 2016-2018 country programme period. ORE contributions are accepted in accordance with UNICEF emergency appeals, or inter-agency consolidated appeals in which UNICEF has participated.

The 2019-2021 country programme was presented to the Executive Board in September 2018. This country programme document retains the same six main programme components and the cross-sectoral component. The total budget for 2019-2021 is US$ 147.8 million, of which US$ 29.2 million is RR and US$ 118.6 million OR.

South Sudan's population was estimated at 12.2 million in 2016,[1] of which about 48.6 percent was under age 18, and 15.7 percent under age five. UNICEF's 2018 Humanitarian Action for Children (HAC)[2] estimated the total people in need to be 7 million, of which 4.2 million (60 percent) were under 18 years of age. The Interim Cooperation Framework signed between the Government of South Sudan and the United Nations Country Team (UNCT)[3] recognises that distinct parts of the country have been affected differently by the conflict, and that development efforts will therefore need to engage directly with local communities to adjust and adapt to the different circumstances in different locations.

Since independence on 9 July 2011, South Sudan has struggled with nation building, and economic conditions have continued to decline. In December 2013, conflict between Government and opposition forces led to a humanitarian crisis, with millions of South

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[1] United Nations Department of Economic and Social Affairs/Population Division: *World Population Prospects: The 2017 Revision, Key Findings and Advance Tables*.

[2] A HAC is an appeal that UNICEF launches for a particular emergency response, and states how much UNICEF thinks it needs to raise for it. The appeals page is at https://www.unicef.org/appeals/; the page for South Sudan is at https://www.unicef.org/appeals/south_sudan.html.

[3] UNCT stands for UN Country Team, and is an internal UN term to refer to the joint meeting of all the UN agencies or bodies active in a given country. The UNCT is convened by the UN Resident Coordinator. Its terms of reference, and division of responsibilities with individual agencies, vary from country to country.

Sudanese displaced, and food insecurity. The warring parties signed a peace agreement in August 2015 that created a transitional Government of national unity in April 2016. However, in July 2016, fighting broke out in Juba between the two principal signatories, plunging the country back into conflict. Recently a power-sharing agreement was signed to bring the five-year civil war to an end. On 5 February 2014, UNICEF declared the response to the conflict in South Sudan a Level Three emergency.[4] On 30 June 2018, the Level Three response was de-activated and transitioned to a Level Two emergency.

The South Sudan Country Office is in Juba. There are five zone offices (Juba, Bentiu, Bor, Malakal and Wau), and seven field offices (Aweil, Kuajok, Pibor, Rumbek, Torit, Yambio, and Yei). As of 26 June 2018, the country office had 278 approved posts, of which 74 were international professionals, 97 were national officers, and 107 were general service.

The audit identified many areas which were functioning well. UNICEF actively participates in the South Sudan UNCT's Sexual Exploitation and Abuse (PSEA) task force, and expected to pilot the Community-Based Complaints Mechanisms in selected civilian protection sites. The UNICEF office had improved its culture, ensuring that staff have a voice, share, support and better understand one another. It had also prepared and implemented several standard operating procedures on the processing of various transactions. The office had adopted an innovative approach in supply management, Dry Season Prepositioning, establishing supplies in various parts of the country at or near the areas where they would be distributed during the wet season. This was expected to reduce costs, and ease accessibility constraints during the rainy season.

Action agreed following the audit

The audit also identified areas where further action was needed to better manage risk to UNICEF's activities. None of these areas were identified by the audit team as high priority. However, in discussion with the audit team, the country office has agreed to take a number of measures to address these risks and issues.

Conclusion

Based on the audit work performed, OIAI concluded at the end of the audit that, subject to implementation of the agreed actions, the office's governance, risk management and internal controls were generally established and functioning during the period under audit. The South Sudan Country Office, the East and Southern Africa Regional Office (ESARO), the relevant HQ divisions and OIAI will work together to monitor implementation of the measures that have been agreed.

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[4] UNICEF defines an emergency as a situation that threatens the lives and well-being of a population. There are three levels of emergency response: Level 1 – the scale of the emergency is such that a country office can respond using its own staff, funding, supplies and other resources, and the usual Regional Office/HQ support; Level 2 –a country office needs additional support from other parts of the organization to respond, and the Regional Office must provide leadership and support; and Level 3 – the scale of the emergency is such that an organization-wide mobilization is called for.

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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 timelines 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

Country office committees

Committees are a key part of the governance structures of a country office and their effectiveness is critical to good governance. They ensure that diverse views are considered in decision-making, including programming, and enable group problem-solving. Country offices are required to define the number and terms of reference of all office committees. In particular, 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 should also monitor, and advise the Representative on, the functioning of the office's statutory and management committees. The CMT consists of senior staff from Programme and Operations sections, and staff representatives.

At the time of the audit, the South Sudan Country Office had five statutory committees and 13 management committees and working groups. The office had established terms of reference (ToRs) for its statutory and management committees and working groups. However, the ToRs needed to be reviewed periodically to make sure that they were still relevant and the committees were effective. Also, most non-statutory committees and working groups did not maintain minutes, making it difficult for the CMT to assess their adherence to mandate and effectiveness.

The audit also noted that most managers/chiefs were members of at least five committees and alternate members on others. This could take time away from their core tasks. The CMT therefore needed to regularly review the committees for effectiveness, and relevance to delivery of programmes.

Agreed action 1 (medium risk): The office agrees to conduct periodic reviews of the terms of reference (ToRs), effectiveness indicators, and memberships of statutory and management committees and working groups. This will include, amongst other things, standardizing the ToRs with clear performance indicators and frequency of meetings established, and a requirement for formal agendas and maintenance of minutes and records.

Responsible staff members: Chief of Operations and Human Resources Manager
Target date for completion: July 2019

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Structure and field offices

In responding to a complex humanitarian emergency, country offices usually encounter a number of key structural challenges that must be addressed. The structure put in place by an office must be cost-effective and allow flexibility, so that resources can be efficiently deployed to shifting priorities. In October 2017, the South Sudan Country Office had reviewed the role of zone offices and field offices during a strategic moment of reflection. The audit noted the following.

Roles and accountabilities of field offices: UNICEF, like other UN agencies, was engaged operationally with ministries at field levels and strategically, for planning purposes, with these ministries in Juba. At the time of the audit, there were five zone offices and seven field offices. In the view of the audit, in making the structural changes, the country office could benefit from more clarity on the difference between zone and field offices, and the purpose of the latter. UNICEF policy is that field offices (as opposed to established zone offices) are temporary structures that should not be retained for more than two years without clear justification.

The office had drafted an accountability framework focusing on the roles of field offices and the country office as a whole. However, while the draft accountability framework had addressed the roles of field offices, it had not adequately considered the role and accountabilities of the zone offices – which oversaw the work of the field offices. This also indicated a need for clarity. For example, all these offices had their own indicative budgets, but they were not formally recorded as distinct programmes in VISION.[5]

However, the relevant structural changes had been deferred to the fourth quarter of 2018 pending the outcome of the CPMP[6] deliberations.

Capacities of field offices: There was a need to assess the staff capacities needed at the zone and field/hub office levels, and adjust staffing levels as appropriate. There were different grades of staff heading zone offices, with no clear relationship, in some instances, between the grades of the staff and their workload (such as the number of field/hub offices reporting to them). The heads of some zone offices had more field/hub offices reporting to them than others in the same grades. At one field office, there were staff with higher grades than the head of the office. Such arrangements sometimes make management unnecessarily challenging.

The office had acknowledged the prohibitive cost of doing business in the Republic of South Sudan and highlighted this in their risk matrix. However, without a clear decentralized programme results structure and the appropriate allocation of staff, the cost-effectiveness of individual field/hub offices in delivering results for children may not be assured.

Field offices oversight and support: The audit's review of in-country travel, and preliminary responses to a survey of field/hub offices, showed that on-site technical oversight and support was limited, with some programme sections providing more support than others. This was mainly because there were no clear standards; the Annual Management Plan set out

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[5] VISION (from Virtual Integrated System of Information) is UNICEF's management system. Resource mobilization, budgeting, programming, spending and reporting are all recorded in VISION.
[6] When preparing a new country programme, country offices prepare a country programme management plan (CPMP) to describe, and help budget for, the human and financial resources that will be needed. The office was preparing the 2019-2021 country programme at the time of the audit.

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no clear requirements regarding onsite technical oversight and support, and neither the CMT nor Programme Management Team had done so either. Good practices would include definite requirements for periodic planning of oversight and support activities by programme sections, so as to tailor them to specific contexts and ensure their timeliness and effectiveness.

Footprint and roving staff: After the crisis in the Republic of South Sudan in mid-2016, the office had made efforts to reduce its footprint in Juba and increase its field presence. It had thus transferred 18 posts out of Juba – six each to Rumbek and Wau and the remainder to four offices.

The audit noted that, although the organogram showed Wau as being reasonably staffed, the staff there had been allocated tasks in Juba and there spent most of their time there while being paid subsistence allowance. The staff were also assigned tasks at other locations and frequently travelled there, again with subsistence allowance. These arrangements had enormous additional cost and reporting implications. The office stated that it was aware of these but needed to ensure there was minimal interruption in UNICEF's response in the event of disruption in Juba.

In the view of the audit, there was a need to review these arrangements. The appropriate-level staff could be permanently deployed to locations (e.g. Rumbek, Wau, etc) where they were needed most, with a rapid-deployment mechanism (with resources, including staff) being kept ready in case of need. This mechanism could be made part of the office's Business Continuity Plan (BCP), and tested periodically along with the rest of the BCP to ensure its readiness in the event of disruption in Juba.

Agreed action 2 (medium risk): The office agrees to:

i. Review and clarify the roles, responsibilities, accountabilities and capacity requirements of zone and field offices.
ii. Review and clarify the standards and requirements for technical oversight and support provided by programme sections.
iii. Periodically assess the cost effectiveness of its structures and delivery systems as part of the CPMP process and if necessary adjust them. In so doing, the office may consider permanently deploying appropriate-level staff to locations (e.g. Rumbek, Wau, etc) where they are most needed, while instituting a rapid deployment mechanism with the necessary resources (including staff) that can be tested periodically and activated in the event of disruption in Juba.

Responsible staff members: Representative, Chief of Field Operations, Chief of SPPME, Human Resources Manager, and Operations Manager (Field Operations)
Target date for completion: April 2019

Workforce management
As of 30 June 2018, the office had 273 approved posts, of which about half were in Juba, and the rest were split, with 29 in Wau, 21 each in Malakal and Rumbek, and the others distributed across the other offices. (These were their duty stations; as noted in the previous observation, some spent long periods in Juba.) In addition, as previously noted, some staff posted in the field had Juba-based duties. Besides staff in approved posts, there were also 111 staff on

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temporary assistance (TA) contracts. Of the 384 total, 54 percent were based in Juba. The audit noted the following.

Supply capacity: The majority of the programme activities related to humanitarian response in the field. An analysis by the regional office on supply workload and staffing levels had concluded that the current Supply and Logistics Team was understaffed for the procurement and logistics activities they were handling. The country office stated that the ToRs had been prepared, and a consultant identified, for a capacity assessment that would address that, but the audit was not given evidence to confirm this.

Use of temporary staff: According to the list of 384 staff given to the audit, 273 staff (71 percent) were on permanent, continuing, and fixed contracts, and 111 (29 percent) were on temporary assistance (TA) contracts. TAs are a flexible and cost-effective way of managing workload in an emergency response. The office confirmed that it had used them extensively due to difficulties in getting staff during surge periods. However, the audit was of the view that TAs are most useful when the need for them is assessed as part of a strategic workforce planning exercise to address key skills gaps. Extensive, prolonged use of TAs can affect the retention of institutional knowledge.

The audit also noted that, of the 12 consultants whose function it reviewed (representing 37 percent of the total value of consultancy purchase orders during the period), five were performing staff-like functions. Also, although none of the contracts' periods exceeded 11 months each, a number of consultants were issued consecutive contracts – in some cases since 2015.

The office stated that there was no restriction in the policy on having consecutive consultancy contracts. In the view of the audit, this interpretation ignored the explicit provision of the relevant administrative instruction,[7] which states that consultancies are meant for specialized skills or knowledge that is not readily available within UNICEF, and for which there is no continuing need. Issuing consecutive contracts for consultancies indicates there is such a continuing need. (However, offices may establish long-term arrangements with consultants and individual contractors with adequate justification.)

Consultants' deliverables: The audit noted several instances where the services required were either not described or not clearly defined. In several instances, deliverables were described as "contribute to…", "support…", etc. The same deliverable appeared in successive contracts issued to the same individual. This meant the office lacked sufficient criteria against which to assess the quality of the outputs from consultancies.

Consultants' fees: UNICEF requires consultants to quote their all-inclusive fees (including lump sum travel and subsistence costs, as applicable) for their work, and UNICEF divisions and offices are meant to maintain written record of how final fees are determined. UNICEF also requires the rates in original contracts to be maintained in any contract extension.

The audit noted that although most of original purchase orders had stated the amounts to be paid, in several instances there were neither fee quotes from the consultants nor evidence that the office had requested them. Also, three contracts required the office to reimburse the consultants for air fares; however, due to the lack of sufficient documentation such as itemized fee quotes, there was no assurance that these were not already part of the agreed

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[7] *UNICEF Procedure on Consultants and Individual Contractors* (DHR/PROCEDURE/2018/005)

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fees. Finally, when contracts were amended or extended, the rates were increased without any documented justification.

Agreed action 3 (medium risk): The office agrees to:

i.   Assess the requirements for technical assistance as part of a strategic workforce planning exercise to address identified key skills gaps.
ii.   Fully enforce the organizational requirements on the establishment of consultancy fees and clear, measurable deliverables for all consultants.

Responsible staff members: Chief of Operations and Human Resources Manager
Target date for completion: March 2019

Risk management

UNICEF offices should undertake a structured and systematic assessment of risks to their objectives and planned results, and incorporate action to manage those risks into workplans and work processes. The office had done this, identifying external and internal risks and related mitigating actions through a collaborative process that involved responsible staff in Juba and consultation with field-office staff. The audit found that this process had mostly been thorough. However, it noted the following.

Specific risk assessment: South Sudan is a large, highly diverse country, with its many parts affected differently by the conflict. It was therefore imperative that the office engage directly with local communities during the risk assessment process so that it reflected the unique circumstances of affected communities. It also needed to consider deepening its risk assessment for specific activities (e.g. payment of stipends for teachers) to better understand bottlenecks and identify relevant influencers/decision-makers in areas where these specific activities were being implemented. This would help inform target- and area-specific risk management.

Fraud vulnerability analysis: The anti-fraud strategy issued by UNICEF in August 2018 requires offices to perform an annual fraud and misconduct risk assessment. At the time of the audit, it was still too early for the office to have implemented the strategy. However, the need for offices to periodically assess risk of fraud and misconduct and take measures was not new; this is the responsibility of any programme management.

The office had identified the risk of fraud in broad terms and outlined the main mitigating actions. However, it needed to enhance its assessment to identify its vulnerability to specific areas and types of fraud and abuse. This would help highlight areas of vulnerability where additional controls could be developed, or detective controls enhanced.

Detecting, reporting and learning: The office's HACT[8] team was responsible for logging, assessing and reporting instances of fraud, theft or looting. There was a loss and incidents register to record and report losses, and share information with the appropriate partners and with donors. However, it was not clear how the office's programmes were made to reflect any anomalies and abnormal trends identified. For example, in the case of reported large-

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[8] HACT is the Harmonized Approach to Cash Transfers, a set of procedures used by UNICEF and some other UN agencies to obtain assurance on the use of funds transferred to partners. See observation *Assurance activities*, below.

scale incidents of looting and damage of inventories held by implementing partners, there was no evidence that those partners' inventory management abilities had been assessed and, if necessary, strengthened. Such assessments could also have been used to determine the volume of inventory to put at the disposal of a given partner.

They could also have been used to decide the nature and extent of monitoring activities to be implemented with that partner. The fact that a fraud has not been identified does not mean it has not occurred; by its nature, it generally involves concealment, so there is an elevated risk of fraud and theft being underreported in a situation where it is known to be widespread – as it is in South Sudan. The office also needed to consider targeted fraud training for specific staff, and performing additional data analytics on specific high-risk activities.

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

i.   Deepen its risk assessment for specific activities in consultation with local communities and relevant stakeholders, to better understand specific bottlenecks and adapt its programmes to the unique circumstances of affected communities.
ii.   Perform an in-depth fraud and misconduct risk assessment so as to identify its vulnerability to specific areas and types of fraud and abuse; and put in place any additional mitigating controls for prevention, detection and reporting. These controls should include, but not be limited to, trend analysis, monitoring and feedback mechanisms, targeted fraud training for relevant staff, and improvement of the design of programmes using lessons learned from any anomalies and abnormal trends identified.

Responsible staff members: Chief of Field Operations and Chief of Operations
Target date for completion: July 2019

Results framework

UNICEF practices results-based management, and requires that results be evidence-based, and that they be reported against defined indicators and baselines. An office's country programme document (CPD) should include a results framework that includes outputs, outcomes,[9] baselines and targets, and indicators with which progress will be measured.

The 2016-2018 CPD included a results framework included programme outcomes, indicative outputs, and associated resource requirements to achieve the results. The outcome results in the CPD were linked to the outcome results in the UN Interim Cooperation Framework (ICF).[10] In 2016, the UNICEF office signed sectoral programme workplans with the respective ministries; these workplans were also linked to both the CPD and ICF.

However, the 2016-2018 CPD made some key assumptions, including the implicit and critical

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[9] An outcome is a planned result of the country programme that 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 contribute to it. Thus, an output might include (say) the construction of a clinic, but that is not in itself an outcome; however, a resulting health improvement would be.

[10] The resumption of conflict in 2013 returned the country to reliance on humanitarian assistance. The ICF was instituted to provide a flexible framework for the UN's cooperation with South Sudan, to be replaced with a permanent framework based on the Sustainable Development Goals when this comes possible. The ICF can be found at http://ss.one.un.org/interim-cooperation-framework-icf.

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one that the peace agreement would hold. The office had not set out alternative actions in the event that it did not. The audit also noted that the workplans signed with the Government did not include output indicators, baselines, targets and means of verification. Neither was the monitoring framework in place with which the office would assess progress towards the achievement of set outcomes. It was not clear how the achievement of the objectives would be measured and verified, and the sources of data and the means of gathering it had not been defined.

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

    i.   In the results framework and annual workplans, identify alternative courses of action to be taken should key assumptions underpinning the country programme not be realized.

    ii.   Enable capture of baselines, targets and means of verifications of achievement of results in the monitoring framework, in a manner that allows their use in assessment of progress towards the achievement of planned outputs/outcomes.

Responsible staff members: Chief, SPPME
Target date for completion: March 2019

Planning data

In line with UNICEF practice when preparing a new country programme, the office had prepared a situation analysis on children and women in the country. Updated in October 2017, it noted challenges in collecting data from credible sources. With the last census having been conducted in 2008, the office decided to use estimates for targeting/programming. It had used different data sets and methodologies for this purpose – including the 2018 Results Framework, which included estimates of the total number children, children under five, and the number of internal displaced persons (IDPs) nationwide and at 10 select locations.

The audit noted the following.

Estimates of child population: The audit noted a lack of explanation for the formula or methodology used in estimating the population figures. The office said it was using a systematic approach to determine child numbers, which were estimated at 40 percent of the population at the national level. However, the sources and methodology used to reach this figure were not documented. Even if the 40 percent figure is correct on a national level, it may not apply consistently to the locations targeted.

The means by which the child population figures were estimated were determined and agreed by the country office staff. However, discussions with field staff showed that while they had provided inputs, they were not told how these were used to arrive at the final projected figures and targets for their areas. Including such information in key planning documents would ensure a collective understanding amongst all staff involved in programming.

Reported data: There were some variations between definition and description of outputs in the results framework and those in programme documents (PDs)[11] reviewed by audit. For

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[11] The PDs are the documents that make up the core of a proposed partnership, explaining what it will do, with whom and with what resources, and will be submitted to the office's Partnership Review Committee (PRC) for approval.

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example, the indicators for Output 3 in the results framework were stated as percentages, but were given numerically in the programme document. The audit also noted that the baselines and targets defined in the programme documents of implementing partners sometimes exceeded those reported in the results framework.

For example, according to a programme document, the total number of internally displaced persons in the Bentiu PoC[12] was 115,020, while in the results framework, it was 108,078. Given that there were similar variations in estimates for other sites as well, the total differences had implications for resource allocation. In addition, the programme documents included specific baselines and targets for the Child Protection programme that could not be easily traced to the results framework.

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

   i.   Document the sources of data, and the methodology used to obtain planning data, for the benefit of all field offices.
   ii. Ensure that baselines and targets in programme documents cumulatively add up to the relevant outputs in the annual plans and ultimately the results framework.
   iii. Put in place a process to ensure the inputs of field offices are adequately considered in the determination of planning figures.

Responsible staff members: Chief, SPPME
Target date for completion: December 2018

Partnership management

UNICEF had partnerships with several ministries at the national and state levels, other UN agencies, donors, local and international NGOs and global programmes. NGOs had comparative advantages in working at local levels, and engaging with beneficiaries in hard-to-reach and conflict-affected areas.

Partner capacities: In meetings with the audit, two donors confirmed that the UNICEF office was playing an active role in delivering the humanitarian response and had a good understanding of NGOs. The country office also had a strategy to promote the use of national NGOs to ensure the sustainability of interventions should international NGOS needed to evacuate.

However, during a field visit, the audit noted several weaknesses in the use of medical equipment and management of programme supplies by the NGO partners. For example, in discussions with staff at a clinic run by an NGO the audit heard that there was a shortage of medicines – but the supplies needed were in the warehouse managed by the same NGO.

In general, the office was operating through local partners who had limited capacity, and donors expressed concern that it was providing large amounts of funds to national NGOs that lacked the ability to manage the funds and implement the related activities. The office said it was aware of the shortcomings of some NGOs and had recently discussed with them how they could improve.

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[12] Protection of Civilians (PoC) sites are locations at UN sites where civilians seek protection and refuge from fighting. They are not the same as IDP camps in that they are intended to provide shelter from immediate danger rather than long-term accommodation.

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The office stated that it was currently using a 2018-2022 Strategic Plan indicator to assess coherence and connectedness with local NGOs at national level. This indicator was the respective percentage of the funds transferred to local NGOs overall that went to a given partner. However, it was acknowledged that this indicator was insufficient to determine whether the local NGOs had the relevant capacities for programmatic and financial management.

Preparation of programme documents: The office had developed standard operating procedures for the preparation of PDs, completion of which it required within 45 days. Analyses of the actual PD processing time showed that it ranged from three to 76 days from the date the documents were submitted to the office's programme review committee (PRC). This time did not cover the entire PD formulation process – that is, from beginning of preparation at zone-office level to PRC approval. The issue of delays had also been mentioned by the donors spoken to, and by partners interviewed in the field by the audit. Although there had been several reviews, the bottleneck in this part of the process has not been addressed.

Agreed action 7 (medium risk): The office agrees to:

i. Systematically use information available, such as micro-assessments, to review the measures used to assess the capacities of local NGOs, and consider putting in appropriate means/indicators to monitor improvement.
ii. Adjust the standard time for processing programme documents to include the entire process, from beginning preparation at zone-office level to PRC approval, and monitor preparation so that bottlenecks can be addressed promptly.

Responsible staff members: Deputy Representative and Chief, SPPME
Target date for completion: June 2019

Relationships with donors

The audit met two donors that between them contributed about 42 percent of the funds raised by the office over the period 2017-2018. The donors commended the office for prompt reporting of incidents (e.g. looting, theft and losses). However, the following was noted.

Donor reporting: The audit reviewed a sample of four donor reports and noted that they reported results against the SMART[13] targets that had been in the donor agreement. However, donor statements (financial reports generated from VISION) were not systematically included in the donor reports. Also, where there were large discrepancies between planned expenditures and actuals, the reports did not include the reasons. For example, the audit noted an instance where US$ 1,245,741 was spent for an activity while the planned amount in the proposal was U$$ 470,960.

Ad hoc *donor requests:* Donor requests for additional information or clarification were not always promptly responded to. The office said that it was prioritizing donors' requests but that responding sometimes required clarification from, or coordination with, HQ divisions, and that this affected response time.

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[13] SMART: *S*pecific, *m*easurable, *a*chievable, *r*elevant and *t*ime-bound.

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The office had recently (June 2018) held a senior-level meeting with donors and this was appreciated, but the engagement needed to be sustained. In this regard, the audit noted that the lack of key performance indicators and a monitoring system also contributed to delays in responding to donors. The office also needed to consider, for each request received, informing the donor as to how long they need wait to receive a response and updating them about the status of the request.

Agreed action 8 (medium risk): The office agrees to:

i. Take concrete steps to strengthen communication with donors.
ii. Enhance the quality assurance process over the donor reports and ensure that donors' statements are systematically included in the donor reports, and that large discrepancies in budget utilization are explained and justified.

Responsible staff members: Chief of Resource Mobilization
Target date for completion: June 2019

Assurance activities

To provide reasonable assurance that funds disbursed to implementing partners are used for the intended purposes, UNICEF and some other UN agencies have 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. The latter can include programmatic visits (which check that activities are in progress and report any constraints), spot checks of the partner's financial management, and audits.

The audit noted that the number of planned assurance activities varied between the signed PDs, budgets, and HACT assurance plans. The latter satisfied the minimum requirements in UNICEF's HACT guidelines, but the PDs had often contained more assurance activities. In practice, these were not always implemented. Overall, the actual number of assurance activities implemented were far less than the number required in the PDs. For example, the only spot check, and one audit, conducted in 2017 related to PDs signed in 2016. This meant that, for this NGO, none of the planned assurance activities for the 2017 PDs had been carried out at the time of the audit.

The same was noted for another NGO with seven PDs signed in 2017. Since the number of planned assurance activities in PDs, budgets and HACT assurance plans had not been arbitrary but had been based on risk assessments, failure to implement them could significantly increase the risk of financial losses or a failure to detect non-implementation of activities.

Agreed action 9 (medium risk): The country office agrees to ensure that assurance activities in signed programme documents are reflected in the HACT assurance plan, and are implemented.

Responsible staff members: Chief of SPPME
Target date for completion: January 2019

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Field monitoring and evaluation

The office required programme officers to plan and carry out field-monitoring activities and record their findings in the office's field-monitoring database. Mid-year reviews were conducted, and the CMT assessed achievement of the monitoring targets for the field offices. The findings and recommendations from field monitoring visits were reviewed and implemented by responsible staff. However, the monitoring reports were not used to validate data provided by implementing partners, or to collect data in some areas where data availability was limited.

The audit also noted that the office had not completed any evaluations. There was little or no objective evaluative input in the design of the current country programme. The office was aware of this and, as an input to the preparation of the country programme, it had conducted a desk review that considered various scenarios. In fact, the UNICEF Evaluation Database showed 19 monitoring and evaluation related activities had been planned for 2016–2018 and/or were being implemented: two evaluations, 13 studies and four monitoring and evaluation capacity-building activities. However, due to the difficult environment of South Sudan, the evaluations in the costed evaluation plan for the 2016–2018 country programme could not be carried out.

There were two other activities that were ongoing and were therefore not yet recorded in the Evaluation Database. These were a Level 3 emergency evaluation that was looking critically at humanitarian response programme delivery, and an evaluation of the back-to-learning campaign. These were in progress.

The office was aware that its limitations in implementing the planned evaluations had reduced its ability to identify evidence gaps and set research priorities.

Agreed action 10 (medium risk): The office agrees to ensure that:

i.   The monitoring and evaluation tools and framework include the validation of data obtained from partners during programme monitoring visits.
ii.   There are sufficient evaluations to provide input into programme design.

Responsible staff members: Chief of SPPME
Target date for completion: March 2019

Accountability to affected populations (AAP)

UNICEF observes the IASC's[14] 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".

The audit reviewed a sample of workplans, proposals, and PCAs, and spoke with staff and partners. It found that the office had put in place some aspects of AAP; however, it had yet to

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[14] The IASC is the Inter-Agency Standing Committee; it works in countries where there is a humanitarian response, and coordinate the humanitarian response of UN and other bodies. See https://interagencystandingcommittee.org/iasc/.

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adopt and mainstream a cohesive and integrated approach. Discussions with staff and partners in the field indicated that there was insufficient understanding and implementation of AAP. The appropriate outreach and feedback mechanisms for the different communities had not been determined. There was also insufficient evidence in the CMT minutes that it was considering AAP, although a pilot was referred to in the minutes of one of the programme management team meetings. As yet, workplans had not been updated to include specific AAP outputs and activities, nor were they included as a requirement in the office's partnering and reporting arrangements.

The office could also leverage other inter-agency activities such as those related to end-user monitoring, PSEA and the CBMCs[15] in implementing accountability measures. Lessons learned from pilot CBCMs can be used to adapt appropriate feedback mechanisms for AAP.

The office will need to determine the appropriate channels (e.g. call centres, radio, complaints boxes, face-to-face discussions with beneficiaries, etc.) for obtaining feedback from communities it supports. While multiple channels provide targeted communities more opportunities to provide feedback, it is equally essential to assess and summarize the feedback received and use the information to inform programming. This will require integration of the community feedback mechanisms across sectors and UN organizations.

Agreed action 11 (medium risk): The office agrees to take appropriate measures to enhance its accountability to affected populations. This will involve, amongst other things, identification of key services/programmes to be assessed, feedback gap analysis, identification of the most appropriate means of obtaining feedback, and reflecting the results of feedback received in programming.

Responsible staff members: Deputy Representative
Target date for completion: July 2019

Programme criticality

The Programme Criticality (PC) Framework is a component of the UN Security Management System (UNSMS). The PC Framework[16] is used to determine the levels of acceptable security risk for programmes and activities to be implemented by UN personnel. Its purpose is to help programme staff balance the risks to those personnel against the criticality of the activities for the beneficiaries and the possibility of their implementation. A key principle is that the criticality of an activity, and the security risk to UN personnel in its implementation, should be seen as distinct subjects, to be defined separately from each other.

Application of the Framework is mandatory where security risk levels are high. Using it, a UN team rates the criticality of outputs as PC1, PC2, PC3 or PC4. If an activity is classified as PC1, it is regarded as sufficiently critical to justify its implementation in a situation that presents a

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[15] A community-based complaint mechanism (CBCM) builds on engagement with the community where individuals are able and encouraged to safely report grievances – including SEA incidents – which can then be referred to the appropriate body for follow-up. The IASC has produced guidance on instituting CBCMs; it is available at https://interagencystandingcommittee.org/accountability-affected-populations-including-protection-sexual-exploitation-and-abuse/documents-50.
[16] The Framework can be accessed online at https://www.unsystem.org/CEBPublicFiles/Programme%20Criticality%20Framework%20FINAL%20HLCM%2025102016.pdf.

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very high risk to the UN staff concerned. In such a case, the Executive Head or Under-Secretary-General (USG) of the relevant UN organization must certify that the activity is PC1 and that it can be implemented in such a situation. In the case of UNICEF, the Executive Director would be required to certify that the activity was designated as PC1 and that the risk could be undertaken.

Accountability for implementation of the Framework in an integrated mission such as the United Nations Mission in South Sudan (UNMISS) lies with the Special Representative of the Secretary-General (SRSG). The United Nations organizations in South Sudan and UNMISS had jointly completed a PC assessment for all areas of South Sudan. Issued by the SRSG on 1 March 2017 and valid up to 28 February 2018, the assessments had rated outputs of UN agencies, funds and programmes according to their contribution to the UN strategic results and the likelihood of their implementation. At the time of the audit, the Programme Criticality Maintenance Team (PCMT) was updating the assessment, with participation of UNICEF.

However, the audit noted lack of clarity amongst the UNICEF South Sudan staff on what triggered the PC1 designation. The Framework defines it as follows:

There are two possible criteria for an output to be considered PC1:
a. Either the output, and individual activities thereunder, are assessed as lifesaving (humanitarian or non-humanitarian) at scale (defined as any activity to support processes or services, including needs assessments), and would have an immediate and significant impact on mortality; or
b. The output or individual activity is directed by, or receives the endorsement of the Secretary-General for this particular situation.

The Framework adds that if an activity is to be conducted in a very high-risk environment, then the Executive Head of the United Nations entity or Head of the United Nations department must confirm that they consider the activity to be PC1, and the activity must be authorized by the Under-Secretary-General of UNDSS.

This needs to be clearly understood by staff making decisions as to whether to work in a given location. UNICEF was participating in the Integrated Rapid Response Mechanisms (IRRM),[17] which provide lifesaving assistance to children and families affected by conflict, targeting hard-to-reach locations where partners were unable to respond adequately. Yet, in discussion with programme staff at the main office in Juba and in one zone office, the audit team found that they were not familiar with the details of the programme criticality concept.

The concern of the audit is that a decision by the office to work in such an area should be based on a firm understanding that the activity in question is PC1. There is a risk of staff implementing activities that are not unequivocally PC1 in high security-risk regions. There is also a risk that they may implement activities that, according to the Framework, require the clearance of the Executive Director, without seeking such clearance.

On 4 July 2018, the office formalized its procedures for the request and approval of all field missions, including the Mission Request and Security Request Forms that must be filled out

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[17] The Integrated Rapid Response Mechanism (IRRM) was started by the World Food Programme (WFP) and the United Nations Children's Fund (UNICEF) to enable assessment of, and rapid response to, changing needs on the ground, as well as meet the needs of those otherwise cut off from available services.

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by the requesting section/field office and Security before approval by the Representative. Even though the form requires indication of the programme criticality level, this question had not always been answered in the forms reviewed by the audit, although those forms had been approved.

Agreed action 12 (medium risk): The office agrees to ensure the programme criticality framework for South Sudan is clarified and implemented; that relevant staff have an adequate knowledge of programme criticality assessment and its application in South Sudan; and that mission request forms are accurately and completely filled out with all required information, including the level of programme critically.

Responsible staff members: Deputy Representative, Human Resources Manager and Security Manager
Target date for completion: March 2019

Safety and security

The overall security situation in South Sudan had deteriorated significantly since the conflict restarted in mid-December 2013. In 2017, 1,159 humanitarian access incidents were reported by aid agencies in South Sudan. About 47 percent of these incidents involved violence against aid workers and assets. Twenty-eight aid workers had been killed and 61 looting incidents reported, and 612 aid workers had been relocated in 54 incidents from multiple locations across the country. Looting spiked in July 2017, with 15 incidents reported, including six in which warehouses and trucks in transit were looted – leading to the loss of 670 metric tons of food aid.[18]

The audit review noted the following.

Security budget: The UNICEF security team in South Sudan was composed of 14 staff, three of which were IRRM Security Specialists. Six security staff were based in the field, as roving support, with the remainder in Juba. The security team was responsible for ensuring the implementation of the security measures, conducting the security assessment of office premises and supporting the IRRM and field programme missions. The unit in Juba had an overall responsibility for the security of 11 field locations.

Despite the vital role of the UNICEF security unit, it did not have a separate operational budget to cover the cost of the frequent travel it had to undertake. Instead, security costs were being budgeted and funded under various programme and management outcomes, and/or using different funding mechanisms such as the Central Investment Fund (CIF), which provides security funding from HQ, or from other funding sources within the office itself.

While the absence of a dedicated budget had not hampered security support to IRRM missions, the process for funding security-rated travel and operations was inefficient. The travel of each security officer was negotiated on a case-by-case basis by the head of the security unit. In February 2018 the office had submitted to HQ a request of US$ 1.7 million for an allocation from the CIF to help pay for work being done to ensure compliance with the Security Risk Management Measures.[19] At the time of the audit, the office had not received a

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[18] Source: OCHA: South Sudan: *Humanitarian Access Overview* (January-December 2017).
[19] Security Risk Management Measures approved by the UN Security Management Team in a country or region become the minimum operating security standards for that area.

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response on the amount to be funded by the CIF; neither had the office's expenditure on security measures for 2018 been separately calculated, so it was not clear how much security was actually costing the office. A distinct budget would make this easily apparent. The office told the audit that there had been a dedicated budget for operational costs related to security, but the practice had been discontinued three years earlier.

Security improvement plan: Facility safety and security surveys were carried out in Juba and all 11 field locations from late 2017 to 2018. However, the office had not established a consolidated action plan to implement the agreed recommendations, with budget estimates, responsible staff and implementation timelines. It could not therefore ensure timely and effective implementation of appropriate measures for the safety and security of its staff.

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

i.   Establish a security specific output with indicators in the 2019-2021 Country Office Results Framework as well as workplan activities and planned budgets in the Management Outcome Workplan.
ii.   Implement a centralized monitoring tool for all security improvements.

Responsible staff members: Chief of Operations, Chief, SPPME and Security Manager
Target date for completion: February 2019

Sanctions

Offices should systematically check to ensure that their partners (e.g. NGOs, consultants and contractors) are not listed on UNSC sanction list.[20]

The audit could not find evidence of review conducted by the office in either the Contract Review Committee files or in the market survey forms. The audit noted also that the office was not collating sufficient information about potential partners/vendors to determine whether they had owners and key associates that were on the UNSC sanction list. A simple check of the partner/vendor against that list may not be sufficient; the office should ensure that it has the names behind the all the NGOs and institutional providers in its database for an effective check against the sanctions list. Not having a formal vetting system increased the risk of non-compliance.

The office stated that suppliers and contractors were vetted against the UNGM[21] database and US sanction list for South Sudan and that this would now be officially recorded in the relevant committee minutes.

Agreed action 14 (medium risk): The country office agrees to collate adequate relevant information on the owners and key associates of its vendors/partners, formalize its check to make sure these individuals are not on the UNSC sanctions list, and maintain evidence of checks conducted.

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[20] Compliance with UN Security Council Resolutions 1267 (1999) and 1989 (2011) includes verification that neither the organization nor any of its members is mentioned on the consolidated list of individuals and entities belonging to, or associated with, terrorist organizations.
[21] The UNGM is the United Nations Global Marketplace, a common procurement portal for the United Nations system.

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Responsible staff members: Deputy Representative, Chief of Operations, Chief, SPPME and Chief of Supply and Logistics
Target date for completion: January 2019

Financial management

The audit reviewed various aspects of the office's financial management. The audit acknowledges the context of South Sudan, where normal banking services were not available, presenting day-to-day challenges in this area. It noted the following.

Cash on Hand Accounts (COHAs): Given that there were no banking facilities, or banks with liquidity challenges, the office had – with approval from the Division of Financial and Administrative Management – established 12 COHAs (two in Juba and 10 in the field offices) for the implementation of programme activities, and to cover day-to-day operational costs.

The audit noted that in the Juba office, the COHA safe was accessed by only one custodian, even though it had two locks. There was a second custodian, but they did not have a set of keys and the spare keys were kept by the Finance Manager in an unsealed location.

Further, although the office had a COHA request form for the appointment of the custodians that was signed by the proposed custodian and the chief of field office, there was no evidence that it was approved by the Representative, who has ultimate responsibility over all the COHAs maintained by the office. The country office stated that this was not intended to usurp the Representative's responsibilities, but had been done in the spirit of strengthening field-office accountability, as Chiefs of Field Offices have a delegated authorizing role of up to US$ 25,000.

Long-outstanding accrued expenses: As of 19 June 2018, the office had 71 accrued expenses for goods or services, amounting to US$ 334,702, that had been delivered to UNICEF for at least a year but had not yet been invoiced or paid. The office followed up on the open accrued expenses as part of the year-end closure requirement in January 2018. However, since this date, there had been no other monitoring of these open items to clear them before the end of year.

The absence of prompt follow-up and resolution of open accrued expenses increases the risk of loss of funds and erroneous reporting to donors. The office said it had recognized this and had decided to introduce a new process for managing outstanding invoices in 2018.

Payments from zone offices: Payments initiated by zone offices (except Wau) were processed based on scanned copies of supporting documents, with the originals being generally kept in the zone office. The COHA standard operating procedures clearly specified that the custodians were responsible for the secure filing of original supporting documents, but this was not the case for direct cash transfers (DCTs). For these, there was no clarity on the custodianship of financial documents at field-office level, and there were no assurance activities conducted by the main office to ensure that zone offices were complying with corporate record retention rules.

Agreed action 15 (medium risk): The office should increase oversight of the application of financial management controls, and:

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i.   Establish dual-access controls to COHA safes.
ii.   Ensure that all COHA custodians' appointments are approved by the Representative.
iii.   Establish a regular monitoring process for outstanding accrued expenses, and for resolution of pending items.
iv.   Provide zone offices with clear guidance on custodianship of original documents, and monitor compliance with corporate record retention rules.

Responsible staff members: Chief of Operations and Vision Hub Manager
Target date for completion: February 2019

Procurement

In 2017, overall supply throughput was US$ 70.5 million, or 40 percent of UNICEF South Sudan's annual fund utilization. From January to June 2018, it was US$ 47.1 million. Supply was the largest input of the country programme, before DCTs to implementing partners. Most was related to the humanitarian response in the areas of WASH, Nutrition, Health and Education, and included – among other items – therapeutic food, vaccines, mosquito nets, hygiene supplies and educational materials.

The audit recognizes the extremely challenging operating environment for supply and logistics. South Sudan is a landlocked country, and the capital, Juba, is about 1,650 km from the nearest sea port (Mombasa in Kenya). The local market is dominated by traders and retailers with no manufacturing base. The road network is extremely poor; access is even further limited during the rainy season (April-September), leaving large parts of the country completely inaccessible for months.

Insecurity, which has prevailed in the country since 2013, affects storage facilities that are at risk of being abandoned and/or looted, particularly in the areas with ground fighting. There are also bureaucratic impediments that delay humanitarian assistance and increase its cost. For instance, tax exemption approval for the importation of supplies takes six to eight weeks to obtain.

While acknowledging these challenges, the audit noted the following.

Procurement planning: The office-wide procurement plan for 2018 was endorsed by the CMT in its meeting of 23 April 2018. It included both goods and services.

The audit review of this plan noted areas for improvement. For example, the plan did not differentiate between the regular programme and the supplies to be prepositioned as part of the emergency preparedness (see also observation *Contingency stock*, below). It also did not take into consideration the remaining stocks in the warehouse and the supplies in the pipeline. The office said that more robust planning was done when preparing the dry-season prepositioning plan, but this plan was a sub-set of the overall supply plan, and represented only about half of the annual supplies. Inadequate consideration of the different input requirements for procurement planning could lead to unnecessary procurement or delays in delivery.

Timeliness of delivery: According to the South Sudan Supply and Logistics dashboard in VISION, in 2017 and in 2018 up to July, only 50 percent of supply deliveries were completed according to the agreed target arrival dates (TADs) in the sales orders. The delays ranged from

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one to 180 days after the agreed delivery dates. According to the office, this was due mainly to unrealistic TADs and delays in securing tax exemption clearances required for imported supplies. The office said the Supply Unit did not have sufficient resources to scrutinize the sales orders to make sure that TADs were realistic. However, late delivery of supplies could delay programme implementation, or render the supplies obsolete.

The office stated that the CPMP review process was proposing a strengthened Supply and Logistics section; also, that one of the office priorities for the second half of 2018 was continued high level-advocacy with authorities for timely approval of tax exemptions and a fast-track customs clearance process.

Looted supplies: The office maintained a register that included all incidents, losses and frauds that involved UNICEF resources. According to this register, UNICEF supplies worth nearly US$ 780,000 had been looted from 35 NGO partners from January 2017 till July 2018. The office always asked the relevant partners to recover the cost of lost supplies through their own insurance, but none of these looted supplies' costs had been recovered so far. The audit noted that the partnership agreement with NGOs did not include a clause insisting on insurance for supplies provided by UNICEF.

Contract review committee (CRC): The CRC advises the Representative on contracts for the procurement of services and goods above US$ 50,000. The CRC aims to review whether the proposed contract awards are justified, and their terms and conditions adhere to UNICEF Financial Regulations and Rules.

The CRC review in general was thorough and well documented, and the CRC files were well maintained. The audit reviewed a sample of five contracts for services, and found that they all included deliverables that were clearly defined and measurable. However, the payment schedule was not time-bound and was not linked to deliverables, making it difficult to determine when payments were due; in fact, they were made upon contractors' requests. In one case, the first payment was made after completion of the first three deliverables out of six. Contracts without a time-bound payment schedule linked to specific deliverables increase the risk of delayed completion, abandonment and disputes.

Single-sourcing: Chapter 6, Section 3 of UNICEF's Supply Manual provides for exceptions to competitive bidding in specific instances. In all these cases, the relevant reasons must be recorded in writing and signed by the staff member who has approved the waiver.

In 2017, 27 contractors were chosen without competitive bidding, using single-source selection, for a total amount of US$ 820,000; of these contracts, seven had a value of more than US$ 20,000 and two more than US$ 200,000. Out of a sample of four contractors selected without competitive bidding, there was a documented waiver only for one case; there was a note for the record for another, but without adequate justification for the single-sourcing.

Agreed action 16 (medium risk): The office should:

  i.   Review the template used for the procurement plan to ensure that it differentiates between different types of procurement as appropriate (for example, between regular programme supplies and those to be prepositioned).
  ii.   Ensure that recorded TADs are realistic.
  iii. Include clear linkages between payments and deliverables in contracts for services.
  iv.   Ensure that single-sourcing exceptions are duly documented and reviewed by the CRC.

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Responsible staff members: Chief of Operations and Chief of Supply and Logistics
Target date for completion: June 2019

Property, plant and equipment (PPE)

As of 18 July 2018, the office recorded a total number of 2,860 PPE items with a total original value of US$ 14.1 million. The audit reviewed the information available in the VISION assets module and noted the following discrepancies: 1,570 items did not have an inventory number (tags); 1,358 items did not include the location or the location was not specific (UNICEF, container); and 782 items did not have an acquisition value.

The office said that previous PPE physical counts had been conducted by staff. However, the heavy workload, complexities and competing priorities affected the accuracy of the recording. In November 2017, the physical count had been outsourced to an external company for the first time, at a cost of about US$ 23,000. This company did flag these problems, but because of its heavy workload the office did not act on them promptly. At the time of the audit, the office had started work to clear these discrepancies and intended to engage a contractor to reconcile the assets on the ground to VISION.

Agreed action 17 (medium risk): The office agrees to reconcile information included in the physical count inventory report with that in VISION, investigate discrepancies, and ensure that all PPE items are correctly recorded and reported in VISION.

Responsible staff members: Chief of Operations and Administrative Manager
Target date for completion: March 2019

Contingency stock

The country office had prepared contingency plans for all field offices, and had uploaded them to UNICEF's Emergency Preparedness Portal (EPP). The contingency plans included the specific type of and quantity of items that would be required for each section's response to an emergency.

During a visit to a field-office warehouse, the audit noted that the warehouse was not large enough to hold all the contingency stock, and that implementing partners were being used to hold some of it. They provided periodic inventory reports for the stock held. However, there was no mechanism to monitor whether the required level of contingency stocks was maintained or the conditions in which they were held. The supply section stated that it was the responsibility of each field office to ensure that the required levels of contingency stock were available.

Agreed action 18 (medium risk): The country office agrees to put in place procedures to enforce the requirement for field offices to maintained required levels of contingency stock at all times.

Responsible staff members: Chief of Operations, Chief Field Operations and
Chief of Supply and Logistics
Target date for completion: March 2019

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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 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 (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 this final report.)

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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 *[country office or audit area]'s* governance, risk management and internal controls 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 *[country office or audit area]'s* governance, risk management and internal controls, 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 *[country office or audit area]'s* governance, risk management and internal controls, as defined above, needed improvement to be adequately established and functioning.

[Adverse conclusion]

Based on the audit work performed, OIAI concluded that the *[country office or audit area]'s* governance, risk management and internal controls, as defined above, needed **significant** improvement to be adequately established and functioning.