Internal Audit of the Democratic Republic of Congo (DRC) Country Office

December 2019

Office of Internal Audit
and Investigations

Report 2019/19

for every child

Summary

The Office of Internal Audit and Investigations (OIAI) has conducted an audit of the Democratic Republic of Congo (DRC) Country Office. The audit team visited the office from 29 July to 16 August 2019 and covered the period from 1 January 2018 to 16 August 2019.

The country programme

The approved country programme initially covered the period 2013 to 2017 but was extended to 2018 and later to 2019 to accommodate government changes. Its focus was on humanitarian response, transition and development through five main programmes: *Child survival*; *Quality basic education for all children*; *Governance for child protection*; *An environment conducive to children's rights*; and *Emergency preparedness and transition*.

The country office is in Kinshasa; there are 10 field offices. The Representative assumed duties in May 2019. The office had 531 approved posts, excluding over 150 staff deployed to support the response to Ebola. Its budget was US$ 181.1 million each in 2018 and 2019.

The country programme has been implemented in a context of extreme poverty, economic crises, armed situations, food insecurity and epidemics (including three outbreaks of Ebola). This operating environment has elevated the risks to the use programme inputs and the effective, efficient and economical delivery of results for children in the country. Therefore, the audit sought to understand, assess and test the office's key risk management and mitigating activities and internal controls including: office management, risk assessment and mitigation actions in programme management which includes, amongst others, planning, monitoring, partnerships management, and results reporting. These risks have been compounded by a high turnover rate of the leadership of the country office.

Results of the audit and agreed actions

The audit noted several areas where the office's controls were adequate and functioning well in addressing and mitigating risks. Working with partners, the office was a key player to the Ebola response in the country. An internal control unit had been established to help mitigate governance, programmatic and operational risks; however, the office needed to assess as to whether the objectives of the unit were being achieved. Starting in 2018, the office took action to improve the management of cash transfers by instituting a quality review process.

There were also areas where controls needed to be improved to mitigate key risks. These areas are summarized below.

- In general, the office had a good process for identifying and assessing risks. Through this process, the office had identified and assessed 55 risks as extreme, very high and high risks. However, although appropriate actions had also been identified to mitigate the risks identified, these had not been fully implemented. While programme monitoring and accountability for result are central to delivering results for children, responsibilities for these were not clearly delineated between staff in Kinshasa and field offices. There was thus an increased risk of non-achievement of the results. The office had not taken adequate actions to mitigate the high risk of fraud identified by its own assessment in respect to partnerships and staff. There was no verifiable oversight from the head office in Kinshasa of the vetting and selection of partners by field offices that were potentially

conflicted.

- The audit noted that the quantities and values of procurement actions tested far exceeded the plan. This was because the procurement plan was generally based on funds available and not on programme requirements. There was thus an elevated risk of the office procuring unnecessary goods and services. The audit also noted that, for procurement directly made by the office, there was no evidence of inspections conducted of a sample reviewed by the audit team. Consequently, it could not be established that the deliveries met the specifications of quality and quantity ordered.

- The office has implemented its activities through partners and obtained assurance on the achievement of agreed results through formal monitoring visits. These visits were planned quarterly and conducted by field offices. The audit found that the field offices had capacity constraints, which were impacting on monitoring activities. At the head office in Kinshasa, there was no repository of field reports, and no mechanism to ensure that all of them were reviewed by the responsible staff. Recommendations from the field visit reports were not aggregated and analyzed to ensure appropriate remedial actions were taken. A test of a sample of recommendations from field-monitoring reports and did not see evidence of implementation and follow-up. This indicated, that field monitoring activities were not accorded due attention, elevating the risk to the effectiveness of these visits.

- Direct cash transfers to implementing partners during the audited period totalled US$ 151.6 million. The office had established appropriate governance processes and undertook more than the required minimum number of 578 programmatic monitoring visits and 208 spot checks. However, there was inadequate due diligence of partners and the assurance activities completed did not necessarily cover the deserving partners based on their risk rating. The large amount of ineligible expenditures (US$ 1 million) identified by the office's own spot checks indicated that the partners either lacked the capacity to properly manage and account for cash provided to them, or possible irregularities including fraud.

- In 2018, supplies worth about US$ 33.4 million were distributed to 251 partners and in 2019, another US$ 14.8 million worth of supplies (e.g. medicines for malaria, water pipes, etc.) were distributed to 182 partners. There were no signed agreements and distribution schedules to govern partners' management and of use supplies. The office was not systematically obtaining evidence of the use of supplies during monitoring visits.

- A number of sampled donor reports included results and activities that were inconsistent with the donor agreements, did not assess the reported results/accomplishments against the baselines/targets, and had inconsistent information on results, activities and financial implementation. Regarding the office's annual reporting, for a number sampled results, there was inadequate supporting documentation. These anomalies were caused by the absence of a robust quality review process.

In discussion with the audit office, the country office agreed to take measures to address risks identified. The following six areas are being implemented as high priority - that is, to address risks that require immediate management attention:

- Implement actions to strengthen risk management including fraud risks by staff and implementing partners, clarifying programme monitoring accountabilities for national and field-based staff and management of key staffing changes.

- Strengthen procurement of goods and services through improved planning, management of grant funds and documentation of quality reviews.

- Develop and implement strategies to strengthen programme monitoring, including ensuring follow up of recommendations arising from programme monitoring activities.

- Implementing required assurance activities over direct cash transfers, ensure timely follow up of questioned costs from assurance activities and seek to recover from implementing partners US$ 597,820 in questioned use of cash transfers.

- Strengthen the management of programme supplies by establishing procedures to assure effective storage, safeguarding, distribution and recording the movement of supplies.

- Strengthen its quality controls over the information reported in donor and annual reports to ensure reliability of information contained therein.

Conclusion

Based on the audit work performed, OIAI concluded at the end of the audit that the country office's governance, risk management and internal controls needed improvement to be adequately established and functioning.

Office of Internal Audit and Investigations (OIAI) December 2019

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Background

DRC is a low-income country with a total population in 2018 of 85 million people, of which 41 percent are 14 years of age or under. After a decade of violent armed conflict, political tensions have subsided and, following elections in 2011 and 2018, institutions are being put in place. The security situation has been improving, despite ongoing pockets of armed conflicts in the eastern part of the country. The country hosts more than 540,000 refugees and has 4.5 million internally displaced persons.

The country programme was initially approved by the UNICEF Executive Board for a four-year period, from 2013 to 2017. Due to unstable political situation, it has been extended two times, fist to 2018 and another to 2019. The country programme has five main programme components: *Child survival*; *Quality basic education for all children*; *Governance for child protection*; *An environment conducive to children's rights*; and *Emergency preparedness and transition*. There is also a cross-sectoral component.

The main causes of under-five mortality have been malaria, acute respiratory infections, diarrheal and malnutrition. Social services continue to be in strong demand among the population. In 2018, the Ministry of Health of the DRC reported an outbreak of Ebola in the North Kivu and Ituri provinces, which are characterized by protracted armed conflicts and share borders with Rwanda and Uganda. Following an outbreak in Goma, a city of about 2 million people, the World Health Organization declared on 17 July 2019 Ebola virus disease outbreak in the DRC a Public Health Emergency of International Concern.

The UNICEF country office in DRC has provided assistance to the Government in the form of development of strategic guidance for child protection; technical assistance on the harmonization of vaccination protocols; case management of children in Ebola treatment centres; and a risk communication, social mobilization, and community engagement strategy. The response is coordinated from Goma.

The country programme was implemented in a context of extreme poverty, economic crises, armed situations, food insecurity and epidemics (including three outbreaks of Ebola). This operating environment has elevated the risks to the use programme inputs and the effective, efficient and economical delivery of results for children in the country. Therefore, the audit sought to understand, assess and test the office's key risk management and mitigating activities and internal controls including: office management, risk assessment and mitigation actions in programme management which includes, amongst others, planning, monitoring, partnerships management, and results reporting. These risks have been compounded by a high turnover rate of the leadership of the country office. The key positions in the country office were held by staff appointed on an interim basis or as officers in charge over extended periods. The current Representative only joined the office in May 2019, approximately two months before this audit.

The UNICEF country office is based in Kinshasa; there are 10 zone offices. There are 531 approved posts (130 international professionals, 208 national officers and 193 general service posts). There are over 150 additional staff deployed specifically for the office's response to Ebola. The office's budget was US$181.1 million in both 2018 and 2019.

Audit objectives and scope

The objective of the audit was to provide independent assurance regarding the adequacy and effectiveness of the governance, risk management and control processes in the country office. The audit covered the period from January 2018 to August 2019. The audit team visited the office from 29 July to 16 August 2019.

This report presents the more important risks and issues found by the audit, and the measures agreed with the DRC country office management to address them. The audit did not review the country office's overall responsiveness to the Ebola outbreak because, at the time of the audit, the office was working with various partners to manage the response to the health emergency. An audit would therefore have been disruptive. However, where appropriate, the audit has commented on Ebola's impact on country programme management.

Audit observations

Country programme management

The country programme has been implemented in a context of extreme poverty, economic crises, armed situations, food insecurity and epidemics (including three outbreaks of Ebola). This operating environment has elevated the risks to intended use of cash and other programme inputs provided to implementing partners and the effect and efficient delivery of results for children in an environment already believed to be characterized by fraud and corruption. Against this backdrop, the audit team reviewed the office's risk assessment and management process and its management structure to understand and assess how it is positioned to ensure the intended use of cash and other programme inputs provided to implementing partners and efficient delivery of results for children.

Overall risk management: Two of the key processes in ensuring the intended use of cash and other programme inputs and effective and efficient delivery of results for children are the identification and management of risks. In general, the office had a good process for identifying and assessing risks. Through this process, it had identified and assess 55 risks as extreme, very high and high risks. The office had also identified appropriate potential drivers and relevant root causes. The audit team's review of the risk assessment confirmed that risks rating were appropriate. However, although appropriate actions to manage and mitigate the identified risks had also been identified, these had not been fully implemented. For example, training of implementing partners on anti-fraud strategy, assurance activities and capacity building were identified as actions that were identified as necessary to mitigate risks of fraud. However, these mitigating actions had not been fully implemented.

Managing implementing partnership risks: The audit also noted that office had not taken adequate actions to mitigate the high of fraud related to its partnerships. For example, without putting in place specific variable actions to mitigate fraud risks, the office had continued to work for extended periods with some partners suspected of committing fraud. In addition to implementing specific actions with respect to partners that have associated with high fraud risks, the needed to broaden its partnership base. However, it had not taken steps to identify additional partners.

It was also noted that while fraud risk would be mitigated through the selection of partners and monitoring of their performance, there was no verifiable oversight from the head offices in Kinshasa with respect to the vetting and selection of partners by field offices.

Responsibilities for vetting partners to determine as to whether they are eligible to work with UNICEF and for selecting them to implement programme activities have been delegated to its 10 field offices. In the audit team's view, these field offices were potentially conflicted due to their proximity to the partners and because the offices were also responsible to monitor the performance of the partners and make sure the partners delivered agreed results.

There was also no verifiable action was taken to improve fraud awareness of implementing partners. The audit also noted that, of the office staff, 118 (22 percent) had not completed the UNICEF mandatory learning course on fraud awareness, and 50 had not completed the ethics and integrity course.

Internal control unit: The office had established an internal control unit (ICU) within the operations section. It has four staff (thee internationals and one National Officer). According to their job descriptions, the unit is expected to help the Head of Office manage risks of fraud and corruption, and to ensure effective and efficient implementation of programmes. The audit's review, and discussions with the staff, indicated that they have provided support in such areas as cash transfer management, end-use monitoring for nutritional supplies, and capacity building of field staff. However, the audit was of the view given that this unit is new, there is a need for the office to review the scope and impact of its work and take actions as needed to enhance its effectiveness.

Office management: The UNICEF country office is in Kinshasa but there are also 10 field offices. The latter had 351 staff, of which 66 were international, and accounted for about 40 percent of the total funds allocated to the country office.

Responsibilities for programme monitoring, and related accountability for results, were not clearly delineated between staff based in Kinshasa and those in field offices. There was thus an increased risk intended results may not be achieved and accountability for non-achievement of the results may not be addressed effectively. Heads of sections based in Kinshasa were responsible for achievement of sectoral programme results and were expected to monitor implementation of field-based activities to ensure they were achieved. Under the framework, however, the field-based staff also had responsibilities to ensure implementation of the planned activities and achievement of the results. The field-office staff reported to the heads of the respective field offices, who in turn reported to the Chief of Field Offices (CFO) in Kinshasa.

This suggested that the field-based staff and the CFO were accountable for programme activities and results in the field, although in fact sections heads were actually responsible. There was no matrix staff management[1] process in place that would have allowed the national level staff to contribute to the priorities assigned to the field-based staff and to provide feedback on performance. Consequently, programme risks identified at the national level may not be given the attention they deserve at field level.

Key staff changes: The audit noted that key positions in the country office were held by staff appointed on an interim basis or as officers in charge (OIC) over extended periods. For example, before the arrival of the current Representative in May 2019, the office was headed by an interim Representative who joined the office in February 2018. The interim Representative took over from a Deputy Representative who had been the OIC from April 2017 to February 2018. At the time of the audit, the post of Deputy Representative

[1] Matrix management means an organizational structure in which a staff member may report to different managers for different parts of their role, depending on the manager's own function.

Programmes had been vacant since May 2019, and the chief of one programme had been deployed as part of the Ebola surge team. During the audit, the Head of Human Resources and the Deputy Representative Operations both took posts outside the country office; this was likely to create gaps at a time when the office was in the process of hiring and deploying large numbers of staff to support the Ebola response.

The office told the audit that, where appropriate, surge staff[2] were used as OICs pending appointment of permanent staff. In view of the high-risk environment and given that the Ebola response took a significant amount of senior management staff time, using interim staff over extended periods risked ineffective decision-making processes and poorer risk management.

Agreed action 1 (high priority): The country office agrees to, working with the Regional Office and the Division of Human Resources at Headquarters in New York, take appropriate actions to strengthen overall office management. These should include, but not limited to: implementing the actions identified by the office to mitigate risks identified and including fraud risks by staff and implementing partners, clarifying programme monitoring accountabilities for national and field-based staff, and managing key staff changes.

Responsible staff member: Deputy Representative Operations
Date by which action will be taken: 31 December 2019

Agreed action 2 (medium priority): The office agrees to, using the expected deliverables in the job description, review the scope and impact of the internal control unit work and take actions as needed to enhance its effectiveness. It is noted that the office established the unit to achieve specific objectives by delivering specific outputs such as improved management of cash and other programme inputs provided to implementing partners. A review of the scope and impact of the unit, after reasonable period of its existence, should seek to identify its achievements, strengths and opportunities to enhance its effectiveness and impact.

Responsible staff member: Deputy Representative Operations
Date by which action will be taken: 31 March 2020

Management of construction contracts

At the completion of the audit, the office stated that it had 22 ongoing construction works, totalling about US$ 21.8 million including supervision.

These contracts included buildings intended to improve the vaccines supply chain in the country. A tripartite agreement had been signed in 2015 between UNICEF, the Government, and a donor to construct a central repository in Kinshasa, and two decentralized depots in Kisangani and Lubumbashi, for vaccines and immunization supplies. UNICEF was responsible for construction at the three locations. The audit reviewed the management of the on-going construction contracts concerned, which had a value of about US$ 19.5 million.

The construction in Kinshasa started in 2016, was completed in May 2018, and was officially inaugurated in October 2018. On a visit to the facility, however, the audit noted that it was not being used and that 12 distribution trucks that had been purchased as part of the project were standing idle in the compound. According to the UNICEF office, the Kinshasa hub had

[2] Surge capacity is an arrangement under which UNICEF makes staff temporarily available from across the organization to assist in a particular emergency.

not been operational due to an unreliable power supply that had not been properly factored into the project planning. Unstable power could damage equipment—indeed four of the seven inverters were damaged and need to be replaced. As part of project, two backup systems were foreseen (diesel generators and solar). However, the hub had been handed over without completing the installation of the solar system and, according to the office, the diesel generators could not be used because the Government did not have funds to operate them. The office informed audit that it hired an engineering firm in July 2019 to assess and identify actions required to operationalize the Kinshasa vaccine repository. The firm identified 14 key areas and a subset of actions that were required to make the repository operational. The office indicated that it was in the processes of implementing the proposed actions.

An expert environmental and sustainability review of the project would have established that electricity supply was inadequate to run the facility. Also, a thorough analysis of the project would have established whether the Government had the resources to pay for the operating costs. The audit also noted that in taking responsibility for management of the construction work, the UNICEF office had not assessed its own capacity to do so. The audit did not see evidence that the ongoing construction works had been supervised by an expert and that before handover, there was complete inspection and testing of the equipment. Additional funding would now be required to bring the facility to its full operational level. Following the completion of the audit fieldwork, the office informed audit that it had conducted a restructuring of its construction unit and was in the process of filling staff posts. It stated that these actions were informed by the findings and lessons learned in the construction of the Kinshasa vaccine repository. The effectiveness of the restructuring and actions taken were not validated by audit as they reported after the completion of the audit fieldwork and were on-going at the completion of the audit.

Regarding the warehouses in Kisangani and Lubumbashi, the construction contracts were signed in August 2017, but the work did not start until June 2018. It was then suspended a month later in July 2018 on the instruction of the Government. The reasons for the suspension were not provided to the audit team. This suspension was lifted for the Kisangani hub in March 2019, but the construction work had not restarted at the time of the audit. As for the Lubumbashi hub, the audit was told that the donor has now decided not to fund its construction.

Overall, the delays in construction work resulted in higher costs than earlier planned, and/or non-achievement of programme objectives.

Agreed action 3 (medium priority): The office agrees to, in consultation and agreement with the Government and donor:

i. Complete the implementation of all actions necessary to operationalize the Kinshasa vaccines repository.
ii. Strengthen its project management structure and ensure the involvement of representatives of the donor, Government and UNICEF to oversee the construction of the repository in Kisangani. This will help ensure that the mistakes of the past are not repeated, and the project is completed as planned.

Responsible staff member: Senior Supply Manager
Date by which action will be taken: 31 December 2019

Agreed action 4 (medium priority): The office should develop lessons learned from the construction of vaccines repositories and ensure that it has put in place controls sufficient to ensure that all construction work planned is implemented in time and is fully functional when handed over.

Procurement of goods and services

From 1 January 2018 to 5 July 2019, the office procured goods and services worth approximately US$ 69 million, of which about US$ 22 million was procured offshore by the Supply Division. The audit reviewed procurement of goods and services to determine whether they were planned, followed UNICEF procurement processes, and were closed effectively. The office had established a contract review committee (CRC) with appropriate terms of reference to support the procurement process. UNICEF procurement guidelines require that a proposed procurement action that is above an established threshold be reviewed by the CRC to independently confirm before a contract is signed that the procurement process has been transparent and competitive and therefore assures value for money. The CRC is key to mitigating procurement-related risks including fraud particularly for high-value goods and services. A well-functioning CRC supports effective and competitive procurement of goods and services.

The audit noted the issues discussed below.

Procurement of goods and supplies: The office procured a total of US$ 58 million worth of goods and services through institutional contracts. The audit reviewed 29 purchase orders worth a total of US$ 12.2 million and noted that 24 of them were procured through long-term arrangement (LTAs) signed with service providers. The others were procured through competitive bidding processes where proposals were technically and financially evaluated before the issue of purchase orders.

The threshold for the office was US$ 50,000 and audit noted that all procurement actions that met this threshold in the audit sample had been reviewed by the CRC.

The audit noted that although 17 of the 29 transactions tested had been planned, the quantities and value of actual procurements far exceeded the plan. For example, the 2018 supply plan included a budget for the procurement of 29 vehicles, but 50 vehicles were bought instead. The purchase orders for 13 of these vehicles were raised during the month in which the grant expired. In another example, the office planned to use US$ 1 million for the transportation of mosquito nets and bicycles but spent about US$ 2.2 million. The office stated that deviations occurred due to emergencies, but for the sample tested the audit could not link the variations to an emergency. The office informed the audit that planning was generally based on funds available rather than on programme requirements, and that changes were made as funds became available. This made it difficult to use the office's supply plan as a programme management tool. There were risks for the procurement of unnecessary goods and services, uncompetitive selection of suppliers and untimely delivery.

Offshore supplies procured through the Supply Division were subject to the quality inspection processes of the Division. For procurement directly made by the office, the office said that quality inspections were conducted upon delivery. However, the audit was not provided with evidence to support this in the audit sample. Consequently, it could not be established that the deliveries met the specifications of quality and quantity ordered.

Procurement of services: The deliverables for institutional contracts were stated in all 29 contracts tested, but in 20 cases they were not timebound and measurable. This prevented effective monitoring of the timely delivery of the outputs and performance of the of vendors. Indeed, performance of the 29 vendors was not evaluated at the end of the contracts to identify areas that needed improvement and/or inform decisions as to whether to hire that vendor again in the future.

The audit also reviewed contracts for services with individuals. Expenditure for individual contracts totalled about US$ 5 million. All the contracts for the top 10 consultants, with approximate total value of US$ 2.1 million, were reviewed. The audit noted that eight of the consultants were performing staff-like functions. This is against UNICEF policy; it could lead to *de facto* employment relationships that were not intended in the consultant contracts. There could also be negative impact on morale due to differences in status and benefits for similar work.

Nine of the 10 consultancy contracts were initially below the threshold for CRC review of US$ 50,000 and did not therefore go through the CRC process. However, these were extended several times and eventually did exceed the CRC limits. Although the extensions were presented to the CRC, it was not clear why the office had so many contract extensions. But it suggested that the initial outputs were not properly planned for and/or were not clearly defined.

The audit also noted that:

- None of the contractors had been checked against the United Nations consolidated sanctions list[3] (this is an organizational requirement). Reference checks provide valuable information about a candidate's skills, competencies and fit for the role, team, and the organization. Therefore, there was a risk that ineligible consultants could have been hired by UNICEF.
- In 10 cases, deliverables were not timebound, clearly defined or measurable.
- In nine cases, the office did not undertake a performance evaluation before extension of the contracts.

Use of grants: The office raised purchase orders worth US$ 4.6 million only 10 days prior to the expiry dates of the relevant grant's validity, and some on the very day of the grant expiry. This risked procurement of goods and services that were not required to meet the programme objectives, untimely delivery of procured goods and services, and inefficient use of funds.

Where this is done, there is also a risk that the grants will have expired by the time payment for the goods or services is due. The audit reviewed a random sample of 10 transactions and noted that in three cases, not all goods or services were delivered before the date of the grant financial closure. The office therefore lost funds from the grants because outstanding commitments could not be charged to the closed grants. Though the office stated that there were cases where it got grants with short validity periods, the audit noted that some of the grants in the sample had a validity of up to five years.

[3] UN Security Council Resolution 1267 and subsequent resolutions require that organizations and individuals associated with terrorism should be subject to economic sanctions, including their non-employment as vendors or contractors. Potential vendors should therefore be checked against the consolidated sanctions list before they are contracted.

Moreover, the office did not close contracts promptly. As at 16 August 2019, it had US$ 1.9 million of open balances locked up in contracts which had expired. A review of 15 of these transactions noted that for seven, the delivery of services did not commence before the contracts expired. There was no explanation as to why this happened.

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

i. Reduce scope for procurement close to the expiry dates of the grants.
ii. Prepare procurement plans based on programme needs and not availability of funds, and document reasons (such as insufficient funds) for any deviations from the plans.
iii. Ensure documentation of quality inspections for all local procurement.
iv. Institute a process to ensure timely closure of expired contracts.

Responsible staff members: Chief Planning; Heads of Sections; Senior Supply Manager
Date by which action will be taken: 31 March 2020.

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

i. Ensure all contracts have specific and measurable outputs.
ii. Ensure that institutional and individual vendors are cleared against sanctions lists and there are appropriate reference checks for them.
iii. Ensure that contracts clearly plan and define all the required outputs, to minimize the numerous contract amendments being submitted to the CRC.
iv. Evaluate performance of all vendors at the end of each contract.

Responsible staff members: Heads of Sections; Senior Supply Manager
Date by which action will be taken: 31 December 2019

Programme monitoring

UNICEF offices are required to monitor programme implementation through programme monitoring activities and periodic reviews. They are also obliged to obtain assurance that cash transfers to partners have been spent as intended. The audit reviewed the office's programme monitoring activities and assurance activities. It noted the following.

Programme monitoring: Each programme section developed a monthly or quarterly field visit plans that were approved and consolidated into a section field monitoring plan. The plans were monitored during the weekly or monthly section meetings.

Most of the programme monitoring was done by the field offices who prepared quarterly mission plans based on the priority activities and availability of resources. In discussions with staff from four of the field offices, the audit was told that they had capacity constraints that had an impact on monitoring. An example was given where a field office with 10 staff covered five provinces and worked with 80 implementing partners; the staff said it was impossible for the allocated staff to deliver on all field office's accountabilities.

The audit also noted that there was no repository of field reports, and no mechanism to ensure that all of them were reviewed by the unit supervisors. Also, the programme sections (other than the WASH[4] section) did not aggregate the recommendations from the field visit

[4] Water, Sanitation and Hygiene.

reports. This could lead to inadequate following of issues and recommendations arising from field visits. In fact, the audit looked at a sample of 21 recommendations from field-monitoring reports and did not see evidence of implementation and follow-up.

The country office started to implement the use of eTools in June 2019. This is a suite of solutions devised by UNICEF to streamline various tasks, and among other things includes a one-stop source for all information necessary for implementation monitoring. However, field-visit reports were not systematically attached in eTools. The implementation and training actions necessary to fully use the eTools was incomplete and therefore audit could not assess the effectiveness of their use.

After the completion of the audit fieldwork, the office informed audit that it had completed an assessment of programme monitoring gaps for four field offices and the main office in Kinshasa. It indicated that this assessment resulted in the recruitment of 19 consultants to support them. In view of the overall monitoring gaps noted by audit, an assessment of programme monitoring capacities for all offices is necessary so that the office can design appropriate strategies to address them.

Assurance on the use of cash transfers: Direct cash transfers for the audited period totalled US$ 151.6 million of which US$ 102.8 million (68 percent) was transferred to NGOs and US$ 48.8 million (32 percent) to Government partners.

To obtain assurance on the use of cash transfers, UNICEF and several other UN agencies use a set of procedures called the Harmonized Approach to Cash Transfers (HACT). Its principle is to do a risk assessment (a ‘micro-assessment’) of the specific partner and manage the relationship with the partner accordingly. This is meant to cut down on bureaucracy, but without reducing vigilance in cases where fraud seems more likely. The results of a micro-assessment should determine the level and frequency of assurance activities used with that partner. These include programmatic visits to review progress on funded activities. They also include spot checks, scheduled audits and, where necessary, special audits.

The office had established the appropriate HACT governance processes. It had established a HACT Task Force with responsibilities to monitor the implementation of HACT. It also had a HACT accountability matrix and work processes for assurance activities, and HACT issues were reviewed and discussed by the Country Management Team. However, the HACT Task Force was inactive during the period under audit, and the governance structures had not managed the cash-transfer risks, as noted below.

The office had 380 implementing partners in the HACT assurance plan for 2018. A minimum of 578 programmatic monitoring visits and 208 spot-check were foreseen for 2018. The office had reported that it had completed 110 percent (630 out of 578) of the minimum required HACT programmatic monitoring visits, 109 percent (210 out of 208) required spot-checks, and 27 HACT audits.

While the overall number of activities completed exceeded those planned, the assurance process did not ensure adequate due diligence of partners. The assurance activities completed were not necessarily on the deserving partners based on their risk rating. In fact, 125 partners had not received all the required programmatic visits in 2018. Of these, 69 did not have any HACT programmatic visits conducted in 2018. In addition, 65 partners did not get spot-checks. Twelve partners had neither spot-checks nor programmatic visits conducted in 2018. The office told the audit that it did not have the capacity to complete all the assurance activities, especially given the size of the country. While some of the assurance activities were outsourced to third parties, overall, the office did not meet UNICEF standards for assurance activities. The implications of not completing the required assurance visits was that the office could not fully ensure that cash transfers were used for the agreed purposes.

The audit reviewed 10 programmatic visit reports and 10 spot-check reports. It noted that in seven cases, the reports' findings were not clear, and the recommendations did not address the root causes of the problems noted. No specific action plans were developed and agreed with partners, laying out the deadlines, details of actions required and accountability for their implementation. The office did not have a database in which it would record its assurance activities' recommendations from all offices (National and all field offices). Therefore, the office could not effectively monitor their implementation. Programme staff interviewed admitted that they did not understand how to manage the large number of observations and recommendations stemming from the HACT assurance activities.

The audit noted that spot checks had identified ineligible expenditures amounting to over US$ 1 million; at the completion of the audit, US$ 597,820 of this amount had not been recovered or properly accounted for. The large amount of the ineligible expenditures indicate that the implementing partners lack the capacities to properly manage and account for cash provided to them and implement the agreed activities. It also indicates possibility of irregularities including intentional misrepresentations in their justification for use of cash provided to them. However, the office continued to work with some of them—although some were in a list of 26 presumptive fraud cases by implementing partners that are being investigated.

Agreed action 7 (high priority): The country office agrees to strengthen programme monitoring at the national and field-office levels. They would include, but not be limited to:

i. Completing the assessment of programme monitoring gaps for all field offices and with a sharper focus on implementing partners assessed as high risk and taking appropriate actions to address the identified gaps including.

ii. Making sure all monitoring reports and recommendations are reviewed by appropriate levels of management (e.g. relevant programme section heads) and implementation of recommendations from monitoring activities are timely implemented. The full implementation the eTools will help strengthen the management and effectiveness of assurance activities and related results.

Responsible staff member: Chief of Planning
Date by which action will be taken: 31 March 2020

Agreed action 8 (high priority): The office agrees to take appropriate action to:

i. Ensure timely completion of HACT-related assurance activities, including micro-assessment, programmatic and spot checks based on the risk ratings of the partners.
ii. Put in place a process that facilitates prompt recovery of ineligible costs identified by assurance activities.
iii. Seek recovery US$ 597,820 in ineligible costs identified by assurance activities.

Responsible staff member: Chief Planning
Date by which action will be taken: 31 March 2019

Management of programme supplies

The audit reviewed warehousing, distribution, and monitoring (including end-user monitoring) of supplies, and noted following. In 2018, supplies worth about US$ 33.4 million were distributed to 251 partners and in 2019, another US$ 14.8 million worth of supplies was distributed to 182 partners. During a visit to the main warehouse in Kinshasa, the audit noted that items were generally well arranged, and the warehouse was clean and secure. The last inventory count had been performed at the end of June 2019 and no significant differences between the supplies records and physical counts had been reported.

However, the office held supplies worth US$ 15.7 million in 14 warehouses throughout the country, of which one was in Kinshasa and the others across the country. Many of the supplies, such as medicines for malaria, water pipes, etc. were exposed to the risk of theft for sale in the local markets. The office informed audit that the inventory level was linked to the multifold challenges of the country, including partner selection and partner capacity. It indicated that due to the huge logistics challenges and infrastructure in the country, the office had made a conscious and deliberate decision to hold inventory to avoid stock outs. The audit noted however that only about US$ 1 million of the stored supplies were identified as pre-positioning items, meaning that these were not meant for immediate consumption. Without information on the optimal value and quantity of supplies that should be held to meet immediate programme needs, there was a risk of holding in storage excessive supplies that may not be required to meet programme needs.

A review of the controls over these supplies also showed the following:

- The office was unable to provide assurance that partners had the ability to manage and properly safeguard the supplies.
- There were no signed agreements and distribution schedules to govern partners' management and of use supplies.
- The office was not systematically obtaining evidence during monitoring visits of the use of supplies. A review of programme monitoring reports showed that inconsistency in reporting on the status of supplies. This indicated that the conditions and distribution of supplies were not consistently assessed during programme monitoring visits.

Agreed action 9 (medium priority): The office, informed by risk assessment and supplies turnover, should strengthen the management of programme supplies by determining the optimal value and quantity of supplies it should hold in its warehouses and establish a process to minimize excessive inventory.

Responsible staff member(s): Senior Supply Manager
Date by which action will be taken: 31 December 2019

Agreed action 10 (high priority): The office agrees to implement appropriate procedures to obtain assurance that:

i. Partners understand their responsibilities for the storage, safeguarding, distribution and recording the movement of supplies.
ii. Supplies have been stored, safeguarded, used/distributed as agreed. This can be accomplished through self-reporting of the partners and programme monitoring visits to validate the self-reporting.

Responsible staff member(s): Chief Planning; Senior Supply Manager
Date by which action will be taken: 31 March 2020

Humanitarian cash transfers to beneficiaries

Humanitarian cash transfers (HCTs) are intended to help meet people's immediate needs, strengthen national social protection systems and boost local economies in both the short and long-term. Beneficiaries are targeted based on needs and vulnerabilities.

HCT process: The total cash and vouchers disbursed was US$ 6 million and US$ 6.3 million in 2018 and 2019 respectively. There are no UNICEF organization-wide guidelines on humanitarian cash transfers, but the DRC country office had adopted the Rapid Response for the Movements of Population (RRMP)[5] guide on cash transfers. The guide defined the results and indicators, criteria for selection of beneficiaries, methods for the intervention, and the tools for monitoring and evaluation.

Funds were transferred to NGOs that had signed project cooperation agreements (PCAs) with UNICEF. The NGOs used the services of financial service providers to remit the funds to the intended beneficiaries. The list of beneficiaries was prepared by UNICEF in coordination with NGOs. The NGOs prepared a list of beneficiaries following a targeting methodology developed by UNICEF. The service providers undertook the cash distribution in the field. Funds were sent to the NGOs' accounts, and they later transferred the funds to the service providers for distribution to the beneficiaries.

In June 2018 the office had prepared a briefing note highlighting the country office's cash programming strategy and key steps, including cash preparedness and risk mitigation measures at programme and operational level, evidence generation on outcomes for children, establishment of strategic partnerships with other agencies, and flexibility in programming. In October 2018, UNICEF HQ hired a firm to undertake a feasibility assessment for a global humanitarian cash transfer (HCT) management information system. The report, released in February 2019, had four major recommendations on: security over transfer data; lack of access to disaggregated data; the need for a robust cash-transfer management information system; and the need to link that system to grievance mechanisms.

In March 2019, the DRC country office organized a workshop, with support from HQ and the regional office, to: strengthen the design of the UNICEF DRC HCT programme. This included review of the risk management over HCT operations, including how to assess existing delivery mechanisms and identify new options. It was also intended to review and clarify the application of the HCT and other monitoring approaches for HCT programme. As a result of this workshop, a task force for cash transfers was created, PCA procedures were updated and an action plan was developed.

The action plan included 36 key actions to be completed by the responsible sections/staff, but it did not specify deadlines. As of end of August 2019, 11 key actions were completed. Of the remaining 25 key actions, 14 have not been started, and 11 were ongoing. Timely implementation of all the workshop recommendations was critical to the management of risks in cash transfers to beneficiaries.

[5] The RRMP is an interagency mechanism set up in the DRC by UNICEF in collaboration with the UN's Office for the Coordination of Humanitarian Affairs. The RRMP has several components, including preparation and surveillance for population movements. See https://reliefweb.int/report/democratic-republic-congo/rrmp-rapid-response-population-movement-eastern-drc.

Agreed action 11 (medium priority): The country office agrees to ensure timely implementation of actions to manage risks to cash transfers to beneficiaries covering the following areas:

i. Security over transfer of data.
ii. Access to disaggregated data.
iii. Establishment of a robust cash-transfer management information system.
iv. Linking grievance mechanisms to cash transfer management information system.
v. Establishing deadlines for and monitoring the implementation of the 25 pending actions identified during the March 2019 workshop to strengthen the design of the UNICEF DRC humanitarian cash transfer programme.

Responsible staff member: Programme Specialist – Social Protection
Date by which action will be taken: 31 December 2020

Mobilizing financial resources

The office had uploaded five programme outcomes and 26 programme outputs in the 2018 results assessment module (RAM).[6] Of these, three outcomes were on track, one was met, and one was constrained. Five outputs were met, 15 on track, two discontinued, and four were constrained.

The audit was informed that where results were not met or constrained, this was due to lack of financial resources. The resource requirement for 2018 was US$ 115.7 million, against which the office had raised US$ 88 million (about 76 percent). Key programmes with material shortfalls were child survival, education and child protection.

The office had developed some strategies to obtain the resources needed, including joint proposals with other United Nations agencies, strategies for the Education and WASH sections, the youth programme approach, and the convergence approach for mining communities. However, these strategies had not been implemented. Further, while the office had identified constraints to mobilizing required resources in its risk assessment, the action to manage these risks had not been fully implemented.

Agreed action 12 (medium priority): The office agrees to, guided by its risk assessment on mobilizing programme resources, implement strategies to mobilize resources for all programme areas with substantive financial shortfalls.

Responsible staff members: Resource Mobilization Manager
Date by which action will be taken: 31 March 2020

[6] An online portal to which UNICEF offices upload their results, making them available across the organization.

Results reporting

Country offices should obtain reasonable assurance over the accuracy of results reported to internal UNICEF management, donors, and other stakeholders. Accurate reporting relies on complete and accurate information being captured in the RAM.

The audit team's review of office reporting to donors and its annual results reporting noted the following anomalies that were caused by the absence of a robust quality review process.

Donor reporting: The office had ensured that donor reports due were issued on time in 2017-2019; out of 164 donor reports issued during that period, only two were sent to donors late. However, a review of 10 reports issued noted the following:

- Seven reports presented included results and activities that were inconsistent with the donor agreements.
- Four reports did not compare the reported results/accomplishments against the baselines/targets.
- Five reports included several inconsistent pieces of information on results, activities and financial implementation.
- For all the 10 reports, financial reporting of expenditure by activity was difficult to relate to the budget lines included in the donor proposals/agreements. This made it difficult to check and confirm that the contributions were used in accordance with the agreed plans and budgets.
- A review of the workflow for 42 donor reports showed that 33 reports were submitted between four and eight days after their internal deadlines.

Country Office Annual Report: The audit tested a sample of 11 results statements included in the 2018 report and noted that in five cases, there was no link between the documentation provided and the reported results. Regarding the Strategic Management Questions, the audit reviewed eight results statements and noted that in three cases, figures reported did not match those reflected in the source document.

Agreed action 13 (high priority): The country office agrees to strengthen the quality of reporting to donors and in annual and internal reports by ensuring that the information reported is correct and supported.

Responsible staff members: Chief Planning
Date by which action will be taken: 31 On-going

Harassment, abuse, exploitation and adherence to human rights law

UNICEF, and the United Nations in general, specify mandatory learning for staff to support the cultural change that is needed to prevent sexual harassment, abuse of authority and protection of people from violations of international human rights and humanitarian law. The learning includes courses on prevention of sexual exploitation and abuse (PSEA), prevention of sexual harassment and abuse of authority (PSHAA), ethics and integrity at UNICEF, and UN human rights and responsibilities. Country offices should ensure that UNICEF partners adhere to the same principles.

There were only seven cased received by OIAI for investigation. The audit noted that many staff in the office had not completed the mandatory learning courses. The records showed that 103 staff had not completed those on PSHAA, 381 had not completed those on UN human rights responsibilities, and 50 had not completed the course on ethics and integrity. Regarding implementing partners, 30 implementing partners were trained in PSEA in 2017 and 34 in 2018. Given that the country programme is being implemented in a humanitarian action environment, training or capacity building in these areas should be prioritized for the over 500 implementing partners working with the office in the country.

Agreed action 14 (medium priority)*:* The office agrees to:

i. Ensure that staff complete mandatory learning courses on prevention of harassment, abuse, exploitation and protection of people from violations of international human rights.
ii. Strengthen implementing partners’ awareness of, and capacity to prevent and report, exploitation, abuse, unethical conduct and violation of international human rights.

Responsible staff members: Human resources Manager; Programme Specialist, PSEA
Date by which action will be taken: 31 December 2019

Annex A: Methodology, and definitions of priorities and conclusions

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

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

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

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

Priorities attached to agreed actions

High: Action is considered imperative to ensure that the audited entity is not exposed to high risks. Failure to take action could result in major consequences and issues.

Medium: Action is considered necessary to avoid exposure to significant risks. Failure to take action could result in significant consequences.

Low: Action is considered desirable and should result in enhanced control or better value for money. Low-priority actions, if any, are agreed with the country-office management but are not included in the final report.

Conclusions

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

[Unqualified (satisfactory) conclusion]

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

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

[Qualified conclusion, strong]
Based on the audit work performed, OIAI concluded that the controls and processes over the office needed improvement to be adequately established and functioning.

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