

Internal Audit of the Botswana Country Office

Office of Internal Audit
and Investigations (OIAI)
Report 2013/13



Summary

The Office of Internal Audit and Investigations (OIAI) has conducted an audit of the Botswana Country Office. The audit sought to assess the governance, programme management and operations support over the office's activities. The audit covered the period from January 2012 to 15 March 2013.

Botswana is a landlocked country in Southern Africa. It has a population of about 2 million, of which approximately 40 percent are under 18 years of age. Botswana ranked 119 out of the 186 countries on the UNDP Human Development Index for 2013, and its gross national income per capita was US\$ 7,470 in 2011 (World Bank). The 2006 Botswana Demographic Survey estimated infant mortality rate at 51 per 1,000 live births (2005), compared to 37 in 1988.

The country office is based in Gaborone, with no zone offices. It has 28 posts, of which nine were vacant as at 25 February 2013. The country programme for 2010-2014 consists of three main programme components: young child survival and development; child and adolescent protection and participation; and advocacy and planning. The five-year country programme has a total budget of approximately US\$ 19 million. In 2012, expenditure was US\$ 2.6 million.

Action agreed following the audit

The audit team and the country office agreed on a number of actions, of which one was rated high priority.

The high-priority action concerned the implementation of the Harmonized Approach to Cash Transfers. The office has agreed to establish a process to assess the risks of implementing partners prior to initiating partnerships with them; and to develop and implement an assurance plan, taking into consideration the level of funds transferred collectively and the risk ratings assigned to each implementing partner.

Conclusion

The audit concluded that overall, subject to implementation of the agreed actions described, the controls and processes over the country office were generally established and functioning during the period under audit. The measures to address the observations made are presented with each observation in the body of this report. The Botswana country office, with support from the Regional Office, and OIAI will work together to monitor implementation of these measures.

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Objectives

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

The audit observations are reported upon under three headings; governance, programme management and operations support. The introductory paragraphs that begin each of these sections explain what was covered in that particular area, and between them define the scope of the audit.

Audit observations

1 Governance

In this area, the audit reviews the supervisory and regulatory processes that support the country programme. The scope of the audit in this area included the following:

- **Supervisory** structures, including advisory teams and statutory committees.
- **Identification** of the country office's priorities and expected results and clear communication thereof to staff and the host country.
- **Staffing structure** and its alignment to the needs of the programme.
- **Performance measurement**, including establishment of standards and indicators to which management and staff are held accountable.
- **Delegation** of authorities and responsibilities to staff, including the provision of necessary guidance, holding staff accountable, and assessing their performance.
- **Risk management**: the office's approach to external and internal risks to achievement of its objectives.
- **Ethics**, including encouragement of ethical behaviour, staff awareness of UNICEF's ethical policies and zero tolerance of fraud, and procedures for reporting and investigating violations of those policies.

All of the above areas were covered in this audit.

Satisfactory key controls

The audit found that controls were functioning well over a number of areas including (but not necessarily limited to) the following:

The office had identified management priorities and results, and assigned accountabilities for each result. It had established governance bodies—such as the country management team, programme co-ordination group, operations co-ordination group, and joint consultative committee—with clearly defined terms of reference.

In line with UNICEF's enterprise risk management policy, the office had conducted a risk and control self-assessment (RCSA) and developed a risk and control library. The risk and control library was periodically updated, and an action plan was drawn up for each risk area where

appropriate. The office had also implemented an action plan for each area identified in the global staff survey that required improvement.

Functioning of country office governing bodies

As stated above, the office had established governance bodies with clear terms of reference. However, the audit also reviewed the functioning of these bodies and the extent to which they helped the office achieve planned results.

Country management team (CMT): Establishment of a CMT is mandated by UNICEF's Programme, Policy and Procedures Manual (PPM). The CMT is expected to advise the representative on the formulation and review of policies and systems. It makes recommendations on country programme/country office priorities, monitors funding and fund utilisation, and reviews staff structure and costs. The CMT should also advise the Representative on implementation of the workplan and the implementation of audit recommendations.

The CMT met five times in 2012, and once in 2013 as of March. The audit noted that the issues taken up in the CMT meetings were mostly administrative in nature. It had reviewed some performance indicators, but they did not include those relating to implementation of management priorities and results as identified in the annual management plans and workplans.

Programme Coordination Group (PCG): Unlike the CMT, the PCG is optional for country offices, but the Botswana office had established one as part of its annual management plan, and the audit therefore reviewed its functioning. The PCG had been established to review programme progress, identify constraints and lessons learned, and consider related issues such as operational support, resource mobilisation, programme advocacy and external relations. The PCG met nine times from May to September 2012. The PCG meetings were also mostly administrative in nature. The recorded minutes did not show a review of the status of programme implementation, or whether the PCG had followed up on the action points identified in the previous meetings.

Agreed action 1 (medium priority): The country office agrees to ensure the following:

- i. CMT meetings will include, as a standing agenda item, review and discussion of the status of implementation of management priorities, management plans and workplans.
- ii. PCG meetings will include, as a standing agenda item, review of the status of programme implementation, and follow-up of action points identified in the previous meetings.
- iii. The CMT will be assigned responsibility for the effective functioning of the PCG.

Responsible staff: Representative as chair of the CMT and Deputy Representative as Chair of PGC. Action to be completed by: May 2013.

Governance area: Conclusion

Based on the audit work performed, OIAI concluded that, subject to implementation of the agreed action described, the control processes over governance, as defined above, were generally established and functioning during the period under audit.

2 Programme management

In this area, the audit reviews the management of the country programme – that is, the activities and interventions on behalf of children and women. The programme is owned primarily by the host Government. The scope of the audit in this area includes the following:

- **Resource mobilisation and management.** This refers to all efforts to obtain resources for the implementation of the country programme, including fundraising and management of contributions.
- **Planning.** The use of adequate data in programme design, and clear definition of results to be achieved, which should be specific, measurable, achievable, realistic and timebound (SMART); planning resource needs; and forming and managing partnerships with Government, NGOs and other partners.
- **Support to implementation.** This covers provision of technical, material or financial inputs, whether to governments, implementing partners, communities or families. It includes activities such as supply and cash transfers to partners.
- **Monitoring of implementation.** This should include the extent to which inputs are provided, work schedules are kept to, and planned outputs achieved, so that any deficiencies can be detected and dealt with promptly.
- **Reporting.** Offices should report achievements and the use of resources against objectives or expected results. This covers annual and donor reporting, plus any specific reporting obligations an office might have.
- **Evaluation.** The office should assess the ultimate outcome and impact of programme interventions and identify lessons learned.

All the areas above were covered in this audit, except for supply inputs. These were omitted because the preliminary risk assessment did not identify any significant uncontrolled risks.

Satisfactory key controls

The audit found that controls were functioning well over a number of areas including (but not necessarily limited to) the following:

The Government of Botswana and the UN have embarked on reforms to ensure greater harmonisation of UN activities, including adopting Delivering as One (DaO). This is an initiative launched in 2007 under which the UN agencies work together through a joint programme, with the intention of reducing transaction costs and making best use of their comparative advantages. DaO was originally implemented in eight pilot countries; Botswana was not one of these, but is one of a number of countries where the system has since been adopted.

In adopting DaO, a joint Government of Botswana - United Nations Programme Operations Plan (GOB-UN POP) for 2010-2014 was agreed and signed by the Government and representatives of UN agencies. GOB-UN POP was based on the Common Country Assessment of 2008 and the United Nations Development Assistance Framework (UNDAF)¹

¹ The Common Country Assessment (CCA) is an overall assessment of the social and political situation, government policy and targets, and progress towards meeting the Millennium Development Goals. It is prepared by the UN agencies in the country together with key stakeholders, including fundraising institutions and civil society. The UN Development Framework (UNDAF) is prepared by the UN agencies with the host Government and gives definition and focus to the development assistance

covering 2010-2016. In addition, the UNICEF Botswana country programme for 2010-2014 was informed by a situation analysis commissioned by UNICEF, and the country programme reflected both the UNDAF and the GOB-UN POP.

In its RCSA, the office had considered the aid environment and predictability of funding to be the sole high risk to the programme. It had therefore devoted effort to fundraising; it had a resource-mobilisation strategy, had engaged with current donors to ensure continued funding, and had explored new opportunities by submitting proposals to potential donors. It also submitted timely donor reports that had undergone quality assurance.

Results and activities

UN joint annual workplans were developed and agreed upon by government partners and representatives of UN agencies, including UNICEF. The workplans specified the activity outputs, the implementing partners and the UN agencies responsible for the funding. To implement UNICEF's part of the UN joint workplans, the office had developed internal workplans stating the results to be achieved, and the activities required to accomplish the activity outputs in the joint workplans. The representative approved the internal workplans, which then served as the basis for implementation.

Internal workplans: The audit reviewed the internal workplans related to the Child and Adolescent Protection Participation (CAPP) programme, which represented 47 percent of the approved country office budget for 2010-2014. Three of the 10 activities in the internal workplans were not directly linked to, or aligned with, the activity outputs in the joint UN workplans. Further, the internal workplans had been signed before the UN joint workplans, although they were based on them and would be subject to change until the joint workplans themselves were finalised.

The audit also reviewed the planned results and activities of the CAPP programme in the internal workplan, and noted that the results and activities were generally broad and not focused enough. They used words like "promote, strengthen, facilitate" that are difficult to measure. Also, while the budget amounts were indicated in the internal workplans, there was no clarity on the type of inputs for each activity.

Linking activities to upstream work: From its experience with the 2008-2009 country programme, the office had identified the need for a strategic shift from service delivery, such as direct support to orphans, to more "upstream" work to build the capacity of the Government to develop child rights-based policies, norms and standards. The current country programme reflected this shift, which was consistent with the UNDAF for 2010-2016. However, there were still a number of service-delivery activities in the internal workplans, such as provision of cash transfers to partners to fund the salary of staff, printing of materials and training activities. The office and the regional office indicated that retention of service-delivery activities was consistent with the Mid-Term Review. However, the office also indicated that changes, including the gradual shift of programming from service delivery to upstream work, would be effected starting in 2013.

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

- i. Institute a quality-assurance mechanism to ensure the alignment of the activities in the internal workplan with the activity outputs attributed to the office in the joint UN workplans. Internal workplans will include specific, measurable, achievable and realistic intermediate results and activities, as well as clearly defined indicators and type of inputs.
- ii. Implement guidance and tools to ensure that the programme activities are consistent with the strategic shift from service delivery to “upstream” work.

Responsible staff: Deputy Representative. Action to be completed by: May 2013.

Micro-assessments and assurance activities

Country offices are required to implement the Harmonized Approach to Cash Transfers (HACT) for cash transfers to implementing partners. HACT replaces a system of rigid controls with a risk-management approach. It aims to reduce transaction costs by simplifying rules and procedures, strengthening partners’ capacities and helping to manage risks. HACT includes risk assessments – a macro-assessment of the country’s financial management system, and micro-assessments of the individual implementing partners (both Government entities and NGOs).

HACT also requires assurance activities regarding appropriate use of cash transfers. These include spot checks of partner implementation including review of financial management procedures, programmatic monitoring, annual audits of partners receiving a certain level of funds, and (where required) special audits. Unfavourable findings from assurance activities should result in a review of the procedures used with that partner. A key component of HACT is that the risk assessments and assurance activities should be carried out regularly. Where partners work with other UN agencies that have also adopted HACT (UNDP, UNFPA and WFP), the office should coordinate with those agencies so as to minimise the costs related to micro-assessments and assurance activities.

The office, together with the other UN agencies, had implemented HACT. A macro-assessment was completed in May 2008 and 35 implementing partners were micro-assessed in 2008. Since then, implementing partners, particularly the non-governmental organisations (NGOs) were meant to be assessed whenever partnerships were entered into. However, the audit checked three of the four NGOs with outstanding direct cash transfers as of February 2013, and found that two of the three had not been assessed. According to HACT requirements, these two partners should be considered high risk, and should be subject to more frequent assurance activities in the absence of a micro-assessment.

Also, the office had not developed an assurance plan specifying the type and frequency of assurance activities for each implementing partner, including spot checks, programme monitoring and audits. The office indicated that programme implementation monitoring, of which HACT is part, was done through joint UN quarterly reviews with implementing partners. However, neither spot checks nor special audits had been conducted; these should be done on the basis of the level of funds transferred or the risk ratings noted in the micro-assessments.

The office indicated that the UN HACT team had not been active and cohesive enough to come up with an assurance plan that would enable capacity-building with partners. The UN

country team was expecting the UN HACT team to develop a proposal for 2013.

Agreed action 3 (high priority): The office agrees to take the following actions:

- i. The office will establish a process to assess the risk levels of implementing partners prior to initiating partnerships with them.
- ii. The office will develop and implement an assurance plan, taking into consideration the level of funds transferred, and the risk ratings assigned, to each implementing partner. Where there are partners also working with other UN agencies, the office will coordinate and work jointly with those agencies so as to minimise the costs of micro-assessments and assurance activities.

Responsible staff: Operations Manager. Action to be completed by: May 2013.

Monitoring and evaluation

In order for UNICEF to be truly a knowledge-based organisation, monitoring and evaluation must be part of the institutional culture at all levels and be applicable in all contexts, from humanitarian crisis to transition to development in stable environments – including in middle-income countries. There should therefore be adequate financial and human resources dedicated to monitoring and evaluation activities.

The office had developed an annual integrated monitoring and evaluation plan (IMEP) in 2012. It had, in partnership with other UN agencies, completed most of the planned monitoring activities, but had not planned or conducted any evaluations. This had reduced the office's capacity to assess the ultimate outcome and impact of the programme and lessons learned. This in turn would have a negative impact on evidence-based advocacy and fundraising.

The above situation was exacerbated by the absence of a monitoring and evaluation officer. The post existed but, due to funding constraints, the office had not filled it; it had reassigned the function to the section chiefs instead. However, they did not have the appropriate experience to perform the monitoring and evaluation function. The office indicated that, following the recently concluded Programme Budget Review, the monitoring and evaluation function would be assigned to the deputy representative. However, it also noted the lack of good-quality, timely and disaggregated data and strong management information systems as challenges.

Agreed action 4 (medium priority): The office agrees to seek support from the Regional Office and Evaluation Office in exploring the best use of human and financial resources with regard to planning and conducting evaluation(s) of significant programme components. It agrees to consider various options, such as:

- i. Multi-country and/or regional thematic evaluations, pulling together resources (both financial and human) under the leadership of the Regional Office and/or a larger country office in the region.
- ii. Partnering (including by leveraging funds) with key stakeholders (including national centre of excellence, such as universities) by engaging in joint evaluations.
- iii. Where national evaluation capacities and systems exist, demanding, supporting and using country-led evaluations, managed by the national evaluation systems, of key country programmes; and, as much as possible, ensuring that UNICEF's contribution

to national policies and programmes for children are covered by the country-led evaluation.

Responsible staff: Deputy Representative. Action to be completed by: December 2013.

Programme management: Conclusion

Based on the audit work performed, OIA concluded that the controls and processes over programme management, as defined above, needed improvement to be adequately established and functioning during the period under audit.

3 Operations support

In this area the audit reviews the country office's support processes and whether they are in accordance with UNICEF Rules and Regulations and with policies and procedures. The scope of the audit in this area includes the following:

- **Financial management.** This covers budgeting, accounting, bank reconciliations and financial reporting.
- **Procurement and contracting.** This includes the full procurement and supply cycle, including bidding and selection processes, contracting, transport and delivery, warehousing, consultants, contractors and payment.
- **Asset management.** This area covers maintenance, recording and use of property, plant and equipment (PPE). This includes large items such as premises and cars, but also smaller but desirable items such as laptops; and covers identification, security, control, maintenance and disposal.
- **Human-resources management.** This includes recruitment, training and staff entitlements and performance evaluation (but not the actual staffing structure, which is considered under the Governance area).
- **Inventory management.** This includes consumables, including programme supplies, and the way they are warehoused and distributed.
- **Information and communication technology (ICT).** This includes provision of facilities and support, appropriate access and use, security of data and physical equipment, continued availability of systems, and cost-effective delivery of services.

All the areas above were covered in this audit, except for asset management, human resources management, inventory management, and safety and security. These were omitted because the preliminary risk assessment did not identify any significant uncontrolled risks in these areas.

Satisfactory key controls

The audit found that controls were functioning well over a number of areas including (but not necessarily limited to) the following:

The office had established a process for contracting for services, to ensure compliance with UNICEF rules and regulations. It had also developed a table of authority (ToA) assigning financial authorities to staff, and required each staff member to confirm in writing his/her awareness of the responsibilities and the accountabilities associated with exercising those authorities.

There was also an effective Business Continuity Plan (BCP) which was approved, regularly updated and last tested in 2012.

Segregation of duties

The audit reviewed whether tasks were assigned to staff in such a way as to ensure appropriate segregation of duties, to prevent errors and fraud.

The existing delegation of financial authorities in the Table of Authority indicated inadequate segregation of duties. The authorising officers (budget owners) were also inappropriately

assigned the approving functions. According to UNICEF's Financial and Administrative Policy, the authorising officer's approval is no longer needed for the payment of an invoice, as s/he now has the responsibilities of a receiving officer instead, confirming that the goods and services were received as specified. The authorising officer is therefore generally assigned the receiving function, and not the approving function as per financial circular 34 (which has been superseded). Besides, the approval function entails posting of invoices, which is typically performed by finance staff.

Moreover, the member of the finance staff who was involved in the processing of payments was also assigned the incompatible function of preparing bank reconciliation statements. The office was aware that this arrangement involved a conflict in the segregation of duties and had sought DFAM's agreement for its temporary continuation until 28 February 2013, due to the separation of the operations officer. However, an executive assistant had also been assigned to perform the same function, which would have resolved the conflict in the segregation of duties. In addition, the same member of the finance staff, although not a paying officer, had also been designated to execute payment runs, which implement payments of invoices.

Agreed action 5 (medium priority): The office agrees to review and reassess the delegated authorities to ensure adequate segregation of duties and compliance with the UNICEF's Financial and Administrative Policy 1 Supplement 1 (rev. 1) on assignment of roles. The office will also issue and implement a revised table of authority.

Responsible staff: Operations Manager. Action to be completed by: May 2013.

Vendor master records

With the implementation of VISION,² country offices' vendor master records relating to suppliers, contractors and implementing partners have had to be created and maintained in the system. The audit reviewed whether the creation of vendor master records had been done centrally by the designated staff member(s) in the country office, to avoid duplication; and whether vendors' details in the master record were complete and accurate.

The office had established a process for the creation and maintenance of vendor master records in VISION, and had devised a template to assist their creation. A staff member had been appropriately assigned to maintain the vendor master records. However, the review of the registration of vendors and the vendor master records noted duplicate cases of implementing partners, suppliers, and contractors. In addition, two vendor master records had "cancelled" as their vendor name, and should therefore have been invalidated.

Duplicated master records could complicate the analysis of payment transactions with a vendor, and could increase the risk of overpayments or double payments (although the audit team did not identify any). In the case of implementing partners specifically, in addition to the risk of overpayments, direct cash transfers might be made to a partner that had outstanding advances of over six months (which is against UNICEF policy).

Agreed action 6 (medium priority): The office agrees to institute measures to ensure that the vendor master records are complete, accurate, correctly classified, and periodically reviewed, and that they are not duplicated. In addition, it will review the existing vendor

² UNICEF's new management system, implemented on January 1 2012.

master records and carry out a clean-up exercise to remove duplicates and invalid records.

Responsible staff: Operations Manager. Action to be completed by: June 2013.

Operations support: Conclusion

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

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, and questionnaires. The audit compared the documented controls, governance and risk management practices provided by 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. The Representative and their staff then work with the audit team on action plans to address the observations. These action 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 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 audit recommendations

- 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 at the end of each audit area fall into four categories:

[Unqualified (satisfactory) conclusion]

Based on the audit work performed, OIAI concluded that the controls and processes over

the country office [or audit area] were generally established and functioning during the period under audit.

[Qualified conclusion, moderate]

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

[Qualified conclusion, strong]

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

[Adverse conclusion]

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

[Note: the wording for a strongly qualified conclusion is the same as for an adverse conclusion but omits the word "significant".]

The audit team would normally issue an **unqualified** conclusion for an office/audit area only where none of the agreed actions have been accorded high priority. The auditor may, in exceptional circumstances, issue an unqualified conclusion despite a high-priority action. This might occur if, for example, a control was weakened during a natural disaster or other emergency, and where the office was aware the issue and was addressing it. Normally, however, where one or more high-priority actions had been agreed, a **qualified** conclusion will be issued for the audit area.

An **adverse** conclusion would be issued where high priority had been accorded to a significant number of the audit recommendations. What constitutes "significant" is for the auditor to judge. It may be that there are a large number of high priorities, but that they are concentrated in a particular type of activity, and that controls over other activities in the audit area were generally satisfactory. In that case, the auditor may feel that an adverse conclusion is not justified.