Internal Audit of the Republic of the Congo Country Office

Office of Internal Audit
and Investigations (OIAI)
Report 2013/36

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Summary

The Office of Internal Audit and Investigations (OIAI) has conducted an audit of the Republic of the Congo country office. The audit sought to assess the governance, risk management, and control processes over the office's activities. The audit team visited the office from 23 April to 3 May 2013, and the audit covered the period from January 2012 to April 2013.

The UNICEF country office is based in Brazzaville, with a zone office in Pointe Noire. It has a total workforce of 42 approved posts, of which 11 were vacant at the time of the audit. Three out of 11 vacancies were key positions in programme. The year 2013 was the last year of the 2009-2013 UNICEF country programme, which consisted of five programmes: *Childhood survival and development*; *Basic education and gender equality*; *Protection of children and women*; *Strategic planning, communication and coordination of HIV/AIDS*; and cross-sectoral costs.

The 2009-2013 programme had a total budget of US$ 30.6 million. Of this, US$ 5.6 million was budgeted as Regular Resources (RR) and the remainder as Other Resources (OR). RR are core resources that are not earmarked for a specific purpose, and can be used by the office as needed. OR are contributions that have been made for a specific purpose and may not be used for other purposes without the donor's agreement. An office is expected to raise the OR itself.

Action agreed following the audit

As a result of the audit, and in discussions with the audit team, the country office has decided to take a number of measures. Seven of them are being implemented as high priority; that is, to address issues requiring immediate management attention. They are as follows:

- Revise the CO staffing structure, taking into account the office's funding constraints.
- Develop and use an Annual Management Plan to define annual programme and operations priorities.
- Develop a comprehensive resource mobilization strategy, and establish an effective accountability structure and review process to ensure timely good-quality donor reports.
- Adhere to the requirements of the Harmonized Approach to Cash Transfers to implementing partners, and implement it jointly with other UN Agencies where possible.
- Conduct a special audit to review the payments made to NGOs that signed high-value partnership cooperation agreements during the 2012 emergencies.
- Strengthen the inventory control mechanism, with adequate warehouse management, and accurate inventory reports that are accessible in VISION.
- Strengthen the contracting management process with adequate monitoring of work done and timely payments to contractors.

Conclusion

The audit concluded that overall, controls and processes in the Republic of the Congo country office needed improvement to be adequately established and functioning. The

measures to address the issues raised are presented with each observation in the body of this report.

The Republic of the Congo country office has developed an action plan to address the agreed actions. The office, with support from the West and Central Africa Regional Office (WCARO), and OIAI will work together to monitor implementation of these measures.

Office of Internal Audit and Investigations (OIAI) September 2013

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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 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

Governance processes are established to support the country programme and operational activities. The scope of the audit in this area includes the following:

- **Supervisory** structures including advisory teams and statutory committees.
- **Definition** of the country office's priorities and clear communication to staff.
- **Staffing structure** and its alignment to the needs of the country programme.
- **Performance measurement** including standards and indicators relating to office priorities and objectives to which management and staff are held accountable by way of reporting mechanisms.
- **Delegation** of authorities and responsibilities to staff, including the provision of necessary guidance, holding staff accountable, and assessing their performance.
- **Risk management** covering external and internal risks to the achievement of the office's objectives.
- **Ethics** including actions to promote ethical behavior and to ensure that staff are aware of UNICEF's ethics and zero tolerance fraud policies, and procedures for reporting and investigating actions that violate these policies.

All the areas above were covered in this audit.

Staffing structure

The 2011 mid-term review (MTR) of the programme recommended a review of the staffing structure, and a revised structure was approved in May 2012. These changes were necessary to support the country programme priorities in Child Protection, Education and Social Policy. However, out of 42 approved posts, 11 were vacant at the time of the audit. Three of these vacancies were key programme positions that had been vacant for long periods.

The vacancies included the Chief of Child Protection and Social Policy Specialist positions, which had been vacant for more than 10 months, and the Chief of Education, which had been vacant for eight months. The office had indicated the need to upgrade the Education post from L3 to L4 in order to adequately support the government's commitment to education as a national priority. In practice, however, the office kept the education position as L3 and did not begin recruitment of an L4 for the post. With regard to the Child Protection programme, a L4 post had been created to work with the government in developing a “protection system" that gives priority to vulnerable people, but again the post had not been filled.

The vacancies had arisen through a lack of funding; there was a funding gap amounting to US$ 3.7 million, and the country programme was 27 percent underfunded. (See observation on *Fundraising and donor reporting* in the Programme section of this report.) At the time the office requested the upgrading of posts, the technical review team (TRT) appointed by the regional office to review the request had questioned the office’s funding prospects for the upgraded posts, and had asked the office to provide more information on the office mechanism to implement the programme in case the expected funding was not received. The analysis was not done.

Agreed action 1 (high priority): The office, in consultation with the regional office, agrees to develop a strategy to support the approved country programme structure, including how to fill the vacant posts.

Target date for completion: November 2013
Responsible staff members: Representative, Deputy Representative, and Operations Manager

Zone office priorities and strategy

The zone office in Pointe-Noire was initially established as a supply hub. The office’s submission to the 2012 Programme Budget Review (PBR) [1] had indicated a need for a strategic change in the functioning of the zone office, from supply and programme implementation to advocacy and private-sector fundraising, with decentralized support for planning and implementation. The supervision of the Head of Zone Office was changed from the Deputy Representative to the Representative, indicating a shift in the zone-office priorities.

However, the office had not clearly defined the new priorities for the zone office. There was no strategy for the change of scope of the zone office and there was no specific mechanism in place to plan and monitor the zone office contribution to programme and operations.

Agreed action 2 (medium priority): The office, in consultation with the regional office, agrees to review the role of the zone office, and ensure that its priorities, programme planning and monitoring responsibilities are clearly defined and monitored.

Target date for completion: November 2013
Responsible staff members: Representative, Deputy Representative, and Operations Manager

[1] The PBR is a review of a UNICEF unit or country office’s proposed management plan for its forthcoming country programme. For a country office, it is carried out by a regional-level committee, which will examine – among other things – the proposed office structure, staffing levels and fundraising strategy, and whether they are appropriate for the proposed activities and objectives.

Management structure

The audit reviewed the office's planning and management structure and noted the following.

Annual management plan (AMP): The AMP is an office management tool that defines staff accountabilities and various management and coordination mechanisms. Country office Representatives are accountable for the preparation or updating of the AMP (with the support of the Country Management Team or CMT; see below). UNICEF's *Programme Policy and Procedure* manual indicates that a copy of the AMP should be shared with the Regional Director, as part of the oversight function of the regional office.

The office had not developed annual management plans in either 2012 or 2013. It informed the audit that the AMP had previously been developed after the staff retreat, but there had not been a staff retreat since 2009. Without an AMP, there was no evidence that the office had defined its priorities for the year and communicated them to the staff. The Representative explained that she was new to UNICEF and had received limited guidance on some aspects of the management of the office, such as on how to develop an AMP.

Country management team (CMT): The CMT is a central management body that advises the Representative on procedures, strategies, programme implementation, management and performance, and how to keep human and financial resources focused on the planned results of the country programme.

The office had a CMT, but it was not functioning well. Its terms of reference specified monthly meetings; in 2012, however, it met only five times. There were also long gaps in between meetings, with one gap of five months (between meetings in June and November 2012). This reduced the CMT's ability to adequately monitor whether required actions had been taken to strengthen office and programme performance. The office stated that due to the 2012 emergency, there had been a number of unrecorded CMT meetings.

The minutes of the CMT meetings that were available indicated that limited attention was given to programme-related subjects. These were discussed during programme management team (PMT) meetings, but the outcome of these discussions was not reported to the CMT.

Agreed action 3 (high priority): The office agrees to develop and use an Annual Management Plan to define annual programme and operations priorities, and to share the plan with the regional office.

Target date for completion: December 2013 to February 2014
Responsible staff member: Representative

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

i. Strengthen the functioning of the Country Management Team by ensuring that it meets its defined terms of reference, and fulfills its governance responsibilities as defined in the *Programme Policy and Procedure* manual.
ii. Ensure that decisions related to major programmatic issues discussed by the Programme Management Team are reported to the CMT.

Target date for completion: October 2013

Responsible staff members: Representative and Deputy Representative

Delegation of duties

Offices are expected to assign responsibilities to staff in such a way as to clarify accountability for all the office's functions, and should also ensure, as far as possible, that there is appropriate segregation of duties – that is, that individual staff members do not have authority over a whole process, leaving insufficient checks and balances to prevent improper use of resources.

Role delegation in VISION: UNICEF's resource mobilization, budgeting, programming, spending and reporting are recorded in UNICEF's management system, VISION, which was introduced in January 2012. Access to VISION is given through the provisioning of user identification (ID) that has "roles" assigned to it. Heads of Offices, and their delegates, approve the provisioning of VISION user IDs and their corresponding roles.

The audit reviewed the list of functions delegated to staff in VISION and noted that staff had some conflicting roles assigned to them that could lead to inappropriate and unauthorized transactions. For example, the Supply Officer had both warehouse and physical inventory functions; the Finance Officer had rights to process payroll entitlements and also to approve recurring payments; and a staff member responsible for bank reconciliations also had petty cash functions. The audit also noted temporary officer-in-charge responsibilities that were not removed after the duty expired. The office indicated that it had received a global message from New York headquarters on how to do the clean-up, and an Approva[2] system administrator in Brazzaville had already been assigned the clean-up task.

Procurement work process: Accountabilities for initiating the procurement process and raising the Sales Order (SO) were unclear between programme and supply staff. In an effort to improve procedures, the office had developed a work-process document in March 2013. However, this was not complete; it had not been reviewed by all staff involved in the process, and it required further clarification of staff accountability. For example, the revised workflow required the Deputy Representative to review all release orders (ROs) prepared by programme staff before they were submitted to the Supply Officer for action, which was an added control without clear accountability. An ineffective workflow could result in inappropriate transactions that could lead to misuse of UNICEF resources.

Agreed action 5 (medium priority): The office agrees to ensure that**:**

i. Correct roles are allocated to staff with appropriate segregation of duties.
ii. All irrelevant roles – including those left from officer-in-charge responsibilities – are cleared and conflicting roles removed.
iii. The procurement work process is reviewed and roles are delegated to staff with appropriate accountability.

Target date for completion: October 2013
Responsible staff members: Operations Manager

[2] Approva is a software tool used by UNICEF to manage conflicts of duties in VISION.

Review committees

The office had established a programme cooperation agreement review committee (PCARC) and a contract review committee (CRC) with clear terms of reference. A review of the functioning of these committees noted the following.

Programme Cooperation Agreement: The audit reviewed the submissions of six programme cooperation agreements (PCAs) to the PCARC in 2012 and 2013 and noted that in all instances, supporting documents presented to the committee were incomplete. Examples included an NGO assessment with assessed level of risk, but without a project proposal or budget details.

Furthermore, according to UNICEF's guidelines on cooperation agreements with NGOs,[3] all proposals for PCAs must be submitted to the PCARC before financial commitments are entered into. The audit noted that in one case, submissions were incorrectly presented to the CRC instead of the PCARC. Also, the UNICEF PCARC guidelines require that the representative signify their acceptance or otherwise of PCARC recommendations by signing PCARC minutes of meetings. However, none of the PCARC minutes reviewed were signed by the Representative. The guidelines also state that the chairperson of the PCARC should be the most senior official responsible for Programmes, but in two instances, the Finance Officer chaired the PCARC and in one instance the Operations Officer did so.

Contract Review Committee (CRC): The office had established a CRC to review procurement of supplies and services over US$ 40,000. The audit reviewed all the 12 submissions made in 2012 (none had been made in 2013 as of 30 April).

The UNICEF Supply Manual states that when reviewing Requests for Proposals (RFPs), offices are advised to review the technical capacity of the service provider. The outcome of this review should be submitted with the financial analysis to the CRC for recommendation. The audit noted that for one submission, related to a construction contract amounting to US$ 425,000, the technical bid was not analyzed. The office confirmed that there was a need to strengthen the review of construction contracts and had drafted terms of reference for a Technical Advisory Review Committee to assess technical bids before their presentation to the CRC.

The above weaknesses arose from lack of knowledge of UNICEF policy. The office stated that applicable policy documents were being provided to the CRC and PCARC members.

Agreed action 6 (medium priority): The office agrees to strengthen the functioning of the contract review committee and the programme cooperation agreement review committee by training staff to ensure that complete and well-prepared submissions are made to the review committees, and ensure that members of the review committees have a clear understanding of their responsibility and accountability in performing their functions.

Target date for completion: December 2013
Responsible staff members: Operations Manager and Deputy Represenative

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[3] *UNICEF Programme Cooperation Agreements and Small-Scale Funding Agreements with Civil Society Organisations (2009).*

Governance: Conclusion

Based on the audit work performed, OIAI concluded that systems and processes related to Governance, as defined above, needed improvement to be adequately established and functioning.

2 Programme management

The country programme is owned primarily by the host Government and UNICEF's role is to support the Government in managing the programme. The scope of the audit in this area includes the following:

- **Planning**. This includes the use of adequate data in programme design, and clear definition of results to be achieved, which should be specific, measurable, achievable, realistic and time bound; and forming and managing partnerships with Government and other partners.
- **Resource mobilization and contribution management.** This refers to all efforts to obtain resources for the implementation of the country programme, including fundraising and management of contributions received.
- **Support to programme implementation.** This covers planning and provision of the inputs needed to implement the programme activities such as supply, cash transfer and contracts for services. This also includes implementation of the harmonized approach to cash transfers (HACT) to implementing partners.
- **Monitoring.** This includes the periodic review of the implementation of an activity which seeks to establish the extent to which inputs, work schedules, other required actions and targeted outputs are proceeding according to plan, so that timely action can be taken to correct deficiencies detected.
- **Evaluation**. This is an exercise that attempts to determine as systematically and objectively as possible the worth or significance of an intervention, strategy or policy.
- **Reporting.** This covers the office's specific reporting obligations as well as annual and donor reporting on the use of resources and achievements against objectives or expected results.

All the areas above were covered in this audit.

Satisfactory key controls

The audit found that controls were functioning well in (but not necessarily limited to) the following area:

The office rolling workplans (RWPs) were discussed with and endorsed by key government ministries. They identified responsible implementing partners and also included UNICEF and government budgets. They also incorporated relevant emergency preparedness and response activities.

Accountability for, and definition of, programme results

The audit reviewed the office's definition and management of programme component results (PCRs) and intermediate results (IRs).[4] It also reviewed whether the office had adequate indicators against which to assess progress towards the PCRs and IRs.

Some IRs were managed by multiple staff without clear accountability for the achievement

[4] A PCR is an output of the country programme, against which resources will be allocated. An IR is description of a change in a defined period that will significantly contribute to the achievement of a PCR.

of planned results. For example IR 1.2 was being managed by staff in Health, Nutrition, Education and Protection sections and the responsibility for managing the result was not defined.

There were some inconsistencies between information included in VISION and information included in the signed annual workplans. The discrepancies arose because VISION still showed the previous year's PCRs and IRs instead of the current ones. In discussion with programme staff, it was found that there were no standard operating procedures (SOPs) for entry of data/information in VISION and reporting on results in the result assessment module. Also, the quality assurance process was not defined because the Deputy Representative post had been vacant for almost one year.

There were also some IRs for which no indicators were defined in VISION. Where they were defined, the indicators, baselines and/or targets were sometimes too vague. Examples included all IRs under PCR 4 "Cross sectoral" and PCR 5 "Effective and efficient programme management and operations support" Indicators for IR4, for example, included the following: "*By 2013, at least 80 percent of Aboriginal children have access to an essential minimum package".* Without a clear definition and definition of an essential minimum package, the office could not determine whether this was being achieved or not.

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

i. Clarify staff responsibility and accountability for the management and reporting of planned results.
ii. Develop standard operating procedures for entry of data/information in VISION and for reporting on results in the result assessment module. The SOPs should include definitions of the role of the quality-assurance process, the roles of staff assigned to data entry, and approval processes for completion of the result assessment module. The SOPs should also define a consistent procedure for reporting on results.
iii. Train, and provide guidance to, staff to ensure that indicators, baselines and targets are clearly defined for all intermediate results.

Target date for completion: November 2013
Responsible staff members: Deputy Representative

Supply management

In 2012 the Congo office procured inputs valued at US$ 6.2 million, of which US$ 4.7 million was under Procurement Services agreements[5] and US$ 1.5 million was for the country programme. The latter included inputs totalling US$ 500,000 for emergency response. Of the supplies for the country programme, 80 percent were procured through UNICEF's Supply Division (SD) in Copenhagen; it consisted mostly of vaccines and pharmaceutical items. In 2013 (as of 30 April), Congo had procured supplies to a value of US$1.4 million. The following issues were noted.

[5] UNICEF's Supply Division (SD) procures supplies, equipment and services not only for UNICEF, but also for governments, other UN organizations and NGOs, provided they are for purposes related to UNICEF activities and consistent with the aims and policies of UNICEF. SD recovers the direct and indirect costs of the procurement services activities by charging the actual cost of the supplies and services, plus a handling fee.

In 2012, the office's regular programme implementation was affected by the various emergencies: explosion of the government ammunition warehouse in Brazzaville which left at least 200 dead, over 2,000 injured and over 10,000 homeless; a continuing cholera outbreak since 2011; floods; and the increasing needs of refugees in the Northern Congo. Much of the programme procurement in 2012 was therefore done in emergency mode. For 2013, as of 30 April 2013, the supply plan had yet to be established.

A review of 10 procurement samples (eight offshore and two local, of which four were regular and six were emergency cases) showed that there were internal delays. Of the two local emergency items, one took three days for internal processing and the other 52 days. Internal processing for the eight offshore procurements items took an average of 12 days (the longest was 25 days). Delays occurred because of unclear assignment of responsibility and accountability between Supply and Programme staff (as identified in an internal procurement work-process review by the office itself), and because of unclear understanding of the existing work process. The office mentioned that the lack of supply plans did not allow the office to plan ahead and have sufficient time for procurement.

The audit also noted that requests for programme supplies were often submitted by programme sections, instead of coming from the partner who was to use the supplies. Because of this, the expected delivery time provided by the suppliers was used for TAFD (Target Arrival Date at Final Destination), instead of the actual partner-requested arrival dates. It was also noted that in most cases supply specifications were determined by office staff, with limited partner input.

The audit noted that the office did not systematically monitor the adequacy and correctness of procurements delivered or awaiting release. Also, there was no systematic end-user monitoring process for programme supplies. In the absence of these systems, the audit could neither assess the implementation rate nor the adequacy and correctness of the procurements delivered in 2012 and 2013 (up to March 2013).

A country assessment of essential commodities for children (CAEC) had been conducted in 2010, but there had been no review or update since. An update or further assessment could provide a credible basis for planning to address gaps in local commodities capacity.

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

i. Develop supply plans in timely manner, to ensure that they are approved and implemented early enough for the timely procurement of programme supplies.
ii. Train staff involved in supply processing so that they have a complete understanding of their accountabilities and of the work process.
iii. Establish mechanisms for agreeing supply specifications between the office and the partners, and ensure that non-emergency procurement is done via partner requests with complete information.
iv. Establish a monitoring mechanism to systematically review the procurement process and the appropriateness of supplies provided to partners.
v. Review and update the country assessment of essential commodities for children in preparation for the new country programme.

Target date for completion: March 2014
Responsible staff members: Deputy Representative, Supply Officer, Human Resources Officer and Operations Manager

Fundraising and donor reporting

Country Offices should have a clear and comprehensive resource mobilization strategy[6] for securing approved Other Resources[7] in support of the country programme. The strategy should outline the main existing and potential governmental and inter-governmental funding sources, opportunities in the private sector (including National Committees for UNICEF), inter-organizational arrangements such as Multi-Donor Trust Funds and other pooled funding mechanisms, and new aid channels such as foundations and global funds.

The programme allotment for 2013 amounted to US$ 11 million (US$ 9.1 million in 2012). The office also received emergency funds, mostly short-term, amounting to US$ 2.8 million in 2012. The income analysis report showed a shortfall of US$ 3.7 million, showing that 27 percent of the country programme was under-funded (although there were some PCRs/IRs that were adequately funded).

Fundraising strategy: There was no fundraising strategy plan developed in 2012, or in 2013 as of 30 April. The office indicated that the last fundraising strategy was developed in 2008. The office had considered a re-orientation towards government financing of the UNICEF programme, and indicated that potential opportunities had been identified in some sectors (Health, Education, and WASH) that could be funded by the government. However, these reflections were not documented and the office had not mapped out existing and potential funding sources, existing opportunities in the private sector or other new possibilities.

Donor reports: *C*ountry offices should issue donor reports on time. In 2012, 13 out of 15 donor reports were late. Of these, three had not yet been issued at the time of the audit. In 2013, nine out of the 11 reports that had so far become due had not been issued on time. Three of the nine had not yet been released at the completion of the audit. The audit noted that the office did not maintain a complete record in VISION of the donor reports status. The regional office review of selected donor reports showed that the country office needed to improve the quality of the reports.

The audit reviewed an overdue donor report that had not been submitted at the time of audit. The grant in question, for US$ 6.5 million, was related to support to *Child-Friendly Environments through Community Participation*, in various locations. At the time of submission of the first annual progress report (31 December 2012), none of the rehabilitation and construction of schools had yet been put in hand. The office claimed that delays in submitting the donor report were due to the fact that the draft prepared by the programme section did not comply with the donor conditions. The office did not have an effective quality assurance process to ensure that donor reports were timely and of good quality.

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

[7] Country offices have two basic types of funding. Regular Resources are core resources that are not earmarked for a specific purpose, and can be used by UNICEF wherever they are needed. Other Resources are contributions that have been made for a specific purpose such as a particular programme, strategic priority or emergency response, and may not be used for other purposes without the donor's agreement. An office is expected to raise the bulk of the resources it needs for the country programme itself, as Other Resources.

The CMT, or a specific task force, should monitor the annual resource mobilization targets and unfunded balances budgeted for in the approved country programme. It should also monitor timely utilization of donor funds received by the country office and the status and quality of donor reporting. In this case, the status of donor reports was monitored by the CMT, but although their late submission and the need to improve the quality of donor reporting were mentioned in CMT meetings, there was no evidence of action to address those concerns.

Agreed action 9 (high priority): The office agrees to:

i. Develop a clear and comprehensive resource mobilization strategy for securing approved Other Resources in support of the country programme.
ii. Establish an effective accountability structure and quality assurance process to ensure that donor reports are timely, accurate and in compliance with donor requirements.
iii. Monitor the development and implementation of the planned resource mobilization strategy and the status and quality of donor reporting.

Target date for completion: October 2013
Responsible staff members: Representative, Deputy Representative,

Harmonized Approach to Cash Transfers (HACT)

Offices are required to implement the Harmonized Approach to Cash Transfers (HACT) policy. With HACT, the office relies on implementing partners to manage and report on the use of funds provided for agreed activities. This reduces the amount of supporting documentation UNICEF demands from the partner, thus cutting bureaucracy and transaction costs.

HACT requires offices to systematically assess the level of risk before making cash transfers to a given partner, and to adjust their method of funding and assurance practices accordingly. HACT therefore includes a macro-assessment of the country's financial management system, and micro-assessments of the individual implementing partners that are both Government entities and NGOs. There should also be audits of implementing partners expected to receive more than US$ 500,000 during the current programme cycle. Offices should also have an assurance plan regarding proper use of cash transfers. Assurance activities should include spot checks, programme monitoring and scheduled audits. HACT is required for three other UN agencies, and country offices should coordinate with them to ensure best use of resources.

In 2012 the Republic of the Congo country office collaborated with 30 implementing partners, of which seven were civil society organizations. In 2012, cash transfer disbursed was approximately US$ 2.9 million (31 percent of total expenses for the year). The 2009-2013 country programme management plan (CPAP)[8] contained the required HACT provisions.

[8] The CPAP is a formal agreement between a UNICEF office and the host Government on the Programme of Cooperation, setting out the expected results, programme structure, distribution of resources and respective commitments.

At the time of audit, however, although UNICEF had adopted HACT, it had not yet been implemented by the other UN agencies in the country, as there were doubts at the UN country team level about the feasibility of micro-assessments. The audit also made a number of other observations about HACT and these are below.

Macro-assessment: A macro-assessment was begun in 2008-2009 but had not been finalized or adopted by the UNCT. The office indicated however that concerned agencies were planning to launch a new macro-assessment.

Micro-assessments: In 2012, there were nine implementing partners that received more than US$ 100,000. No micro-assessments were conducted for these partners. The office staff had assessed eight other NGO partners, but had not assigned a risk rating. The office had therefore continued to ask for supporting documents from some of the NGOs, because a large number of implementing partners were considered high risk without finalized macro assessment and micro assessment. This represented work that the HACT process was meant to avoid. At the same time, however, there were some partners from which the office did not request supporting documentation, despite their not having been micro-assessed.

Assurance plan: The office did not have an assurance plan. Programme staff did carry out field monitoring; however, in the absence of any systematic assurance activity, the office did not have a reliable mechanism to ensure that funds were used for authorized purposes. Neither did it have a mechanism to prioritize assurance activities so that they were directed towards higher risk partners.

Training: There was no formal and comprehensive HACT training activity organized for the staff and implementing partners in 2012 or 2013. UNICEF staff had last been trained on HACT in 2007. Current partners were told about the HACT system and principles on an individual basis.

Not conducting macro- and micro-assessments or assurance activities reduces the office's awareness of partners' reliability and capacity to implement the planned activities. It also makes it harder to ensure that cash transfers are used as agreed.

Agreed action 10 (high priority): The office agrees to adhere to the requirements of the Harmonized Approach to Cash Transfers to implementing partners and to do the following, acting jointly with other UN Agencies where possible:

i. Conduct a macro-assessment of the country's public finance systems.
ii. Conduct micro-assessments of implementing partners that receive cash transfers exceeding $100,000.
iii. Develop and implement a comprehensive assurance and capacity-building plan that combines periodic on-site reviews, programmatic monitoring of activities and scheduled audits of partners where required.

Target date for completion: March 2014
Responsible staff members: Representative, Deputy Representative and Operations Manager

Cash transfer management

The audit reviewed a sample of direct cash transfer liquidation documents, and found significant control weaknesses. For example, the information included in the financial report attached to the FACE form[9] was inaccurate. The review of NGO files noted that the amount reported as expensed was not adequately supported; in all instances, the itemized budget was equal to the amount subsequently spent – which seems improbable.

The audit noted that the liquidation document of a transfer payment made to an international NGO not located in the Congo was a FACE form, and the supporting document provided indicated that US$ 51,000 had been received upon signing of the contract without being linked to specific results to be achieved within a specific timeframe.

The audit visited two local NGOs that had received cash transfers to implement emergency activities, one totalling US$ 218,000 and the other US$ 188,000. Neither had been micro-assessed, despite receiving more than US$ 100,000 in a year (see also the observation on HACT, above). The audit noted the following control weaknesses:

- The disbursements were defined in the PCAs in terms of percentages – i.e. 30 percent, a further 30 percent and then 40 percent – and not in terms of activities to be conducted within the three-month periods covered by each disbursement. As a result, it was difficult to link progress made toward results with any disbursement made.
- Review of supporting documents kept by NGOs showed that itemized budget transactions were not consistently the same as the amount spent as noted in the document submitted to UNICEF. For example, in one NGO visited, some attached invoices amounted to CFA 25.8 million instead of the CFA 30 million (about US$ 60,000) that had been reported.
- The procurement capacities of the two NGOs had not been assessed, although both procured construction materials. In one instance, the NGO paid a construction supplier about US$ 54,000, based on a *pro forma* invoice. There was no evidence that the supplier was selected through a competitive bidding process.
- The two NGOs visited explained that they had subcontracted companies for construction of latrines. One NGO made payments to those contractors prior the start of the construction work, although it did not have agreement signed with them. In one case, payment was made on 25 May 2012 although the activity report showed that construction work was not completed until August 2012.
- The two NGOs visited did not have offices in Libreville. Furthermore in one instance, all supporting documents reviewed showed payment as having been made by the NGO project coordinator who signed the activity report submitted to the office, and also signed an amendment to the PCA. There were no spot checks by the office to establish that the funds were used as agreed.

Agreed action 11 (high priority): The office agrees to, with support from regional office:

[9] The Funding Authorization Certificate of Expenditure (FACE) form is used by the partner to request and liquidate cash transfers. It is also used by UNICEF to process the requests for and liquidation of cash transfers. The FACE forms should reflect the workplans, which set out the activities for which funds are being requested, or on which they have been spent. The FACE form was designed for use with the HACT framework, but can also be used outside it.

i. Conduct special audits of the cash transfers made to three NGOs that received funds to implement emergency activities in the amounts of US$ 51,000, US$ 218,000 and US$ 188,000 respectively.
ii. Establish a process to assess and monitor procurement capacities of implementing partners before releasing funds to them for procurement purposes.

Target date for completion: November 2013
Responsible staff members: Deputy Represenetaive, Operations Manager, Supply Officer and selected Consultant

Programme management: Conclusion

Based on the audit work performed, OIAI concluded that that systems and processes related to programme management, as defined above, needed improvement to be adequately established and functioning.

3 Operations support

Operational processes are established to support the country programme. The scope of the audit of this area includes the following:

- **Financial management**. This covers overall maintenance of the budget and accounts, financial closing procedures and reporting including bank reconciliation process.
- **Input procurement and contracting.** This includes bidding and selection processes, contracting, transport and delivery, warehousing and the related payment processing of programme and operations inputs (supply, cash transfer, consultants, contractors, travel, payroll, etc.)
- **Asset management.** This area covers planning, procurement, maintenance, recording and use of Plant, Property and Equipment (PP&E) such as premises and equipment and low-value but attractive items such as laptops. This also includes the identification, security, control, maintenance and disposal of these assets.
- **Human-resources management.** This covers general human-resources issues including recruitment, training, performance assessment, payroll and staff entitlement. Staffing structure is reviewed under the Governance area.
- **Information and communication technology** (ICT). This includes provision of facilities and support, appropriate access and use, and 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.

Satisfactory key controls

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

In March 2013 the office had begun development of the office work process to clarify staff roles and accountability.

There had also been significant improvement in bank reconciliation; from October 2012 to March 2013, items outstanding over one month decreased from 20 to one.

Warehouse management

At the time of the audit, the supplies inventory had a total value of US$ 968,000, of which U$ 774,000-worth (80 percent) were in the warehouse in the Brazzaville office compound. The remainder, with a total value of US$ $194,000, was in the warehouse managed by the zone-office staff in Pointe-Noire. The audit visited the Brazzaville warehouse and noted the following.

Storage: The office had limited storage capacity. In 2011, the office developed supply contingency plans that required the office to maintain emergency stocks for 10,000-20,000 beneficiaries, depending on item. However, the plan was drawn up without consideration of the office warehouse capacity. At the time of the audit the warehouse was very full, and almost 10 percent of the stock was kept outside the warehouse in the open, under plastic sheets; these items were vulnerable to rain and humidity. The storage and containers were also too full and not organized. Due to over-stocking, bin locations were not being used and it was not easy to locate specific supply items. The office indicated that some supplies were delayed (emergency supplies that had been ordered and received late), and emergency items planned for just-in-time delivery had to remain in the warehouse because they had not been received in time.

Recording: A physical inventory count by the audit noted that three out of nine items sampled had incorrect quantities recorded. Also, the inventory report did not reflect correct expiry dates of the inventory. At the time of the audit, 2 percent of the total inventory kept in the warehouses had expired, but the inventory reports did not correctly record the expiry of these items. Supply Division had given instructions for correction of the errors, but these had not been implemented.

Physical counts: There had been three physical inventory counts in 2012, one by a private consulting company recommended by the regional office. There were significant discrepancies between these three stock counts and the information in VISION. The office was aware of the weaknesses in the inventory management and explained that the discrepancies were due to inventory stock data that had not been uploaded in VISION. From January to August 2012, the VISION inventory module had not been functioning; during that time, the office lacked an adequate inventory management system. Low staff capacity to maintain the records, combined with a significant increase in stocks due to the emergency, added to the challenge in maintaining completed records. At the time of the audit, the office was in the process of hiring a Logistics Assistant on temporary assistance who would oversee warehouse management.

Monitoring reports: Until 2011, warehouse inventory reports had been generated and presented to the CMT. However, since 2012, this practice had stopped because the inventory module in VISION had not been functional. Inventory reports were generated outside of VISION by each programme section before supplies were issued from the warehouse.

Agreed action 12 (high priority): The office agrees to:

i. Take into account supplies in the warehouses, storage capacities and the need for timely distribution of available supplies during supply procurement for both regular and contingent supplies.
ii. Assign responsibility for maintenance of complete and accurate supply records (including in VISION), and for reconciliation of physical counts with the supply records.
iii. Ensure that all expired supplies are disposed of in accordance with UNICEF guidelines.
iv. Establish a process for monitoring, and reporting on, the status of procurement and of supplies held in the warehouses (including information on quantities and expiry dates).

Target date for completion: March 2014
Responsible staff members: Representative, Deputy Representative, Operations Manager and Supply Officer

Contract management

During 2012 and 2013 (up to March), the office had raised eight institutional contracts worth a total of about U$ 604,000 for construction of latrines and for technical studies. The audit reviewed three of the contracts and found that they included the beginning and ending dates of the activity, but not those for interim reporting on progress. Also, certification for payment was not always based on the progress made. In one of three contracts reviewed, there was no evidence on the actual progress of construction; the payment had been certified based on the invoice submitted.

The office had signed 73 individual contracts between January 2012 and March 2013, with a total value of US$ 1.3 million. The audit sampled 19 of these, worth a total of US$ 430,000, and noted that none of the 19 contracts had been paid on time; in seven cases, they had not yet been paid at all at the time of audit, despite the fact that the contracts had expired. The remainder had been paid up to six months late. Delays had been created by consultants not completing assignments on time, and also by the office in processing payments.

Because of limited staff capacity, in 2012 the management had delegated responsibility for issuing institutional contracts, including the construction contracts, to the Human Resources Officer. From April 2013, the institutional contracts were to be raised by the Supply Officer.

Agreed action 13 (high priority): The office agrees to:

i. Include specific dates in contractual agreements that are used as basis for monitoring progress and determining the payments due to contractors.
ii. Make payments based on certification of work done.
iii. Determine, and address, the causes of delays in processing of payments due to contractors.

Target date for completion: September and October 2013
Responsible staff members: Representative, Deputy Representative and Operations Manager

Financial management

UNICEF financial rules and regulations require that there are systems in place to ensure that financial transactions are accurately recorded.

General ledger (GL coding): Some transactions were recorded under incorrect GL codes that did not correspond to the categories of transactions stipulated in the UNICEF Chart of Accounts. There were various types of transactions incorrectly recorded in different accounts. For example, the fuel for vehicles was recorded under Repairs and Maintenance (Transportation Equipment), Rental/Lease (Land and building), Production Supplies and Programme Supplies accounts.

The accounts with the most errors included Other Professional and Expert, with US$ 31,000 of a total of US$ 34,000 (90 percent of total expenditure under the account) incorrectly recorded. Under Cash Transfers to Government, US$ 77,000 of a total US$ 1 million recorded (approximately 8 percent) was incorrectly coded; for Rental/Lease (Land and Building) it was US$ 29,500 of the total expenditure of US$ 32,000 (92 percent).

Agreed action 14 (medium priority): The office agrees to provide guidance to staff, and institute a process, to ensure that all financial transactions are coded to the correct general ledger accounts, and that the staff raising transactions in VISION have a clear understanding of the Chart of Accounts (GL codes).

Target date for completion: Continuous
Responsible staff members: Operations Manager and Finance Officer

Property, plant and equipment (PPE)

UNICEF offices should ensure that a process is in place to dispose of assets that are obsolete or no longer required. This would normally take the form of a submission for disposal to the Property Survey Board (PSB).

The office had a PSB, and there had been a meeting held in 2011 to review the assets for disposal, but at the completion of the audit, one of its decisions had not been fully acted upon. There was no PSB meeting in 2012, but there had been one in January 2013 for reconciliation of discrepancy in inventory stock; it recommended a recount of inventory by a private consulting company (see observation on *Warehouse management*, above). However, that meeting did not review PPE items for disposal – although a 2012 physical count had found over 100 PPE items that were damaged or pending PSB review. The PSB decisions from January 2013 had not been fully acted upon at the time of the audit in April/May.

Agreed action 15 (medium priority): The office agrees to monitor implementation of the recommendations made by the property survey board so that they are systematically and promptly followed up, and that action is taken as appropriate

Target date for completion: September 2013
Responsible staff members: Operations Manager and Human Resources Officer

Operations support: Conclusion

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

Annex A: Methodology, and definition of priorities and conclusions

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

OIAI is firmly committed to working with 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 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 at the end of each audit area fall into four categories:

[Unqualified (satisfactory) conclusion]

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

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

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

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

[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 actions agreed. 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.