

Internal Audit of the Jamaica Country Office

October 2013

Office of Internal Audit
and Investigations (OIAI)
Report 2013/45



Summary

The Office of Internal Audit and Investigations (OIAI) has conducted an audit of the Jamaica Country Office. The audit was conducted during the period 22 July to 16 August 2013. The audit covered governance, programme management, and operations support during the period from 1 January 2012 to 30 June 2013.

The Jamaica country office is in the capital, Kingston; there are no zone offices. The total workforce is 19, including two international professional posts, six national officer posts and 11 general services posts. None were vacant at the time of the audit.

The UNICEF Board-approved country programme for Jamaica covers the period 2012-2016, with a total budget of US\$ 13.85 million. Of the planned budget, 29 percent was to be funded from Regular Resources (RR) and 71 percent from Other Resources (OR). 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 may have been made for a specific purpose such as a particular programme, strategic priority or emergency response, and may not always be used for other purposes without the donor's agreement. An office is expected to raise the bulk of the resources it needs for the country programme itself, as Other Resources.

The four main programme components are *Adolescent health and empowerment*, *Quality education*, *Child protection* and cross-sectoral to support programme delivery. The country programme aims to support national efforts toward enhancing the quality of life of Jamaican children, with a focus on social inclusion of the vulnerable and marginalized, and also children whose rights are systematically violated through violence and crime.

Action agreed following audit

As a result of the audit, and in discussion with the audit team, the country office has agreed to take a number of measures to address the issues raised in this report. The report contains one high-priority issue, i.e., a matter that requires immediate management attention, as follows:

Initiatives for fundraising were not in place although the country programme was underfunded by about US\$ 7.7 million (59 percent of approved budget). Three programmes had funding shortfalls that ranged between 27 percent and 76 percent. The country office agreed to develop a resources mobilization strategy with the input and support of the Regional Office.

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

The country office, with support from the Latin America and Caribbean Regional Office (LACRO), and OIAI will work together to monitor implementation of these measures.

Contents

Summary	2
Objectives	4
Audit Observations	4
Governance	4
Satisfactory key controls	4
Programme Cooperation Agreement (PCA) review	5
Governance area: Conclusion	5
Programme management	6
Satisfactory key controls	6
Cash transfer assurance activity	7
Fundraising strategy	8
Results Assessment Module (RAM) management	9
Integrated Monitoring and Evaluation Plan (IMEP)	9
Programme management: Conclusion	10
Operations support	11
Satisfactory key controls	11
Cash transfer liquidations	11
Operations management: Conclusion	12
Annex A: Methodology, and definition of priorities and conclusions	13

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 includes 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 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:

The established supervisory structures, including office committees and teams such as the country management team (CMT), programme management team (PMT) and operations management team (OMT) had defined terms of reference, with memberships that were up-to-date at the time of the audit. The CMT, serving as the main advisory body to the head of the office, functioned well during the audit period. The office had standard agenda items that were discussed by the CMT, which covered both programme and operations issues.

The office had defined and documented programme and operational priorities for 2012 and

2013. The office systematically monitored the progress in achieving these priorities through statutory committees and meetings.

The office had implemented adequate procedures for the delegation of financial controls. The head of office had issued a table of authority (ToA) documenting the roles and authorities.

Adequate attention was paid to promoting ethical standards throughout the office. During the 2012 meetings and staff retreat, the management and the staff association reviewed the result of the 2011 global staff survey, which had highlighted several issues related to ethics. Ninety percent of the staff had received training on ethics since 2009.¹

Programme Cooperation Agreement (PCA) review

The office had established a Contract Review Committee (CRC) that reviewed proposed contracts with vendors and service providers. While the UNICEF's internal guidelines on PCAs² require that all offices establish a dedicated PCA review committee, the office did not have one and five PCAs with implementing partners were instead reviewed by the CRC. The office had established a threshold of US\$ 20,000 for the review of the PCAs by the CRC.

It was found that PCA reviews were not always conducted according to the PCA guidelines. For example, the guidelines stipulate that the implementing partner's activity budget is to be broken down for review to ensure that the direct programme support costs (excluding salaries and certain other elements) do not exceed a defined percentage of the whole. The same applies to indirect programme costs (excluding costs that cannot be unequivocally identified as specific to the programme). However, the meeting minutes and the submitted support documents did not provide evidence that these criteria were reviewed.

Agreed action 1 (medium priority): The office agrees to establish a Programme Cooperation Agreement review committee and to ensure that the reviews are conducted according to the Programme Cooperation Agreement guidelines.

Staff responsible for taking action: Deputy Representative

Date by which action will be taken: January 2014

Governance area: Conclusion

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

¹ UNICEF's Global Staff Survey, first launched in 2008, is an exercise to increase understanding between staff and management by gathering opinion on a range of staff-related issues, including internal relationships and communications, transparency and accountability, work/life balance and efficiency. All staff are invited to participate; the responses are confidential, and the results are anonymized.

² *UNICEF Programme Cooperation Agreements and Small Scale Funding Agreements with Civil Society Organisations* (CF/EXD/2009-011).

2 Programme management

In this area, the audit reviewed 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 mobilization 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, excluding programme supplies.

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 clearly established and documented its performance indicators, baselines and targets for the Programme Component Results (PCRs) and Intermediate Results (IRs) in the country programme action plan (CPAP) that is the basis for programme activity monitoring.³ Donor reports were finalized, cleared and submitted on time, and the sampled donor report met quality standards set by UNICEF's Public Sector Alliances and Resource Mobilization Office (PARMO) for completeness of data, resource utilization and future workplan.

The office had a systematic field-monitoring reporting mechanism based on Lotus Notes. The system enabled the office to monitor the completed visits by staff, period and travel authorization (TAs), and also indicated any action points to be followed up.

³ A PCR is an output of the country programme, against which resources will be allocated. An IR is a description of a change in a defined period that will significantly contribute to the achievement of a PCR. 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.

Cash transfer assurance activity

In 2009 the office, with two other UN agencies, had adopted the Harmonized Approach to Cash Transfers (HACT). Country offices are required to implement HACT, which exchanges a system of rigid controls for a risk-management approach, reducing 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 includes assurance activities; these include spot checks of partner implementation, programmatic monitoring, audits of partners receiving a certain level of funds, and (where required) special audits. The risk assessments and assurance activities are supposed to be carried out in cooperation with the three other UN agencies that have also adopted HACT.

The office's CPAP for 2012-2016 contained the prescribed provisions related to the use of HACT. The macro-assessment on the government financial systems had been conducted, and at the time of the audit, the micro-assessments were in the process of being completed.

As of June 2013, 14 of 29 partners had been micro-assessed. Of these 14, nine had so far been finalized. The remaining 15 partners had not yet been assessed. The office had established a monitoring list for micro-assessments, but two active partners were not on it.

The office had also established an assurance matrix that specified the frequency of assurance activities, which were based on the micro-assessment results and the partner's risk rating. However, as the micro-assessments had not been completed, the assurance matrix could not be used. The office had instead established an alternative process called a 'liquidation visit'. According to staff interviews, this liquidation visit was conducted after the partners notified the office that they were ready to liquidate. This liquidation visit was conducted by one member of operations staff and one Senior Programme Assistant; they would review the supporting documentation and assist the partner in completion of the FACE form.⁴

The office reported liquidations of 52 cash transfers between January 2012 and June 2013, of which 33 had been reviewed during liquidation visits. The high percentage of liquidations reviewed by such visits (over 60 percent) added assurance regarding utilization of funds by partners; however, the methodology for selecting the partners for liquidation visits, and their frequency, varied among programme sections – regardless of the number of liquidations per partner. The office informed the audit that this was due to incomplete transition to HACT assurance activities, and that implementation of the assurance plan would allow staff resources to be used more efficiently, based on the partner's risk rating.

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

- i. Establish a complete micro-assessment plan and ensure implementation based on

⁴ 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.

- prioritization.
- ii. Develop the assurance plan based on the micro-assessment results.
 - iii. Establish mechanisms to conduct and monitor assurance activities; and consult the Latin America and Caribbean Regional Office regarding any difficulties in completing the scheduled audits.

Staff responsible for taking action: Operations Manager

Date by which action will be taken: February 2014

Fundraising strategy

Of the office's five-year country programme approved budget, US\$ 13.1 million was planned, of which US\$ 7.7 million (59 percent) was unfunded at the time of the audit. The funding status varied between the different programmes for the 2012-2013 planned budget; Child Protection was fully funded, Quality Education was underfunded by 2 percent, Adolescent Health and Empowerment by 27 percent, Communication by 50 percent and Monitoring and Evaluation by 76 percent.

In the country programme management plan (CPMP),⁵ the office had set out a plan to develop a fundraising strategy to fill the office's funding gaps. This was to include a catalogue of donor proposals, and fundraising activities with the assistance of a local professional (donor presentations, tours). In the annual management plan (AMP), the office specified that this fundraising strategy would be developed in 2013. However, the office informed the audit that it had not yet drawn up the fundraising strategy or analyzed the funding gaps as it lacked the human and initial financial resources.

In line with other offices within the Caribbean region, the office's strategy for fundraising was geared more towards a collaborative approach than an individual one. In this regard, at the time of the audit, the office was contributing to the following fundraising activities:

- **Pan-Caribbean fundraising** in the United States, United Kingdom and Canada, working with the National Committees for UNICEF in those countries. The concept note for this activity had been written with the Representatives of three other country offices in the Caribbean region, and the fundraising activities were to be carried out with them. However, due to relocation of three of the four Representatives, this activity had not been actively pursued.
- **UNDAF fundraising** – this activity was to take place in collaboration with other UN agencies who were part of the UN Development Framework (UNDAF) in the country. As the UNICEF budget was nearly one-third of the entire Jamaica UNDAF, a successfully funded UNDAF would have a significant positive impact on UNICEF's programme. The UN country team had finalized the terms of reference for the consultant who will develop the fundraising strategy. Recruitment of this consultant was expected to begin at the time of the audit.

Agreed action 3 (high priority): The office agrees to assess the gaps in funding so as to provide a basis for developing a resources mobilization strategy and, with the input and support of the Regional Office, explore the possibility of participating in resource

⁵ When preparing a new country programme, country offices prepare a CPMP to describe, and help budget for, the human and financial resources that they expect will be needed.

mobilization initiatives including the ones under the Caribbean and UNDAF fundraising initiatives.

Staff responsible for taking action: Representative

Date by which action will be taken: March 2014

Results Assessment Module (RAM) management

RAM is a module in UNICEF's management system, VISION, that enables the entry of information on the status of results and related indicators at various levels. The information that is entered in RAM can then be viewed through the VISION Dashboards and Management Reports, including performance reports, across all levels in UNICEF. Country offices, regional offices and headquarters can monitor the status of programmes and the likelihood of achieving results based on analysis of this information.

The audit sampled the RAM entries for two of the largest programmes and assessed them in terms of completeness of planning and reporting. While intermediate results (IRs) narrative assessments were complete for both 2012 mid-year and year-end reviews, the audit noted that IR indicators did not fully match those planned in the CPAP for five out of nine IRs. Some indicators were not completely recorded in RAM and were therefore being only partially monitored. The office informed the audit that some indicators in the CPAP had not been input to RAM because they had been ambitious or could not be effectively measured. Insufficient funds also affected implementation of the activities for monitoring.

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

- i. Include in the Results Assessment Module all the intermediate results indicators that are included in the Country Programme Action Plan.
- ii. Take the opportunity of the annual review to add/deactivate intermediate results indicators and record justifications for the changes made.

Staff responsible for taking action: Deputy Representative

Date by which action will be taken: January 2014

Integrated Monitoring and Evaluation Plan (IMEP)

The IMEP is the central tool that helps UNICEF country offices and national partners to manage their monitoring and evaluation responsibilities, as established in the CPAP. The IMEP is comprised of two components: the multi-year or five-year IMEP that is prepared and submitted with the CPAP, and the annual IMEP, which is prepared with the appropriate programme planning instrument for the period.

The office had developed a multi-year IMEP covering the programme cycle 2012-2016 and annual IMEPs for 2012 and 2013. However, there was inconsistency between the surveys, studies and evaluations identified in the five-year IMEP drawn up with the CPAP, and the annual IMEP for 2012. Among the activities listed for 2012 in the five-year IMEP, four activities had been removed from the annual IMEP, and one activity added – although 2012 was the first year of the country programme and the comprehensive five-year IMEP had been drawn up only a couple of months earlier. The office informed the audit that this was because the initial planning had been ambitious.

The periodic reviews of the IMEP activities were not comprehensive. The office had established quarterly and annual reviews; however, the audit looked at the quarterly IMEP review of June 2013, and noted that not all activities planned for 2013 or continuing from 2012 were reviewed, with at least three missing. Also, there were two activities that were added in the quarterly review which were not present in the 2013 yearly plan. The office informed the audit that the quarterly review was in the process of being formalized.

The 2012 annual IMEP review results, and the adjustments made, were not completely reflected in 2013 annual IMEP.

Agreed action 5 (medium priority): The office agrees to strengthen the planning and implementation of the integrated monitoring and evaluation plan (IMEP) by ensuring that there is consistency and reconciliation between the multi-year and annual IMEP plans. The office also agrees to establish a process to ensure comprehensive periodic reviews of the IMEP.

Staff responsible for taking action: Monitoring and Evaluation Specialist

Date by which action will be taken: January 2014

Programme management: 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 programme management, as defined above, were generally 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 excluding asset and inventory management.

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 adequate procedures for financial management. Based on sample testing, bank reconciliations were performed on time following prescribed procedures; cash transfer payments were processed with adequate segregation of duties, and the office complied with financial reporting requirements. There were adequate controls on human resources management. Staff performance evaluations for 2012 were all complete at the time of the audit. Supporting documents for staff entitlements were complete and up-to-date.

Cash transfer liquidations

From January 2012 to June 2013, the office made direct cash transfers (DCTs) worth about US\$ 1.2 million in total, to 29 partners (around US\$ 400,000 of this in 2013 up to the audit in June). At the time of the audit, the total of DCT outstanding for over nine months was approximately US\$ 347,000.

The audit selected six DCT samples in order to review the agreement, payment, liquidation processing and assurance activities. The audit found that the office had established agreements based on the total agreement amount only without specifying the frequency and the breakdown of the cash transfers. The PCA guidelines stipulate that the frequency (generally quarterly) and breakdown of DCT disbursements should be specified in the

agreement.

There were also delays in liquidations. Of the six DCT samples reviewed, two were liquidated on time but the remaining four liquidations were delayed by three to five months. The office informed the audit that the delays in liquidations were caused by ambitious planning; however, implementation had also been impeded by the inadequate capacities of the implementing partners to use the cash transfer as planned. The office stated that efforts to avoid delays in liquidations included sending reminders and conducting training for partners.

The audit also noted room for improvement in micro-assessment; this was addressed earlier in this report under the observation *Cash transfer assurance activity*.

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

- i. Ensure that programme cooperation agreements specify the frequency and breakdown of cash transfer disbursements,
- ii. Establish controls to ensure that cash transfer payments are linked to implementing partners capacities to use the funds in a timely manner so as to avoid delays in liquidation.

Staff responsible for taking action: Deputy Representative

Date by which action will be taken: January 2014

Operations support: Conclusion

Based on the audit work performed, OIAI concluded at the end of the audit that the control processes over operations 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. 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.