

# Internal Audit of the Republic of the Maldives Country Office

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and Investigations (OIAI)  
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## Summary

The Office of Internal Audit and Investigations (OIAI) has conducted an audit of the Maldives country office. The audit sought to assess the governance, risk management, and control processes over the country office's activities. The audit covered the period from January 2012 to June 2013.

The country office, based in Malé, has 13 approved posts. At the time of the audit, one post was vacant. The 2011-2015 country programme has a total budget of US\$ 7.2 million. The country programme has two main components. *Policy Advocacy and Research* seeks to strengthen the legal and national policy frameworks, and the use and analysis of data; and *Strategic Partnership for Capacity Development*, which seeks to enhance the capacity of the Government and civil society and to foster new partnerships to leverage resources. This second component represents 52 percent of the country programme budget. In 2012, total expenditure was US\$ 1.8 million, of which US\$ 599,000 was cash assistance to implementing partners.

### Action agreed following audit

The audit did not highlight any issues that required immediate management attention and there are therefore no high-priority agreed actions.

### Conclusion

Based on the audit work performed, OIAI concluded that the control processes over the country office were generally established and functioning during the period under audit. The Maldives country office, with support from the Regional Office for South Asia (ROSA), and OIAI will work together to monitor implementation of the measures that have been agreed.

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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

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 behavior, 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 office had adequately identified management priorities and results. It had also properly assigned authorities and accountabilities to staff. The governance bodies, such as the country management team (CMT), the programme coordination and operations group (PCOG) and the contract review body (CRB), had clear terms of reference and were functioning well during the period covered by the audit. The CMT and PCOG met monthly to discuss management and programme matters, with the participation of concerned staff. The office's performance indicators, defined in the annual management plan, were regularly discussed and monitored through the CMT and PCOG. Operations matters were merged into

the agenda of the PCOG meetings, resulting in better coordination, mutual understanding and support.

Ethical standards were systematically promoted within the office, including encouragement of ethical behavior, staff awareness of UNICEF's ethical policies and zero tolerance of fraud, and procedures for reporting and investigating violations of those policies.

## Risk and control self-assessment

Under UNICEF's Enterprise Risk Management (ERM) policy, offices should perform a Risk and Control Self-Assessment (RCSA). The RCSA is a structured and systematic process for the assessment of risk to an office's objectives and planned results, and the incorporation of action to manage those risks into workplans and work processes.

The last time the office had conducted an RCSA had been in 2010, prior to the start of the 2011-2015 country programme. It had identified three high risks: aid environment, country environment and partner relations. However, the office had not developed risk-mitigation strategies that would include recommended actions to mitigate identified risks, assignment of staff responsible for those actions, and indicators and expected dates of completion. The office has continued to share best practices in areas of risk with other UN agencies, and to hold quarterly programme meetings with implementing partners. However, these were not sufficient actions for managing and addressing the risks.

The office started updating the RCSA in 2011; however, it had not been finalized due to the need to get fully engaged in a UN contingency planning exercise. As a result, the office had not assessed any changes in risks or determined the required risk mitigation measures.

**Agreed action 1 (medium priority):** The office agrees to assign sufficient resources to the the risk and control self-assessment, and finalize it so as to ensure that an appropriate action plan is developed, implemented and regularly monitored.

Target date for completion: 31 October 2013

Responsible staff members: Representative, Senior Programme Specialist, Monitoring and Evaluation Officer, Operations Officer

## Governance: Conclusion

Based on the audit work performed, OIAI concluded at the end of the audit that the control processes over governance 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 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 time bound (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.

### 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 has been one of the leading agencies to assist the Government on results-based management. This has been through its support to several management information systems such as the Health Information System, Education Information System and Maldives Child Protection Database. The office has also supported data gathering and analysis for programming.

There were adequate systems for reporting on annual achievements and the use of resources against objectives or expected results and budgets. The only donor report that was due in 2012 was completed on time and in accordance with UNICEF standards.

The office conducted annual programme reviews to assess progress against expected results, and identified areas for improvement. It regularly entered programme results into the VISION performance management system and monitored their progress.

The office had developed a five-year integrated and monitoring plan (IMEP) along with the Country Programme Document for the period 2011-2015. It also prepared annual IMEPs for 2012 and 2013 that took into account the annual workplans. The implementation of the annual IMEP was considered quarterly in the Programme and Operations Meetings.

## Programme planning

An office should have rolling workplans that outline the activities to be undertaken to achieve both the Intermediate Results (IRs) and Programme Component Results (PCRs)<sup>1</sup> as identified in the Country Programme Action Plan (CPAP).<sup>2</sup> The rolling workplans should also identify the implementing partner(s), and the total budget required to carry out the activities. IRs and PCRs should be SMART – that is, specific, measurable, achievable, realistic and time bound. They are formulated at the start of a country programme with the guidance of the regional office. When an office is operating under Delivering as One (as was the case in the Maldives), the workplans will be drawn up in consultation with UN agencies.<sup>3</sup>

The office developed rolling workplans that were duly signed by the UNICEF Representative, the Government of Maldives and relevant implementing partners in 2012 and 2013. While the workplans included clearly defined baselines and targets, the definitions of results and activities were sometimes broad and not focused enough. They contained words like “strengthen, facilitate, and improve”, against which progress is difficult to measure. For example, one of the PCRs included the goal that “children enjoy benefits of improved child rights legislation”, and one of the IRs linked to the same PCR was that the “children and caregivers including civil society groups participate in formulation and implementation of legislation”. However, the planned activities could not be specifically linked to these broadly defined PCRs and IRs, or to the relevant indicators.

Specific and measurable expected programme results would increase the office’s capacity to measure, monitor and report on the achievement of results.

**Agreed action 2 (medium priority):** The office, in consultation with the Regional Office, agrees to establish rigorous internal review mechanisms to ensure expected programme component results and intermediate results defined in the rolling workplans are specific and measurable, and that planned activities are clearly linked to intermediate results and indicators.

Target date for completion: 31 January 2014

Responsible staff members: Representative, Maldives CO programme team in consultation with the Regional Office

## HACT assurance activities

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 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.

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<sup>1</sup> 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 achievement of a PCR.

<sup>2</sup> 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.

<sup>3</sup> Delivering as One (DaO) aims at a more unified and coherent UN structure at the country level, with one leader, one programme, one budget and, where appropriate, one office. The aim is to reduce duplication, competition and transaction costs. Originally launched in 2007 in eight pilot countries, DaO has also been adopted voluntarily by UN agencies in a number of others,

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, 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.

A macro-assessment of the Government of Maldives financial management system was conducted in December 2010, and micro-assessments of selected implementing partners were conducted in 2011. Jointly with UNDP and UNFPA, the office had also developed a joint UN HACT assurance plan for the UN agencies' 13 implementing partners for 2012-2013.

The joint assurance plan included the planned spot checks, scheduled audits and programme monitoring activities. According to the plan, the UNICEF office was to engage with four of the 13 implementing partners. Out of these four partners, three were rated as high risk and one as significant risk. In accordance with the assurance plan, on-site spot checks and scheduled audits for these four partners were to be conducted by the office from January 2012 to June 2013. However, no spot checks and scheduled audits had been conducted at the time of the audit. The office explained that the assurance activities could not be implemented because of competing priorities and changes in staffing.

Complete implementation of the office's HACT assurance plan would provide assurance that the cash transfers to implementing partners were effectively and efficiently used for the agreed purposes.

**Agreed action 3 (medium priority):** The office agrees to establish appropriate mechanisms to ensure that planned spot checks and scheduled audits established in the joint HACT assurance plan are adequately carried out on time.

Target date for completion: 30 October 2013

Responsible staff members: Operations Officer

### Programme management: Conclusion

Based on the audit work performed, OIAI concluded at the end of the audit that the control processes over programme management 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, except for asset management, human resources management, inventory management, and safety and security, which were assessed as low risk areas.

#### Satisfactory key controls

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

The office conducted monthly bank reconciliations and submitted them within the prescribed period. There was timely follow-up action on unreconciled items, and none of them remained unreconciled for more than two months.

The office's Operations team provided relevant orientation to staff on handling daily transactions, worked in coordination with the Regional subject matter experts and NYHQ, and shared VISION implementation feedback with the subject matter experts.

The office also provided adequate ICT facilities and support, and maintained appropriate access to, and use of, data and systems. It had also put in place controls such as regular back-ups to ensure security of data.

#### Operations support: Conclusion

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