Internal Audit of the Tanzania Country Office

Office of Internal Audit
and Investigations (OIAI)
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Summary

The Office of Internal Audit and Investigations (OIAI) has conducted an audit of the United Republic of Tanzania Country Office. The audit sought to assess the office's governance, programme management and administrative and operational support. The audit team visited the Tanzania Country Office from 18 February to 13 March 2013. The audit covered the period from June 2011 to December 2012.

Tanzania is one of the countries where 20 UN agencies, funds and programmes have adopted a single United Nations Development Assistance Plan (UNDAP). The current UNDAP for Tanzania covers the period July 2011 to June 2015. This "One plan" for Tanzania supports the achievement of the Millennium Development Goals. Each agency is responsible for delivery on a set of key actions that jointly contribute to shared results. The UNDAP is aligned to the national annual planning cycle, July to June. The four-year UN country programme for Tanzania has a total budget of US$ 777 million.

The Tanzania country office is located in Dar-es-Salaam, the capital city. There is one zone office, located in Zanzibar. The country office also has out-posted staff in shared premises in two locations in mainland Tanzania—in the south-east, and in the north. As of 10 January 2013 the country office had a total of 124 approved posts, of which 39 were international professionals (IPs); 34 national officers (NOs); 49 general service staff (GS); and two UN Volunteers (UNV). Thirteen posts were vacant.

Action agreed following the audit

The audit team and the country office agreed on a number of actions, of which three were rated high priority – that is, requiring immediate management attention. The three high priority actions were as follows:

- The office intends to review its current structure and ensure that the staff complement is balanced, and meets the needs of the supported common country programme. In doing so, the office should strike the right balance between quality of technical support and staff efficiencies.
- The office intends to collaborate with the UNICEF Eastern and Southern African Regional Office (ESARO) to review the responsibilities arising from its lead role in the Social Protection Working Group and make changes that are commensurate with internal accountabilities and programmatic focus.
- The office will expedite the completion of micro-assessments of remaining implementing partners. It will also develop an assurance plan and conduct financial spot checks in conjunction with programme-monitoring activities.

Conclusion

Based on the audit work performed, OIAI concluded at the end of the audit that the controls and processes over the country office, as defined above, needed improvement to be adequately established and functioning. The Tanzania country office and OIAI intend to work together to monitor implementation of the measures that have been agreed.

Contents

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:

- **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.
- **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.
- **Delegation** of authorities and responsibilities to staff, including the provision of necessary guidance, holding staff accountable, and assessing their performance.
- **Human-resources management.** This includes recruitment, training and staff entitlements and performance evaluation.
- **Risk management**: the office's approach to external and internal risks to achievement of its objectives.
- **Ethics and conflict resolution**, 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; processes to manage and resolve conflicts.

All the areas above were covered in this audit.

Governance issues normally focus on the office's internal processes; however, the UN in Tanzania has adopted Delivering as One (DaO), meaning that the UN agencies have a coordinated joint programme. The audit therefore also examined supervisory and regulatory processes in the context of the UNICEF office's relationship with its UN partners. In the programme and governance areas, the audit focused on two programmes—Health and Nutrition and Child Protection. The audit also reviewed the functions of the Social Policy section, which had the responsibility of leading the UN Social Protection Working Group.

Satisfactory key controls

The country office's priorities for the period under review were in line with the United Nations Development Assistance Plan (UNDAP). The UNICEF regional office, ESARO, had provided support and guidance to the country office during the development of the UNDAP, and in emphasizing the criticality of UNICEF's active participation in DaO-related processes. There were regular updates on progress during the country management team (CMT) meetings.

Outcome statements and results were well aligned with national priorities as expressed in the 2005-2010 National Strategy for Growth and Reduction of Poverty (known by its Kiswahili acronym, MKUKUTA) and the second phase of the Zanzibar Strategy for Growth and the Reduction of Poverty (MKUZA II), as well as other national policy and planning frameworks. The Health and Nutrition and Child Protection programmes, on which the audit focused, had established mechanisms to enable discussion of progress against planned results, work distribution, and guidance and support to programme staff. The office generally met UNICEF's accountabilities within the health and nutrition programme.

The resource-mobilization strategy had been updated to reflect a more diversified set of activities, which included diligent follow-up on funding proposals, proactive engagement with potential donors, matching the unfunded priority areas to specific donor interests, and other initiatives.

There was evidence of a structured approach to the identification of risks and opportunities, and mitigating actions and controls were periodically assessed. An effective structure of oversight and advisory bodies/committees provided prompt and useful advice to management. The office also had mechanisms to enhance staff participation in management decisions, and processes to respond to staff concerns. Processes existed for conflict resolution and mediation, and had been used to resolve issues that had arisen during the audit period.

Delivering as One context in Tanzania

Since 2007, the UNICEF Tanzania country programme has been designed and managed under the DaO approach. This is an initiative under which the UN agencies work together through a coordinated country programme with the intention of reducing transaction costs and making best use of their comparative advantages to support the country's development efforts. DaO was initially implemented in eight pilot countries, of which Tanzania was one.[1]

Since then, the UN bodies in a number of other countries have adopted DaO of their own accord, and it is now applied in about a fifth of the countries where the UN carries out development activities. Adoption of DaO has recently been further encouraged by UN General Assembly resolution A/Res/67/226 (21 December 2012), which required continued strengthening of system-wide coherence and effectiveness at the country level. For the 20 UN agencies in Tanzania, the UNDAP is the single business plan for the period July 2011 to June 2015. This 'One plan' for Tanzania supports the achievement of the millennium development goals. Each agency is responsible for delivery on a set of key actions that jointly

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[1] The others were Albania, Cape Verde, Mozambique, Pakistan, Rwanda, Uruguay and Viet Nam.

contribute to shared results. The UNDAP is aligned to the national annual planning cycle, which runs from July to June. The four-year UN country programme for Tanzania has a total budget of US$ 777 million, funded from the UN core funds, the One Fund, and additional resources expected to be raised by the participating agencies. The Joint Steering Committee (JSC) is responsible for overall management of the One Fund and approval for allocation of funds for activities in the 10 UNDAP programmes, based on an agreed set of eligibility and performance criteria.

Common Country Programme Document (CCPD): Country offices normally prepare a CPD, which outlines the objectives and strategies for the country programme. The CPD is submitted to UNICEF's Executive Board for approval. As Tanzania is a DaO country, a Common Country Programme Document (CCPD) was prepared jointly instead. UNDP, UNFPA, UNICEF, and WFP[2] then submitted it to their individual Executive Boards for approval. Under the revised programme structure, UNICEF Tanzania's 2011-2015 country programme Intermediate Results are the UNDAP outcomes.

Programme Management and Accountability under DaO: The UNDAP's programme matrix is structured so that each key action has one agency responsible for delivery on a set of key actions that jointly contribute to shared results. At outcome level, several agencies are jointly accountable for the achievement of results. At programme level, there is a lead agency. UNICEF participated in eight out of 10 working groups, and had the lead agency role for two of them – the Water and Sanitation (WASH) and Social Protection programmes. The UN agencies are allocated key actions that are considered important for results attainment, and for which they are accountable. UNICEF was solely accountable for a fifth of the key actions in the UNDAP; it had the largest number of key actions amongst all the agencies.

Planning and review processes related to DaO: Although the UNICEF office had undertaken some activities to assist adjustment to the DaO operating context, staff still tended to regard DaO-related processes as additional, instead of as an integral component of UNICEF's work. Moreover the office had not yet assessed, in the context of DaO, which of its own processes could be simplified in order to better distribute and balance the staff workload.

This was particularly evident regarding the planning and review processes. The UNDAP guidelines on these required that six-monthly mid-year reviews be undertaken, to appraise progress for the first six months of the annual workplan (i.e. July–December). These reviews were held in January. The guidelines also stated that an annual review, which assesses programme performance against UNDAP annual workplans, taking into account mid-year review adjustments, would be held in May-June of each year.

However, UNICEF had decided to undertake detailed consultations of its own with both Government and NGO implementing partners on planning, prior to the finalization of UNDAP-wide annual workplans. It also found it necessary to carry out an internal annual review prior to the UNDAP review. These additional planning and review processes were to enable specific focus on progress of UNICEF-supported activities.

As a result, the current DaO planning and review processes were mostly regarded within

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[2] UNDP: United Nations Development Programme. UNFPA: United Nations Population Fund. WFP: World Food Programme.

UNICEF as additional to the office's own regular programme planning, implementation and review, and were therefore seen as burdensome. In addition, the office had not established mechanisms to track staff time used in these internal UNICEF processes, although the audit's review of documentation, and its interviews with programme staff, found that the amount of time spent was considerable. This was despite the fact that the joint DaO processes were known to be demanding. The UNICEF office's country programme management plan (CPMP)[3] stated that in areas where UNICEF was the lead agency, 30 percent of the job descriptions of nominated staff would need to be for Working Group coordination, monitoring and reporting.

The audit did note efforts to reduce the burden of joint processes; for example within the Social Protection Working Group, which had approximately 30 implementing partners, there was agreement to meet less frequently, and limit the number of implementing partners. The audit also noted that the Government's recent abrupt changes to the timetable for preparation of plans and budgets, from February-March to August–October, had presented yet another constraint; the UNDAP calendar for planning and revision of milestones has not yet been adjusted to reflect these changes.

Nonetheless, the fact that the office had not factored-in time spent on DaO planning and review processes, especially within the context of a common country programme, was noted by the UNICEF Regional Office as a cause of excessive staff time spent on planning and review.

Agreed action 1 (medium priority): The office agrees to:

i. Review and simplify its internal processes, where relevant, in the context of the Delivering as One.

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

ii. Ensure that staff performance reviews reflect responsibilities for programme management functions under UNDAP, as a means of strengthening a culture of accountability regarding the Delivering as One process.

   Responsible staff: Deputy Representative and section Chiefs. **Action to be completed by:** December 2013.

iii. Review its internal planning and review processes and, to the extent possible, ensure that these align with Government's planning and review cycle.

Responsible staff: Chief, Planning, Monitoring and Evaluation. **Action to be completed by:** March 2014.

Agreed action 2 (medium priority): In collaboration with the UN country team (UNCT), the office agrees to play a proactive role in the review of Delivering as One planning and review processes to improve relevance, efficiency and effectiveness.

[3] 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.

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

UNICEF'S lead agency role for Social Protection

The audit reviewed the UNICEF's lead agency role for the Social Protection working group and as co-chair of the programme management committee. According to the UNDAP guidelines, the Lead Agency is expected to ensure, within the area for which it is the lead, that:

- results or outcome statements in the UNDAP, Common Country Programme Document (CCPD) and annual workplans align with the country's national priorities;
- there are strategies to ensure a coherent UN response and common understanding, and that such strategies are harmonized and integrated;
- planning review and monitoring processes are fully participatory and sufficient time is allocated to them;
- there are efficient and effective mechanisms for developing, compiling and agreeing on annual workplan results, indicators, activities and timeframes, and implementing
- partners; and,
- there is support for capacity-strengthening of implementing partners.

The audit assessed whether there were mechanisms to ensure that UNICEF carried out the above accountabilities in its leadership of the Social Protection Working Group. UNICEF had managed to get agreement within the Social Protection Working Group on annual workplan results and indicators, capacity-building of implementing partners, and a reasonable rate of programme and financial implementation. However, UN and Government personnel interviewed by the audit mentioned that there were competing mandates, and that a common understanding and a coherent approach were lacking within both Government and amongst UN agencies.

Social protection in the UNDAP included child protection and several other issues. Child protection accounted for six of the seven UNDAP outcomes under the working group, and about 90 percent of the UNDAP budget in this area. This reflected the comparative advantages of UNICEF and the other UN agencies and the resources available to them, and had been agreed with the Government. However, for some Government bodies, social protection was about its other aspects, such as social security, safety nets, or health insurance. This implied that the lead Government ministries were equipped to address different aspects of social protection from those mainly covered in the UNDAP. Furthermore, within the Government, there is institutional overlap in the area of social protection, between the Department of Social Welfare, Ministry of Labour, President's office, Ministry of Finance, and other bodies, with no over-arching social protection policy.

To complicate matters further, there are seven social security institutions in the country, and social safety nets are fragmented across a multitude of actors, with limited understanding of the linkages between the various components. The one national programme that is now coming into existence is based in a ministry other than those working with the Social Protection Working Group of the UNDAP. The Ministry of Finance, which is the designated co-chair of the UNDAP working group, has not yet systematically assessed what is required to adequately carry out this role.

Within the UN agencies in the Social Protection Working Group, there were also differing interpretations of social protection. The group's large number of implementing partners —

approximately 30 — also constrained adequate cohesion and coordination. Moreover, the social policy function is still relatively new in UNICEF globally; within the country office itself, there was a need to revisit the most strategic programmatic focus for the working group and which programme or function would be the best suited to carry out the lead-agency role.

Also, the definition of social protection with the UNDAF framework is one that has resulted in a situation where the bulk of UNDAP results and annual workplan activities were vested in the Child Protection section of the UNICEF office with expertise in the area, yet coordination of the Social Protection Working Group was vested in the Social Policy section – which had accountabilities for broader issues of social policy that were well beyond those covered by the UNDAP Social Protection Working Group that it led. The working group's demands therefore limited the time that the section, with its current staffing, could devote to its accountabilities for social policy work in general.

The total UN budget for social protection in Tanzania is US$ 30 million for the whole country programme period, of which – as stated above – close to 90 percent is for child protection. The UNDAP is thus not a significant source of funding for national social protection programmes. The limited budget of four out of six UN agencies in the working group meant that they mostly engaged in stand-alone projects. UNICEF staff interviewed by the audit stated that the UN was therefore reconsidering its role, concentrating mostly on discussions around the design and roll-out of a new Productive Social Safety Net,[4] through upstream policy support, system strengthening and demonstration projects on the ground, and by prioritizing the child-protection agenda.

Agreed action 3 (medium priority): The office agrees to:

i. Determine the most cost-effective course of action, in collaboration with the UNCT, to refine common understanding of social protection in ways to achieve UNDAP results in this area.
ii. Review the responsibilities for lead role of the Social Protection Working Group within UNICEF, and make changes that are commensurate with internal accountabilities and programmatic focus.,
iii. Ensure that staff members' key outputs for the lead agency role are clearly reflected in their performance assessment report, and assessed accordingly.

Responsible staff: Representative; Deputy Representative; Social Policy Specialist; and Chief of Child Protection. **Action to be completed by:** October 2013.

Office structure

The audit reviewed the office structure, including the staffing profile, and assessed whether it aligned with the demands of the UNDAP.

In 2010, the programme budget and review committee (PBR) approved the office structure, which consists of five programme components and five cross-sectorial components. The office structure was premised on the country programme's overriding focus on "developing

[4] See http://reliefweb.int/report/united-republic-tanzania/world-bank-supported-safety-netprogram-benefit-15-million-poor

national and sub-national capacities in areas where there are gaps in implementation capacity, communication for development, M&E [monitoring and evaluation] and evidence based resource mobilization”. The office’s emphasis was on reducing inequities by concentrating its support in six districts (out of 136), within three regions with an approximate total population of 7.5 million, of which 3.3 million are aged 15 years or below. These regions were selected as the focus regions because they scored among the lowest in several indicators related to child well-being.

However, having moved to concentrate its activities on a relatively small area, the office had not yet analyzed the staffing implications. At the time of preparation of the CPMP, the total staff costs represented 29 percent of the 2011-2015 country programme budget of US $148 million. Of this, 37 percent was charged to planned RR.[5] The rationale for allocating 37 percent for staff costs to planned RR was to demonstrate that the office had the management structure and capacity to implement the programme. However, as of December 2012, the total staff costs accounted for 46 percent of RR. This was a higher percentage charged to RR than originally planned, and represented a higher proportion of total budget. This led to an imbalance in the office structure for adequate programme implementation.

Further, as of December 2012 the office had raised 31 percent of its planned OR, indicating that there was reduced funding to support activity implementation during the fiscal years 2011/2012 and 2012/2013. OR funding shortfalls meant that the health and nutrition programme was 38 percent funded so far, with five of the 10 intermediate results (IRs) less than 50 percent funded. OR funding obtained for the child protection programme was 34 percent so far, with five of the nine IRs below 50 percent. The office was well aware of these constraints.

The audit also noted the staffing profile of the office. Of the total 122 approved posts, 35 were international professionals (IPs), 38 were National Officers (NOs) and 49 were General Service (GS). Interviews showed that effective engagement at district and lower levels would require more national staff that can use the local language. In that case, the current ratio of international to national staff would not adequately reflect this need.

The above shortcomings were due to several reasons. One was lower-than-expected funding, including a reduced allocation from the One UN Fund, from which the country office had expected to raise 30 percent of its funding requirements. The office had also missed opportunities to fundraise, as a result of a ban by the UN country team on agency-specific fundraising activities, which was in effect from 2011 till mid-2012.

Another cause was the short tenures (approximately two years) of the country office’s senior management, which hindered timely and rigorous assessment of decisions related to both human and financial resources.

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[5] Regular Resources are core resources that are not earmarked for a specific purpose, and can be used by a UNICEF office wherever they are needed. They include income from voluntary annual contributions from governments, un-earmarked funds contributed by National Committees and the public, and net income from greeting-card sales. 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. In practice, the vast majority of funding for a country programme is OR, which the office is expected to raise for itself.

The Division of Human Resources (DHR) has indicated that the draft Staff Mobility and Rotation policy would address the issue of short tenures. The policy is based on the principle that managed rotation exercises will include staff members who have completed their tour of duty and staff on abolished posts. However, the draft policy does not cover senior management appointments, which will continue to be part of the Senior Staff Review (SSR) and follow UNICEF's selection principles as established in the Directive on Staff Selection issued in March 2013. This would require the SSR Group's recommendations to the Executive Director to take into consideration the minimum assignment duration that has been completed at their current duty station (which is a mandatory eligibility requirement that must be considered when shortlisting for Representative positions). Exceptions may be made only when organizational interests mandate an earlier release – which remains the prerogative of the Executive Director.

Agreed action 4 (high priority): The office agrees to, with assistance from the UNICEF Eastern and Southern African Regional Office, review its current structure and ensure that the staff complement is balanced and meets the requirements of the common country programme. In so doing, the office will strike the right balance between quality of technical support and staff efficiencies. *(See also agreed action 6.)*

Responsible staff: Representative; Deputy Representative and Chief of Operations. **Action to be completed by:** October 2013.

Agreed action 5 (medium priority): The Division of Human Resources (DHR), in consultation with the Office of the Executive Director, agrees to monitor whether the minimum assignment duration for Representatives is enforced as a mandatory requirement by the Senior Staff Review panel. DHR will add a statement on the short-list matrix to focus attention on the expectation and principle of full tour-of-duty compliance for Representatives.

Responsible staff: DHR Deputy Director (Strategic Talent Management Recruitment and Staffing Section). **Action to be completed by:** October 2013.

Recruitment of staff

At the beginning of the current country programme, the office had begun recruitment for 30 posts. The entire Child Protection programme staff, apart from the Programme Chief, was newly recruited (four IPs, five NOs). The Health & Nutrition programme had accounted for nine new recruitments (five IPs, two NOs, and two GSs), including the Section Chief.

The office has experienced a significant level of turnover since the beginning of the current country programme. There were 18 vacant posts (11 IP, five NO, and three GS) at the time of the audit, three of which had been vacant for over a year. Recruitment processes in 2012 took on average up to 14 months. Recruitments related to Health and Nutrition and Child Protection programmes ranged between six and 35 months. Seven vacancies (three NOs, one GS, and three IPs) were placed on hold, three of them due to lack of funding.

The vacancies and long recruitment times arose because of a lack of suitable candidates for national staff, and especially for higher-level national officer posts. In three cases the recommended candidates turned down offers. The audit was informed that this was partially due to the high demand for qualified and competent national staff in the country.

Internal processes within the office were another cause. For example, in five recruitment cases the Representative disagreed with the recruitment panel recommendations, resulting in re-advertisements.

The office had not clearly assessed the reasons for the delays – especially in recruitment of national staff; such an assessment would enable the identification of measures to mitigate these risks. The office did however mention capacity constraints within the Human Resources unit.

Agreed action 6 (medium priority): In conjunction with agreed action 4, the office agrees to review all delayed recruitment cases during the current Country Programme cycle, to determine whether common themes emerge as to the causes of such delays, and will, with the assistance of the UNICEF Eastern and Southern African Regional Office and the Division of Human Resources, develop effective measures to address these weaknesses.

Responsible staff: Human Resources Manager. **Action to be completed by:** October 2013.

Governance area: Conclusion

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

2 Programme management

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

- **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, but evaluation was not covered in detail because the period under audit covered the first year or so of the 2011-2014 UNDAP, and it would not have been possible to identify outcomes of current programme activities.

Satisfactory key controls

The office had a system to update its knowledge on the situation of children in the three regions (six districts) of focus. It was also establishing baselines for supported programme components to enable assessment of progress. The office had commissioned several studies to improve the evidence base—on adolescents, child poverty, child disability, urbanization, etc.

The office had strengthened its mechanisms and controls in planning and management of programme cooperation agreements (PCAs)—including the provision of guidance on what type of contract to use in what circumstances. During 2011/2012 the office raised a total of 27 PCAs, worth a total of approximately US$ 15.3 million.

Availability of data and information at sub-national levels

The audit reviewed the controls over availability of data and information within the Health and Nutrition programmes. There was a general sufficiency of data and information on quantitative indicators in the areas of health, nutrition, access to education and access to improved water sources and sanitation. Within the Health and Nutrition programme, however, staff and implementing partners pointed out gaps in the availability of disaggregated data below the regional level. There were also gaps in some qualitative indicators, which provide insights into the causes of identified inequities and are therefore important for evidence-based advocacy. The analysis of existing data, especially at sub national levels, required improvement—and in some cases varying methodologies in data collection had led to weaknesses in validating the accuracy of data collected. The use of data in planning, especially at sub-national levels, was weak. The restructuring of the programme monitoring and evaluation section, and long-outstanding vacancies in that section, had not helped. The office was beginning to establish baselines for the assisted districts, and planned to support strengthening some administrative systems for information collection.

The evaluation function can often fill gaps in knowledge and data. Although the audit did not review the evaluation function overall, it did note that out of 49 activities in the 2011/2012 UNICEF Integrated Monitoring and Evaluation Plan (IMEP), only four (two studies, and two systems-strengthening activities) were completed as planned. A further 19 had been postponed to 2012/2013—indicating some ambitiousness in planning. The 2011/2012 and 2012/2013 UNICEF-specific and consolidated IMEPs between them listed a total of 74 assessment/research, evaluation and systems strengthening activities. The audit did not attempt to categorize these according to sectorial areas, but did identify some overlap and potential for rationalization.

Gaps in the availability of disaggregated sub-national level data and information, and limited use of data for planning, were caused by weak national systems for information collection and use; in some cases, there was limited existence of such systems (e.g. for some child protection related components).

Agreed action 7 (medium priority): The office agrees to prioritize support for the development and strengthening of national systems and mechanisms to facilitate the identification, collection, analysis and use of data and information. The office also agrees to ensure that the integrated monitoring and evaluation plan is rationalized and realistic.

Responsible staff: Chief, Planning, Monitoring and Evaluation; and Monitoring and Evaluation Specialist. **Action to be completed by:** March 2014.

Planning of activities and programme inputs

The office reported an overall funds utilization rate of 78 percent as of November 2012. However, the planning and sequencing of activities did not always allow sufficient time for implementation.

There were delays in disbursement and liquidation of cash transfers. A review of 29 cash transfers paid in 60 tranches found that in 11 cases, funds were disbursed 30 days or more (and up to 3.5 months) after the activity start date. In 21 of 60 cases, liquidations were submitted late. At the time of audit, the direct cash transfers outstanding for over nine months was US$ 214,118 (2 percent), while those outstanding 6-9 months amounted to US$ 1,086,738.

Implementing partners, especially NGOs, were routinely requested to refund unused cash transfers that were close to the six-month expiry date, because these funds had not been spent within the stipulated period. While ensuring compliance with the six-month rule, these requests increased transactions costs for implementing partners. In 2012, the office received 47 cheques ranging from US$ 3.77 to US$ 65,489.18 from implementing partners as refunds, and in 83 percent of these cases the funds were advanced again to the partners.

The office did not always maintain a record of partners' designated officials authorized to request, and account for use of, cash transfers on behalf of their organizations. In 11 of the 29 transactions reviewed there was no evidence as to whether the request letters and FACE[6] forms had been signed by the designated officers.

The office explained that the changes introduced by the Government within the exchequer system during the fourth quarter of 2012—related to the requirement for the planning commission to approve all disbursements prior to their release by the Ministry of Finance—had caused major delays for all development partners who disbursed funds through this mechanism. Some weaknesses in ensuring realistic planning and budgeting within the office were also a factor, as evidenced by the fact that NGO implementing partners also returned funds.

In discussion with Government officials, the audit was informed that the disbursements (not only from UNICEF) usually lacked sufficient details, which increased processing time. Small value disbursements (from UNICEF) were also discouraged. An additional cause would be related to the weak planning of assurance activities, discussed in the next observation (*HACT assurance activities*, below). The insufficient budget details were due to insufficient supervision over required controls, including inadequate attention to details.

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

i. Establish mechanisms to ensure timely utilization of funds. Such mechanisms should include the establishment of realistic benchmarks (programmatic and financial) that are commensurate with the capacities of implementing partners.
ii. Ensure that sufficient details accompany each disbursement—by requesting the Ministry of Finance to provide clear written instructions on the accurate detail of disbursements, and minimum transaction amounts.
iii. Discuss with other UN agencies, Development Partners and the Government the challenges experienced with the current system for disbursement of funds to implementing partners, and agree on the most appropriate arrangements to minimize any delays.

Responsible staff: Deputy Representative and Programme Planning Specialist. **Action to be completed by:** December 2013.

Agreed action 9 (medium priority): In compliance with prescribed policy and procedures, and in order to reduce transaction costs, the office agrees to ensure that refunds from implementing partners are received only when new activities are being funded from a different funding source; when pending amounts are over six months and reprogramming the funds is not applicable; and/or when no further activities are expected to take place within the subsequent four months. The office agrees to strengthen its oversight mechanisms to ensure that refunds are requested from partners only as a last resort, in cases of severe blockage to overall programme implementation, and where other options, such as reprogramming, are not applicable.

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[6] FACE stands for Funding Authorization and Certificate of Expenditures. UNICEF and its partners can use the FACE form to approve or request disbursement of funds and authorization to incur expenditures, to report on expenditures and to certify the accuracy of data and information provided by the partner.

Responsible staff: Deputy Representative; Chief of Field Coordination; and all section Chiefs.
Action to be completed by: October 2013.

HACT assurance activities

Country offices are required to implement the Harmonized Approach to Cash Transfers (HACT) for cash transfers to implementing partners. HACT is also required in all programme countries. HACT 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).

Assurance activities are the third element of the HACT framework, promoting accountability and strengthening the financial management and internal control mechanisms of the implementing partners. The activities 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 (UNDP, UNFPA and WFP) that have also adopted HACT.

The UN agencies in Tanzania had established a UN HACT working group, responsible for all HACT-related activities, which reported to the UN Resident Coordinator. A macro-assessment was completed in February 2012 for both the mainland and Zanzibar.

Micro-assessments: A joint audit of DaO in Tanzania, led by UNDP in 2011, had reported that only 30 percent of the 81 implementing partners had been assessed. That audit had recommended that the UN agencies should ensure that micro-assessments were carried out for all applicable implementing partners, in line with the HACT Framework. It also recommended that the agencies draw up a capacity-development plan in coordination with the Government, which was to be monitored to verify improvements in internal controls and in risk ratings. The UN country team had responded that micro-assessments of the remaining 44 implementing partners would be completed by October 2012. The UN HACT working group reported within the UNDAP annual report for 2011/2012 that micro-assessments had been carried out for 24 implementing partners during 2011 and 2012, while 23 had been initiated. This was the very same number that had been established during the DaO audit, indicating that the audit recommendation had not yet been implemented. However, 13 national and sub-national level partners were assessed by a private firm in February 2013. It was not possible to determine whether these were new partners, or among the 44 implementing partners that were listed as partners common to all the UN agencies. Meanwhile, the UNICEF office had begun to carry out micro assessments.

Training: The UN HACT working group had provided training for some implementing partners on HACT in 2012. UNICEF had also provided training to sub-national level partners, which included reporting on activity implementation. Aside from these activities, however, there was no consolidated capacity development plan to address implementing partners' constraints as identified during the micro-assessments. This is critical because weak capacities were cited as a constraint within the UNDAP annual report, and in UNICEF-specific reviews.

Assurance plan: There was no consolidated assurance plan. As a result, although programme monitoring activities were undertaken, and some spot checks had been done, assurance activities were not carried out systematically. The absence of a UN-wide assurance plan was attributed to lack of clarity on assurance activities, mostly due to differing agency practices. For example annual audits are mandatory for both UNDP and UNFPA, and they had in fact scheduled an audit, to be carried by the national audit office during the fiscal year 2012/2013. UNICEF, on the other hand, put emphasis on assurance activities that included programme monitoring and spot checks. Also, there were no clear mechanisms for follow-up on recommendations from assessments; the office stated that a database was being developed for this purpose. The office was not consistently updating the relevant VISION modules related to micro-assessments.

The formal process of carrying out micro-assessments was constrained by limited resources. The audit was informed that there was still a backlog of implementing partners to be micro-assessed, and the criteria for prioritization were not clear. The audit also noted some lack of clarity on assurance mechanisms – and on the overall HACT approach, especially within a DaO context.

Agreed action 10 (high priority): The office agrees to, in consultation with the UN country team, take the following actions:

i. Implement a plan to expedite micro-assessments of the remaining implementing partners.
ii. Develop an assurance plan, taking into account the risks of each partner and the significance of cash transfers; and conduct spot checks in conjunction with programme-monitoring activities (assuming a high risk for partners not yet micro-assessed).

The office can, in case of significant delays from UNCT, develop separate plans for carrying out micro-assessments and assurance activities of common implementing partners (it will inform the UN country team if it does so).

Responsible staff: Deputy Representative, Senior Programme Assistant and HACT focal person. **Action to be completed by:** October 2013.

Agreed action 11 (medium priority): The office agrees to assign responsibilities and update its records in VISION to reflect the results of micro-assessments.

Responsible staff: Deputy Representative, Senior Programme Assistant and HACT focal person. **Action to be completed by:** October 2013.

End-user monitoring of supplies

In 2012, supply assistance represented 11 percent of total programme expenditure. The office did have adequate controls to ensure that supply planning reflected requests from implementing partners. However, there were delays in the delivery of both locally procured and offshore supplies. The supply section stated that the delays were mostly due to incorrect target arrival dates and insufficient specifications.

Medical Stores Department (MSD): The office informed the audit that the distribution of supplies transferred to the Ministry of Health and Social Welfare (MoHSW) was carried out by one of the Ministry's departments, called the Medical Services Division (MSD). On several occasions expired medicines had been detected in the MSD's distribution process. On 27 March 2011 the Property Survey Board recommended the destruction of 95 bottles of vitamin A caps 200,000 IU (500T/bottles) and 100 bottles of Vitamin A caps Retinol 100,000 IR (500T/bottle) that were stored at MSD. In a field trip report dated 26 November 2012 office staff noted 28 boxes of therapeutic food in the Bahi Health Centre that were due to expire in February 2013. The office explained that the supplies received from MSD were often very close to the expiry date. A recent risk assessment of the MSD procurement and supply chain had rated it as high risk, because service vendors did not deliver goods and services on time.

Pre-positioned emergency stocks: Three batches of pre-positioned emergency food supplies valued at US$ 54,067.52, stocked in the Isaka district, had been purchased in 2010 and no stock variations had been recorded since. The emergency food rations were purchased to support the refugee programme in the Isaka area. The office had closed its support for these activities and had no clear plan as to what to do with the emergency food items, which were due to expire in 2014.

Maintaining supply records in VISION/SAP: The office used an inadequate manual system to monitor the status of supplies. Audit verification showed lack of consistency between the manual monitoring systems used by the office and the supply records in VISION.[7] The audit also noted that in 25 out of 30 sampled transactions, the transfer of supplies to the implementing partners was not recorded in the system after the delivery and settlement of invoices to suppliers. This was due to insufficient training in VISION to ensure accurate posting, monitoring and adjustment of amounts of programme supplies transferred to implementing partners.

Agreed action 12 (medium priority): The office agrees to provide essential training, and establish robust monitoring mechanisms, so as to enable timely identification of delays in supply delivery and accurate posting, monitoring and adjustment of amounts of programme supplies transferred to implementing partners. It should also monitor the aging of items so as to avoid expiry and waste of resources.

Responsible staff: Chief of Operations and Supply Officer. **Action to be completed by:** July 2013.

Programme management: Conclusion

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

[7] UNICEF's new management system, implemented in January 2012.

2 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.
- **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.

Satisfactory key controls

A Contract Review Committee (CRC) with appropriate membership adequately reviewed major contracts. The office's 2011 year-end accounts closure reports were properly processed.

The office's controls related to information and communication technology were in place, and generally functioning. This included identification, security, control, maintenance and disposal of plant, property and equipment (PPE) – although issues related to inventory numbers for some items, and timely implementation of recommendations from the Property Survey Board, were noted during the course of the audit.

The office's controls related to information and communication technology ensured timely implementation of required changes to core application software, and the office's technology infrastructure and equipment complied with established standards. Mechanisms were in place to ensure that staff were provided with required IT support.

Financial management

The following shortcomings were noted.

General ledger: Several general ledger accounts had incorrect credit balances, including expense accounts such as printing and binding (US$ -112,972.33), IT supplies (US$ -44,176.39), and out-bound freight (US$ -69,282.59). Several postings were recorded against incorrect general ledger accounts, such as handling fee. This was mainly due to insufficient supervision of recording and posting of financial transactions. These errors led to incorrect information in performance financial reports for decision-making. Incorrect GL coding was due to insufficient knowledge of SAP functionality related to recording and reporting.

Goods-in-transit: The balance on the general account Goods-in-transit as of 31 December 2012 was US$ 1.3 million. It was composed of debits and credits in the amounts of US$ 2.9 million and US$1.6 million respectively. A sample review of 30 transactions showed that in 25 cases the transfer to the implementing partner was not recorded after the goods were delivered and the respective invoice settled. The amount related to these transactions was US$ 1.2 million.

Bank optimization: The office complied with the recommended practice for bank optimization – that is, monthly preparation of cash forecast and posting figures on the bank optimization module. However, total expenditures for the period from August 2012 to December 2012 ranged from 44 percent to 70 percent of forecast cash requirements. The office cited insufficient capacity of staff as a cause of shortcomings in cash-flow forecasts.

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

i. train staff on SAP functionality related to accounting and reporting;
ii. ensure sufficient appropriate supervision of the monitoring, control and adjustment of accounting records related to the general ledger in VISION, in order to provide reliable information aligned to the requirements of the International Public Sector Accounting Standards; and,
iii. identify causes of significant variances between actual and cash forecasts, analyze past trends and train staff to improve capacity in cash flow forecasting.

Responsible staff: ICT Specialist; Finance/Accounts Officer. **Action to be completed by:** September 2013.

Operations support: Conclusion

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

Annex A: Methodology, and definitions of priorities and conclusions

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

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

The audit looks for areas where internal controls can be strengthened to reduce exposure to fraud or irregularities. It is not looking for fraud itself. This is consistent with normal 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, OIA 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, OIA 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.