# Internal Audit of the Republic of Uganda Country Office

Office of Internal Audit
and Investigations (OIAI)
Report 2013/22

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# Summary

The Office of Internal Audit and Investigations (OIAI) has conducted an audit of the Republic of Uganda Country Office. The audit sought to assess the governance, programme management and operations support over the office's activities. The audit covered the period from January 2012 to 25 March 2013.

Uganda has a population of about 33 million, of which about 18 million are under 18. There is a 3.2 percent annual population growth rate. Uganda ranked 161st out of the 186 countries on the UNDP Human Development Index for 2013 and its gross national income per capita was US$ 510 in 2011 (World Bank). Under-five mortality was around 100 per 1,000 live births in 2011 (down from 141 in 2000).

The country office is based in Kampala with zone offices in Gulu, Moroto and Kampala, with the latter catering to the western and central regions. The approved country programme for 2010-2014 consisted of six main programme components, with a total budget of approximately US$ 241 million. Following the mid-term review (MTR) in 2012, the programme was reorganised into four programme components, three multi-sectoral and one cross-sectoral. As of March 2013, the office had received funding of US$ 192 million and spent US$ 141 million in 2010-2013. In 2012 alone, it spent US$ 57 million. The office had 191 posts as of March 2013.

## Action agreed following the audit

As a result of the audit, and in discussion with the audit team, the country office has decided to take a number of measures. Three of them are being implemented as a high priority. They relate to the following.

- There were weaknesses in the processing and documentation of cash transfers. A number of cash transfer liquidations had been outstanding for over six months, and activities and expenditures reported by implementing partners could not always be reconciled with those agreed and authorised. The office intends to implement a mechanism to ensure UNICEF HACT procedures for planning, authorisation, release and liquidation of cash transfers are adequately implemented. It also agrees to provide guidance or a toolkit to government implementing partners, and to conduct training on cash transfers.
- There were shortcomings in implementation of the Harmonised Approach to Cash Transfers. Although micro-assessments had taken place during the previous country programme, their results had not been used to determine the best procedures for transferring cash to the individual partners, or to implement the most appropriate assurance methods for those partners. A number of spot checks had been done; however, for the partners visited by the audit, spot checks did not identify critical weaknesses in financial management. The office agrees to complete the micro-assessments of implementing partners and use the results of the micro-assessments to determine the most appropriate type of cash transfer and develop an assurance plan; and to revise methodology for spot checks and train staff accordingly.
- Some payments were processed even though the goods and services had not been received or completed. This affected the factual reporting of expenditures and completion of activities to the donors. The office plans to institute a mechanism to prevent this from recurring.

## Conclusion

The audit 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 measures to address the observations made are presented with each observation in the body of this report. The Uganda country office, with support from the Regional Office, and OIAI will work together to monitor implementation of these measures.

Office of Internal Audit and Investigations (OIAI) July 2013

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

# Audit observations

## 1 Governance

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

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

All of the above areas were covered in this audit.

### Satisfactory key controls

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

The office had identified management priorities and results, and assigned accountabilities for each result. It had established governance bodies—such as the country management team, contract review committee, programme group meeting, property survey board and joint consultative committee—with clearly defined terms of reference.

There was regular communication with all staff members through Monday morning meetings as a means to improve sharing of information.

## Risk management

The audit team verified whether the office had systematically managed the risks and opportunities that could affect the achievement of its objectives, in accordance with UNICEF's enterprise risk-management (ERM) policy.

The policy includes performance of a Risk and Control Self-Assessment (RCSA), in which an office or unit reviews risks to its programme and the measures that should be used to mitigate them. These are then collected into a risk and control library, and an action plan is drawn up to implement the mitigation measures. The Uganda office had finalised its RCSA in the last quarter of 2011, and had developed an action plan; however, it had not fully implemented that plan at the time of audit (April 2013) as it was not an office priority.

Two out of 10 risk mitigating actions in the RCSA pertained to the ethics and culture risk, which were rated "medium high". They called for group training on ethics and a survey to better understand the results of the 2011 Global Staff Survey[1] regarding prejudicial treatment, and implement corrective action. The office had continued to rate the ethical environment as high risk in its 2013 risk and control library. It indicated that it had tried to arrange for a person from HQ to deliver group training on ethics. However, scheduling conflicts had prevented this move.

**Agreed action 1 (medium priority):** The office agrees to give priority to implementation of the action plan to mitigate the identified risks, including a survey to identify staff issues, and the conduct of training on ethics.

***Responsible staff member and expected time of completion:*** *The Chief of Operations will implement the Risk and Control Self-Assessment (RCSA) action plan starting with activities carried forward from 2012, including training on ethics by the end of July 2013; and the office will report on the actions taken to address the risks highlighted in the RCSA by December 2013.*

## Governance area: Conclusion

Based on the audit work performed, OIAI concluded that the control processes over governance were generally established and functioning during the period under audit.

[1] UNICEF's Global Staff Survey is an occasional 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 anonymised.

# 2 Programme management

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

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

All the areas above were covered in this audit.

## 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 situation analysis, which sums up the situation of children and women in a country, had been led by the Ministry of Finance, Planning and Economic Development and involved inputs from other government ministries and a number of district local governments. It informed the 2010-2014 country programme – which also reflected the 2010-2014 United Nations Development Assistance Framework (UNDAF) for Uganda. The outcomes and outputs of the UNDAF supported the objectives of the 2010-2014 National Development Plan of the government, and were covered in the UNICEF office's 2010-2014 Country Programme Action Plan.[2]

The office had conducted evaluations of significant programme components. It had also disseminated the results and had responded formally to them.

In support of the principles embodied in the Paris Declaration and the subsequent Accra Agenda for Action, the office had adopted a rolling workplan (RWP) to be in step with the Government of Uganda's fiscal period (July to June).

[2] 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.

The office had developed an advocacy plan for 2013. The plan identified the key audiences and the advocacy areas. For each advocacy area, the advocacy objectives and related activities were plotted out. The office also had a resource-mobilisation strategy for the programme cycle 2010-2014. The strategy had identified avenues for advocacy and leveraging, and included fundraising.[3]

## Rolling workplans

The office used rolling workplans (RWPs). These cover more than a single planning period. They provide detailed plans for an initial period, then provide plans for a second period that are less detailed (though they do include activities, timelines and budgets). During implementation, progress is reviewed, and on the basis of that review, more detail of future activities, timelines, and budgets for the second period will be added.

The office developed the rolling workplans (RWPs) jointly with the implementing partners, and had them endorsed by key government partners. The RWPs specified the programme component results (PCRs), the related intermediate results (IRs),[4] the activities under each IR, the implementing partners responsible for each of the activities, the type and amount of assistance to be provided to each implementing partner, and the timetable for each activity.

***Signature of RWPs:*** The audit noted that the RWPs covering the period July 2012 to June 2013 (the fiscal period of the government of Uganda) were belatedly endorsed by the implementing partners. The RWPs for the programmes *Keep Children and Mothers Alive* and *Keep Children Safe* were endorsed between late September and November 2012. The RWP for *Keep the Children Learning* did not bear the date of signature, but the audit was informed that it was also signed during the same period. This would have affected implementation of activities planned for the quarter July to September 2012, especially new ones.

***Definition and allocation of activities:*** The audit reviewed the planned results and the related activities in the RWPs and noted that while the results were specific and measurable, the related activities were generally not, and included the use of words like "strengthen" or "support strengthening of" that are difficult to measure. While key progress indicators and milestones for results had been established in an internal document, the milestones did not directly correspond to a group of activities in the RWPs. Especially in cases when two or more implementing partners were involved in an activity, it was not obvious for which part of the stated activity and corresponding budget each of them was responsible.

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

i. Ensure the timely development and endorsement of the rolling workplans, including establishment of a timetable to be used for the process.

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

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

***Responsible staff member and expected time of completion:*** *The Deputy Representative has indicated that the standard set by the Country Programme Management Team (CPMT) of having the revised rolling workplan reviewed by the CPMT members during its biannual meeting was completed in June. It will be approved by the responsible ministries by the end of July 2013. It was also indicated that the CPMT met on 27 June, reviewed and endorsed the July 2013-June 2014 RWP, which was being shared with the relevant ministries for their signatures.*

ii. Provide guidance, and institute a quality assurance mechanism, for the development of rolling workplans to ensure that the activities related to a specific result are clearly identified, to allow proper monitoring and control of results.

***Responsible staff member and expected time of completion:*** *The Deputy Representative indicated that they had provided guidance and instituted a quality assurance mechanism.*

## Cash transfers

The annual/rolling workplans that UNICEF offices draw up with their implementing partners describe the activities to be implemented, the type of assistance to be provided to the implementing partners and the associated budgets. These workplans should be the basis on which the partners request cash transfers and programme supplies. The audit verified whether the workplans agreed upon by the office and the implementing partners had indeed been used as the basis for requesting cash transfers from UNICEF.

In 2012, the office spent US$ 25.4 million (44 percent of total expenditure) in cash transfers to implementing partners. In addition, it provided implementing partners with direct cash transfers as advances amounting to US$ 11.5 million as of the end of 2012.[5]

***Correspondence to workplans:*** The form used by the partner to request and liquidate cash transfers is the Funding Authorization Certificate of Expenditure (FACE) form. It is also used by UNICEF to process the requests for and liquidation of cash transfers. The FACE forms should mirror the workplans. However, the activities indicated on the FACE forms relating to 25 of the 29 releases of cash transfers sampled by the audit did not directly correspond to those in the agreed workplan. For instance, either the results of the implementation of the activities or the cost components were indicated on the FACE forms, instead of the description of the activities. This shortcoming created risks that activities implemented might be other than those in the approved workplan. They also made it harder to monitor implementation, as field monitoring is carried out against the activities and cash transfers listed in the FACE forms – and these differed from those in the workplan.

***Payment of cash transfers:*** The audit also reviewed payments related to requests for direct cash transfers to ascertain their validity, accuracy and completeness and the timeliness of their processing. It selected 33 samples with an aggregate amount of US$ 4.9 million. The

[5] UNICEF does not count cash transfers as expenditure until they have been liquidated. The first figure, for expenditure, includes those that have been liquidated, those paid direct to third parties (such as suppliers) for expenditures incurred by implementing partners, and transfers made to partners as reimbursements. The second figure includes transfers that have not yet been liquidated and have therefore not been expensed. This is in accordance with the International Public Sector Accounting Standards (IPSAS), which UNICEF has adopted.

following was noted:

- In seven cases, the office made direct cash transfers to cover more than the maximum allowable period of three months' activities. Six of the seven requests were for six months' activities while one was for five months. This resulted in accumulation of excess funds with the implementing partners and prevented the implementing partners from liquidating the direct cash transfers within six months.
- The FACE forms were not completely filled in. For example, 22 FACE forms did not indicate the duration of the activities for which the cash transfers were being requested. There was, therefore, no assurance that the requests were in accordance with the workplan.
- Individual FACE forms for each activity (rather than one consolidated FACE form) were submitted every time the implementing partner submitted a request for direct cash transfer. This resulted in processing multiple requests per implementing partners, thereby adding unwarranted workload to both the office and implementing partners.
- In 10 cases, the payees' names differed from the names of the requesting implementing partners on the FACE form. There was therefore a risk that the bank accounts were not those of the implementing partners (see also the observation on vendor master records in the Operations section of this report).
- Twenty-nine requests for direct cash transfers were provided after the planned start dates of the activities established in the rolling workplan. The delays were brought about by a combination of the late submission of requests from implementing partners and protracted processing of requests by the office (the latter took an average of 40 days).
- Nineteen of the 33 requests were not signed by the authorised representatives of the implementing partners. The office had a file of the specimen signatures of those authorised representatives, but did not update it. Hence, there was no certainty that the signatories of the requests were indeed authorised to do so on behalf of each implementing partner.
- In 26 of the 27 sampled payments to non-governmental organisations (NGOs), there was no evidence that the UNICEF staff processing the requests had checked they were in accordance with the relevant project cooperation agreements (PCAs), as the pertinent provisions of the PCAs were not attached as supporting documentation; neither were the electronic copies of the PCA uploaded to VISION, where the staff could also have checked them. In addition, the budget details were not specified on a quarterly basis in the sampled PCAs.

***Liquidation of cash transfers:*** At the time of the audit in March 2013, the office had outstanding (unliquidated) direct cash transfers worth approximately US$ 8.5 million. About US$ 2.3 million of this had been outstanding for over six months, of which US$ 0.6 million had remained unliquidated for over nine months.

The audit reviewed a sample of 12 liquidations of direct cash transfers. It noted that there was no assurance that the reported activities and expenditures were in accordance with those agreed and authorised when the direct cash transfers were provided by the office. None of the 12 sampled liquidation transactions included the original FACE forms and the related budget details that reflected the agreed activities and the authorised expenditures. When the audit visited four implementing partners, it found that their finance staff did not have copies of the original FACE forms with the agreed activities and authorised expenditures. Further, it had taken the office three to 79 days (with an average of 39 days) to approve and verify the liquidation of the 12 direct cash transfers sampled. Direct cash transfers are released for three months' activities and are meant to be liquidated within six months of their release. The protracted process of approval and verification also affected subsequent releases.

Discussions with government implementing partners, NGOs and office staff noted that there was an insufficient understanding of the guidance on the Harmonised Approach to Cash Transfers (HACT), particularly the use of the FACE form and the release and liquidation of cash transfers, because of insufficient training. This is discussed further in the next observation. Also, while a toolkit had been developed for the guidance of NGOs on cash transfers, none had been developed for government implementing partners.

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

i. Review the process to ensure UNICEF HACT procedures for planning, authorisation, release and liquidation of cash transfers are fully complied with.

   ***Responsible staff member and expected time of completion:*** *The Chief of Operations and the Deputy Representative have indicated that the work process review in relation to the direct cash transfers (DCT) have been completed. They will ensure that the timeline and oversight of staff for processing DCT requests/liquidation at different levels (Kampala and Zonal Offices) and sections (programmes and operations) will be approved by the Country Management Team by the end of September 2013.*

ii. Provide guidance or toolkit to government implementing partners.

   ***Responsible staff member and expected time of completion:*** *The Chief of Operations will review the existing cash transfer tool kit for NGOs and adapt it to include government implementing partners by the end of December 2013.*

iii. Conduct training on cash transfer procedures for both implementing partners and UNICEF office staff.

   ***Responsible staff member and expected time of completion:*** *The Chief of Operations will engage two audit firms to implement HACT training for relevant UNICEF and government/NGO partners by the end of November 2013. It will ensure that the audit firms work in close collaboration with UNICEF and the relevant persons in the Office of the Inspector General of Government to identify bottlenecks related to financial management in the Ministry of Health by October 2013.*

iv. Regularly pursue with implementing partners the liquidation of outstanding direct cash transfers so as to liquidate them within six months of their release.

   ***Responsible staff member and expected time of completion:*** *Each section of the office will engage audit firms referred to above (costs permitting), and assign two people from these companies in Moroto Zone office, two in Gullu Zone Office and three in Kampala country office to facilitate the liquidation of high value direct cash transfers (DCTs) by October 2013. The Budget Monitoring Unit will ensure that DCTs over six months will continue to be reviewed during monthly Monday morning meetings and in quarterly CMT meetings. Programme Section Chiefs and*

*Intermediate Results Managers will have targets and indicators for DCT liquidation in their performance evaluation reports, and this will be reviewed during mid-year review by the end of August 2013. The Chief of Operations will review existing third party funding arrangements to determine cost effectiveness and, if found to be cost effective, two partners will be identified to undertake third party disbursements to selected partners on behalf of UNICEF, as may be required, by September 2013.*

## Harmonised Approach to Cash Transfers (HACT)

Country offices are required to implement HACT for cash transfers to implementing partners. HACT is also required for UNDP, UNFPA and WFP in all programme countries. The office had implemented HACT, as had the other UN agencies in Uganda.

HACT replaces a system of rigid controls with a risk-management approach to cash transfers to implementing partners. It aims to reduce transaction costs by simplifying rules and procedures, strengthening partners' capacities and helping to manage risks. HACT includes micro-assessments of the individual implementing partners (both Government entities and NGOs). HACT also requires assurance activities regarding appropriate use of cash transfers. These include spot checks of partner implementation, including review of financial management procedures, programmatic monitoring, annual audits of partners receiving a certain level of funds, and (where required) special audits. Unfavourable findings from assurance activities should result in a review of the procedures used with that partner. A key component of HACT is that the micro-assessments and assurance activities should be carried out regularly. In cases where partners also work with other UN agencies, offices should coordinate with other UN agencies that have also adopted HACT so as to minimise the costs of micro-assessments and assurance activities.

***Micro-assessments:*** Implementing partners were micro-assessed starting in 2007. Since then, implementing partners – particularly the non-governmental organisations (NGOs) – had been assessed whenever partnerships were concluded. However, in 12 of 33 sampled payment transactions related to the provision of direct cash transfers, the implementing partners involved had been last assessed during the previous programme cycle (2007-2009). The office had not updated itself on the financial management capacities of these partners through more recent micro-assessments. (According to the office, it did plan to conduct micro-assessments of previously-assessed implementing partners in the current programme cycle 2010-2014. However, this was not done because it was not given sufficient priority.) Further, the office had not used the results of the micro-assessments to determine the best procedures for cash transfers for each partner. Instead, the office had invariably provided direct cash transfers irrespective of the level of risk of the individual partner.

***Assurance activities:*** The office had developed tools for programmatic assurance of the implementation of assurance activities. It had implemented a programme quality assurance (PQA) plan to monitor implementation of assurance activities. It had also conducted spot checks to verify that partners kept accurate financial monitoring records related to specific supported programme activities. However, the office did not use the results of the micro-assessments, or the value of cash transfers involved, to identify the most appropriate assurance methods or decide their frequency. Moreover, a number of its implementing partners had received over US$ 500,000 from UNICEF alone during the 2010-2014 programme cycle, and should therefore have been subject to scheduled audits. However, the office had not conducted or planned these jointly with other UN agencies.

Of the partners in the sample of 33 transactions checked, the office had conducted spot checks of all but one in 2011 or 2012. It had conducted 150 spot checks and follow-up visits in 2011 and 68 in 2012. While this was encouraging, the results of the spot checks did not identify critical weaknesses in the financial management procedures of the implementing partners. The audit visited four implementing partners—two government implementing partners, an international NGO, and a local NGO—which had been subject to spot checks by the office. In the course of these visits, it noted one or more of the following weaknesses that should have been identified during the spot checks and follow-up visits:

- Funds were disbursed without authorisation by the designated officer.
- The implementing partner provided advances to project officers and transferred them to their personal accounts for the implementation of activities covering three months. In addition, these advances were beyond the maximum allowable amount of the implementing partner. At the time of the audit visit, the advances to the project officers had been outstanding for over three months.
- Instead of liquidating the direct cash transfer per activity, the implementing partner incorrectly understood that the liquidation was to be made on the aggregate amount of the direct cash transfers.
- The finance staff did not have lists of the authorised activities and expenditures for which liquidations were to be made.
- The reported expenditures in the FACE forms could not be verified from the supporting documentation on file.
- Some disbursements pertaining to UNICEF-funded projects were not recorded in the books of accounts.
- The expenditures reported by the implementing partners were not based on their books of accounts and therefore could not be traced to the statutory records.

**Agreed action 4 (high priority):** The office agrees to:

i. Reassess implementing partners already assessed in the previous programme cycle and expected to receive more than US$ 100,000 in the current programme cycle while continuing with the micro-assessment of new implementing partners above this threshold prior to initiating partnerships with them. In the absence of a micro-assessment, the office will consider the partners as high risk and increase its level of assurance activities accordingly.

   ***Responsible staff member and expected time of completion:*** *The Chief of Operations and Finance Manager will put in place a plan for the micro-assessment of current implementing partners beginning with those that have not been assessed in past four years (current country programme cycle); and ensure that the assessments of all implementing partners remain current within the current country programme cycle as prescribed, by the end of July 2013.*

ii. Determine the most appropriate type of cash transfer for each implementing partner depending on the level of risk established from micro-assessment.

   ***Responsible staff member and expected time of completion:*** *The Chief of Operations and Finance Manager will determine the preferred cash transfer methodology for each implementing partner alongside the micro-assessment exercise by December 2013.*

iii. Implement a revised assurance plan that should include scheduled audits, spot checks and programmatic assurance, taking into consideration the level of funds transferred and the risk ratings assigned, to each implementing partner.

***Responsible staff member and expected time of completion:*** *The Chief of Operations and Finance Manager will complete an assurance plan for all implementing partners and risk ratings entered in VISION; and will ensure the assurance plan is finalised after the micro-assessments are completed by December 2013.*

iv. Revise methodology of spot checks, train staff and assign competent team(s) for their execution.

***Responsible staff member and expected time of completion:*** *The Chief of Operations and Finance Manager will ensure that, while the spot check for each implementing partner will be determined by the risks identified through the micro-assessment exercise, the overall assurance framework including conduct of spot checks will be finalised by the end of July 2013. The office has indicated that it has already contracted audit companies to assist with spot checks.*

v. Follow up with the four implementing partners visited by the audit regarding measures to correct the significant weaknesses identified during the audit visits; and urgently secure reimbursements from them for any reported expenditures that are not substantiated.

***Responsible staff member and expected time of completion:*** *The Chief of Operations and Finance Manager will assign an audit firm to conduct further review on the financial documents of the four partners identified by OIAI and follow up on recommendations from these reviews by the end of July 2013.*

## Monitoring

The office had recently analysed bottlenecks to programme implementation, and had established a process for the monitoring of the achievement of results. It also had developed a system, DevTrac, for the reporting of results of field-monitoring trips of all office staff and for tracking the implementation of the recommendations arising from them. When preparing a field-monitoring report, the staff member can specify the recommended action and assign the responsible staff to implement the recommendation. The action remains open until it has been acted upon by the responsible staff. The office had conducted training of staff on the use of DevTrac and required all staff to prepare field-monitoring reports through it.

However, from the implementation of DevTrac in 2011 up to the audit (April 2013), a total of 456 recommended actions had remained outstanding. There were 266, 163 and 27 open actions relating to field-monitoring visits in 2011, 2012 and 2013 respectively. Of the 266 open actions in 2011, 157 were considered to be of high priority. The 2012 open actions included 86 high-priority actions and there were 14 open from 2013. The audit also noted that the office did not have a systematic way to identify field-monitoring trips that had taken place in a given period and ensure that all the staff had prepared field-monitoring reports in DevTrac. The results of some monitoring trips could therefore have been excluded.

The office stated that it was in the process of reviewing and cleaning up the outstanding actions. It also planned to conduct further training and create awareness among staff on the use of DevTrac.

**Agreed action 5 (medium priority):** The office agrees to establish a mechanism to:

i. Identify all field-monitoring trips during each month and follow up with staff members who have not prepared their trip reports in DevTrac, the system used for reporting results of field monitoring trips and for tracking implementation.

   ***Responsible staff member and expected time of completion:*** *The Chief, Field Coordination and Chief of Communication and Innovation will update the Devtrac tool (for the reporting of results of field-monitoring trips and for tracking the implementation of recommendations arising from them) to enable integration of all field-monitoring visits, including the programme quality assurance (PQA) visits by the end of September 2013. The Monitoring and Evaluation Specialist will provide a monthly update of programme monitoring field-trip reports (based on approved quarterly travel plan) due but not entered in the Devtrac tool starting in October 2013.*

ii. Regularly review all significant open recommendations from field-monitoring trips and follow them up with the assigned staff so as to ensure timely closure of planned corrective actions.

   ***Responsible staff member and expected time of completion:*** *The Monitoring and Evaluation Specialist will provide a monthly update on implementation status of open recommendations from all field-monitoring trips, Devtrac and paper-based reports, starting in July 2013.*

## Donor reporting

The office had a process for the preparation and quality assurance of donor reports. It sent out reminders to responsible sections on the due dates of the reports, and provided the sections with the pertinent donor conditions, donor proposal, previous donor report (if any), and utilisation report. In 2012, the Eastern and Southern Africa Regional Office conducted its fourth consecutive annual quality assurance exercise of selected donor reports prepared by country offices within the region. Two of the office's donor reports were assessed for quality against a checklist based on PARMO's quality assurance standards. Both reports were assessed as "exemplary".

However, the audit noted inaccuracies in the reporting related to two grants. One grant (for a total value of US$ 5.3 million and a validity period from 17 Oct 2007 to 16 April 2012) pertained to the office, while the second (a total value of US$ 4.9 million and a validity period from 1 July 2011 to 30 September 2012) related to another country office, which had requested the Uganda country office to purchase programme supplies on its behalf. In both cases, the office had processed receipts and payments of goods/services, although the goods had not been completely received and the services fully rendered; and had reported to the donors the completion of activities at the closing of the grants. However, in the first case, the construction activities were finally completed between November 2012 and February 2013 and, on that basis, the bank transfers were actually made to the contractors.

In the second case, the supplies were finally delivered to the UNICEF warehouse in Kampala on 18 March 2013 and, on that basis, the bank transfer to the vendor was made. As such, the relevant donor reports did not present accurate and complete information to the donors.

**Agreed action 6 (high priority):** The office agrees to institute a mechanism to ensure that donor reports present accurate and complete information to the donors. In cases where the activities have not been completed as planned, the donor reports should clearly state this, identify the reasons and explain the action being taken by the office to rectify the situation.

***Responsible staff member and expected time of completion:*** *The Deputy Representative and Reports Specialist will share with the programme sections the IPSAS annotated guidelines for donor reporting and also provide a checklist on implementation status of activities for each donor report, to be completed and signed by the Intermediate Results Manager for each donor report by the end of 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 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.

## Satisfactory key controls

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

The office had established workflow processes related to procurement, institutional contracts and payment processing. It had issued standard operating procedures (SOPs) for these processes to provide guidance to the staff. Cash receipts, particularly refunds of direct cash transfers, were promptly recorded in the books of accounts.

The programme supplies in warehouses were well organised, and regular reports were generated. The fixed assets verification was conducted in accordance with the guidelines, and the property survey board was consulted regarding asset-related matters.

## Vendor master records

The creation of vendor master records should be done centrally by the designated staff member(s) in the country office. The vendors' details in the master records should be complete, and only accredited vendors should be maintained in the system.

With the implementation of VISION,[6] vendor master records relating to suppliers, contractors, and implementing partners had to be created and maintained in the system.

[6] UNICEF's new management system, implemented on 1 January 2012.

The office had therefore assigned a staff member to maintain the vendor master records and had introduced a form for requesting their creation. But there was no process to ascertain, as part of creation and maintenance of master records, that the vendors (suppliers, contractors, and implementing partners) were legitimate and their bank accounts were valid.

Prior to the implementation of VISION, country offices were instructed to clean up the existing vendor master records in 2011 before systematically migrating them to VISION SAP at the time of its roll-out. Thereafter, additional vendors were manually created in VISION SAP by the designated staff. At the time of the audit, a total of 1,742 vendor master records were registered in VISION SAP pertaining to Uganda.

Review of the vendor master records noted a total of 175 duplicate cases of vendors. The duplications were brought about by the migration of duplicate master records that already existed in the legacy system (ProMS) and by the manual creation by the designated staff of additional master records for the same vendors following the migration. A number of the vendors were created under different vendor account groups. Some vendors had three to four vendor master accounts. Also, as noted above, the names of the payees differed from the names of the implementing partners requesting cash transfers (see also observation on cash transfers in the Programme section, above).

The office had not adequately reviewed the vendor master records in ProMS prior to migration into VISION. Also, the assigned staff members, following the migration, did not ascertain whether a vendor master record had already existed in the system before creation of a vendor master record.

Multiple master records increase the risk of overpayments or double payments (although the audit team did not identify any). In the case of implementing partners, in addition to the risk of overpayments, direct cash transfers might be made to an implementing partner that had advances outstanding for over six months. Duplicate master records could also complicate the analysis of payment transactions with the same vendor.

**Agreed action 7 (medium priority):** The office agrees to institute measures to ensure that the vendor master records are complete, accurate, correctly classified, and periodically reviewed; and that they are not duplicated. In addition, it agrees to review the existing vendor master records and carry out a clean-up exercise to remove duplicates and invalid records.

***Responsible staff member and expected time of completion:*** *The Chief of Operations will centralise and assign to one officer the maintenance of the Office Vendor Master Records; and brief staff responsible for the maintenance of vendor accounts so that she/he fully understands their responsibility by the end of July 2013. It will also cleanse existing Vendor Master Records data to remove any duplicates by September 2013.*

## Procurement of supplies and services

In 2012, the office spent US$ 9.7 million (17 percent of total expenditure) in programme supplies and US$ 6.8 million (12 percent of total expenditure) in contracts for services. The audit reviewed 11 procurement actions (with aggregate value of US$1.7 million) and 15 contracts for services (with an aggregate value of US$ 4.9 million) and noted the following:

- The supplier database had not been updated since the last market survey in 2008. Because of this, the only suppliers and service providers invited to bid were those who were known to programme staff, had past dealings with the office, or were in the Government Public Procurement Agency database.
- Suppliers and service providers were not pre-qualified against the UN 1267[7] list. At the time of audit (April 2013), the pre-qualification against the UN 1267 list was being discussed in the UN interagency forum for supply managers in Uganda.
- The office required pre-delivery inspection of supplies over US$ 20,000 but did not detail the nature of goods requiring pre-inspection, save for a few examples. The audit noted that among the 15 sampled procurement actions, four of them that should qualify were not inspected before delivery.
- One procurement and two contracts for services (with an aggregate value of US$ 736,000) were not appropriately reviewed by the Contract Review Committee (CRC). While the procurement exceeded the threshold for CRC review by US$ 129,129, it was not referred to the CRC for review. The CRC reviewed and recommended the approval of one of the contracts although it lacked a quorum, and its recommendation was not sought for the other contract although the contract value had increased by US$ 192,359, a 14 percent rise; an increase of this size should have triggered resubmission to the CRC.
- The distribution lists were not sent to the Supply Unit at the time of placing the order. Programme supplies therefore had to be delivered initially to the warehouse and then to the implementing partners/end-users, instead of being sent straight to them. Examples of these supplies were motorcycles and foldable examination tables.

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

i. Update the supplier database after conducting a market survey and pre-qualifying the suppliers and service providers against the UN 1267 list.

   ***Responsible staff member and expected time of completion:*** *The Supply and Logistics Manager will establish the terms of reference for conducting market survey; hire a consultant to assist with the market assessment; and update the vendor master records by the end of October 2013.*

ii. Revise the standard operating procedure on pre-delivery inspection, aligning it to the provisions in the Supply Manual, and including the nature of the goods as a criterion for pre-delivery inspection.

   ***Responsible staff member and expected time of completion:*** *The Supply and Logistics Manager has indicated that the existing standard operating procedure has been revised for the inclusion of clauses that indicate the nature of the goods that need pre- and post-delivery inspection, and has been aligned to the provisions in the Supply Manual.*

iii. Institute measures to ensure that procurement actions and contracts for services with values meeting the Contract Review Committee (CRC) threshold are submitted for its review and that the CRC review meetings are held only when there is a quorum in membership.

[7] The sanctions list pursuant to United Nations Security Council resolution 1267 concerning Al-Qaeda and the Taliban.

***Responsible staff member and expected time of completion:** The Supply and Logistics Manager has indicated that they have developed a mechanism to ensure that procurement actions and contract for services whose values meet the CRC threshold are submitted for its review. They also confirmed that they had revised the existing standard operating procedure through the inclusion of a clause to ensure that the CRC reviews proposals only when there is a quorum in membership, and that members of the CRC shall sign and endorse the minutes of the CRC before submission for approval to the representative.*

iv. Introduce a procedure requiring the submission of distribution lists to Supply Unit for each procurement action.

***Responsible staff member and expected time of completion:** The Supply and Logistics Manager has indicated that a request for supply assistance format has been introduced that shows the link between the actual requested supply and the respective annual workplan, programme component results and intermediate results. The Supply and Logistics Manager also indicated that a standard format had been introduced for the supply distribution list that shows the item, the quantity, the consignee detail, and planned data of distribution; this format has been shared with Programme for implementation.*

## Property, plant and equipment

The audit reviewed whether property, plant and equipment (PPE) were adequately maintained, identified and recorded, and used for authorised purposes in accordance with UNICEF policy and procedures. It noted the following:

- The office's records showed implementing partners as accountable for vehicles loaned to them, although the vehicles had in fact been returned.
- Missing equipment had remained unaccounted for since the last physical inventory count in December 2012 up to the time of audit (April 2013). For example, 15 items of ICT equipment, including personal computers and laptops, had been reported as missing. On 17 January 2013, the Property Survey Board (PSB) reviewed the case and sought a written explanation for the missing equipment. As of the date of the audit, no satisfactory explanation has been received.

**Agreed action 9 (medium priority):** The office agrees to:

i. Update the records as and when vehicles on loan are returned by the implementing partners.

***Responsible staff member and expected time of completion:** The Administration Manager will ensure that vehicles on loan to implementing partners will be received and recorded under relevant programme inventory records by October 2013.*

ii. Identify and assess the causes of the missing ICT equipment; implement corrective measures; urgently pursue the missing ICT equipment with the staff concerned and assign accountabilities as appropriate.

***Responsible staff member and expected time of completion:*** *The Administration Manager has indicated that the system of receiving inventory items by the Administration section and delivering to IT after recording has been established. It has also indicated that IT has been advised to issue the IT inventory items to the users with proper recording, and hand over the user list to the Administration section for updating the record. This work is expected to be completed by December 2013.*

## Information and communications technology (ICT) system

The audit reviewed whether the confidentiality, integrity and availability of information and the ICT infrastructure were adequately safeguarded. It noted that two of the five international staff whose contracts had ended on 31 March 2013 continued to have access to the network and shared drives. One had access to the systems up to 31 December 2013; the other, up to 31 January 2016. Although the provisioning of access was centralised in New York headquarters at the request of the office, the latter did not systematically review the access rights provided by NYHQ. The audit also noted the following:

- The wireless network connections were configured outside the firewall, thereby exposing them to unauthorized access, intrusion and other vulnerabilities.
- There was no timely and systematic monitoring of the performance of the network services. Although monitoring tools such as dashboards are available and accessible online, showing (among other things) availability and performance of the network services, the office had not made use of them.
- The office had not conducted a comprehensive simulation exercise of its ICT disaster recovery plan, or done a business impact analysis. The simulation exercises usually include testing of VHF radios, call trees, testing of back-up by way of restoration tests and testing of critical components in preparation for any disasters.

**Agreed action 10 (medium priority):** The office agrees to:

i. Implement a process for granting access to the ICT systems, aligning user access privileges with their contract details and correcting any discrepancies.

   ***Responsible staff member and expected time of completion:*** *The ICT Manager will revise the work process for requesting access to ICT systems and deactivating accounts, to ensure that the access is granted as per the contract dates. This will be done by the end of July 2013. It was also indicated that all users' accounts had been reviewed to align their access privilege as per their contract, correcting any discrepancies.*

ii. Address the vulnerability of the wireless network connections.

   ***Responsible staff member and expected time of completion:*** *The ICT Manager indicated that the wireless network had been connected behind a firewall.*

iii. Institute a mechanism for timely and systematic monitoring of the performance of the network services.

   ***Responsible staff member and expected time of completion:*** *The ICT Manager will implement WebSense, a network management tool, to protect the office network from malware; monitor the performance; and block any inappropriate* *content/website by the end of August 2013. The ICT Manager also indicated that they had re-activated the online bandwidth monitoring tool given by the ISP.*

iv. Conduct annual simulation testing of the disaster recovery plan and a business impact analysis.

***Responsible staff member and expected time of completion:*** *The ICT Manager will conduct BCP and ICT disaster recovery plan simulation tests by the end of August 2013.*

## Operations support: Conclusion

Based on the audit work performed, OIAI concluded that, subject to implementation of the agreed actions described, the controls and 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, and questionnaires. The audit compared the documented controls, governance and risk management practices provided by the office against UNICEF policies, procedures and contractual arrangements.

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

The audit looks for areas where internal controls can be strengthened to reduce exposure to fraud or irregularities. It is not looking for fraud itself. This is consistent with normal practices. However, UNICEF's auditors will consider any suspected fraud or mismanagement reported before or during an audit, and will ensure that the relevant bodies are informed. This may include asking the Investigations section to take action if appropriate.

The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditors. OIAI also followed the reporting standards of International Organization of Supreme Audit Institutions.

## Priorities attached to audit recommendations

**High:** Action is considered imperative to ensure that the audited entity is not exposed to high risks. Failure to take action could result in major consequences and issues.

**Medium:** Action is considered necessary to avoid exposure to significant risks. Failure to take action could result in significant consequences.

**Low:** Action is considered desirable and should result in enhanced control or better value for money. Low-priority actions, if any, are agreed with the country-office management but are not included in the final report.

## Conclusions

The conclusions presented at the end of each audit area fall into four categories:

***[Unqualified (satisfactory) conclusion]***
Based on the audit work performed, OIAI concluded that the controls and processes over

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

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

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

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

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

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

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