Internal Audit of the Guinea-Bissau Country Office

December 2015

Office of Internal Audit and Investigations (OIAI)
Report 2015/42
The Office of Internal Audit and Investigations (OIAI) has conducted an audit of the Guinea-Bissau country office. The audit sought to assess the governance, risk management, and control processes over the country office’s activities, and covered the period from January 2014 to June 2015. The audit was conducted from 29 July to 21 August 2015.

The original Guinea-Bissau country programme for 2008-2012 consisted of six programme components: Child protection and rights promotion; Child survival; Basic education and gender equality; HIV/AIDS; Advocacy, information and communication; Monitoring and evaluation; and a cross-sectoral component. The total budget for 2008-2012 was US$ 26.2 million. The next programme cycle was to have been 2013-2017. Several UN agencies – UNICEF, UNDP, UNFPA, and WFP – submitted country programmes to their Executive Boards for this period, but in 2012 the approval processes were suspended due to political instability.

The UNICEF country programme was instead extended three times by one year each time. The final extension had taken it to the end of 2015 so that the new country programme could be harmonized with a new 2016-2020 Government cycle, and aligned with the new Strategic Plan 2014-2017 and the Post-2015 Development Agenda. The total budget for the extension period (2013-2015) amounted to US$ 44.2 million, nearly double the amount received during the five years of the original programme. Of the extension funding, US$ 6.6 million was regular resources (RR) and US$ 38.5 million was to be raised as other resources (OR). RR are core resources that are not earmarked for a specific purpose, and can be used by UNICEF wherever they are needed. OR are contributions that may have been made for a specific purpose, and may not always be used for other purposes without the donor’s agreement. An office is expected to raise the bulk of the resources it needs for the country programme itself, as OR.

The country office is in Bissau. The office has a total workforce of 47 posts (13 international professional, 16 national officers, 21 general service and four UN Volunteers).

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. Four are being implemented as a high priority; that is, to address issues requiring immediate management attention. They are as follows:

- Review staffing needs, establish a process for timely recruitment and align staffing plans to the needs and resources of the country programme.
- Develop a results matrix with indicators, baselines and means of verification so that UNICEF’s focus will be on programme results instead of the completion of planned activities, and make sure it is endorsed by the Government; have all workplans signed in timely manner; consider developing rolling workplans in the next country programme; and strengthen the quality assurance process so that activities in the signed workplan are entered into the system and implemented.
- Take a number of measures to strengthen implementation of the Harmonized Approach to Cash Transfers (HACT), including training staff on the relevant policy and procedures, establishing mechanisms for risk rating of partners, strengthening partner capacity, and
implementing a comprehensive risk-based assurance plan.

- Strengthen the quality assurance process over information included in donor reports, and ensure that an inconsistency noted in a donor report is corrected and the correction reported to the donor.

Conclusion
Based on the audit work performed, OIAI concluded at the end of the audit that the control processes over the country office needed improvement to be adequately established and functioning during the period under audit. The measures to address the issues raised are presented with each observation in the body of this report. The Guinea Bissau country office has prepared action plans to address the issues raised.

The Guinea Bissau country office, with support from the West and Central Africa Regional Office (WCARO), and OIAI will work together to monitor implementation of these measures.

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Objectives

The objective of the country-office audit is to provide assurance as to whether there are adequate and effective controls, risk-management and governance processes over a number of key areas in the office.

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

Audit Observations

1 Governance

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

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

All the areas above were covered in this audit.

The audit found that controls were functioning well over a number of areas. Staff members’ responsibilities were clearly defined in their individual performance appraisals. The office performance appraisal monitoring system showed that all 2014 performance evaluation reports (PERs) were completed in timely manner. The office had governance committees with an adequate membership that met regularly.

The office had taken action to promote ethical behaviour and increase staff awareness of UNICEF’s ethical policies and procedures and anti-fraud policy. The office had organized ethics training in 2014 and the ethics online training was mandatory for all staff.

However, the audit also noted the following.
Office priorities and key programme results
A UNICEF office’s annual management plan (AMP) includes office’s key annual management priorities and the most significant programme results expected. The AMP also includes the deliverables expected from relevant UNICEF staff. There should be an annual management review (AMR) to review the progress made toward defined priorities; on the basis of this review, the AMP should be updated as necessary.

The office drew up AMPs for 2014 and 2015 that included key priorities for the year. However, the audit’s review of these AMPs noted that there were no clear linkages between significant risks identified in the office’s risk and control self-assessment,1 and key priorities identified in the AMP.

Also, the 2014 and 2015 AMPs stated that the previous year’s priorities had been implemented, but there were no indicators defined for identified priorities and key results – so it would have been hard for the office to measure what had been achieved. Further, there was no evidence in the annual review meeting minutes of any ongoing review of progress made toward achieving stated results; and the implementation status of priorities and results in the AMP was not discussed by the country management team (CMT), the committee of senior staff in a country office that advises the Representative.

Finally, as part of the oversight function of the Regional Office, the AMP should be shared with the Regional Director. This had not been done.

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

i. Review key programme results that will be included in the annual management plan (AMP), define indicators and targets for the annual priorities, and create clear linkages between the annual management plan and the risk and control self-assessment.

ii. Specify a review and monitoring mechanism so that results and priorities achieved and constraints faced are discussed and taken into account in the formulation of results and priorities to be included in the subsequent year’s AMP.

iii. Ensure that the AMP is shared with the Regional Director as required.

Target date for completion: February 2016
Responsible staff members: Representative, Deputy Representative and Operations Manager

Recruitment and staffing issues
In 2007, the office had produced a five-year country programme management plan (CPMP)2 to support its 2008-2012 country programme. The programme had since been extended three times without a revision of key strategic documents such as the CPMP. In those three years there had been a rapid increase in programme activities and funding.

It was however noted that much of the increased funding received was earmarked for Education (UNICEF was acting as the managing entity for the Global Partnership for

1 See observation Enterprise Risk Management, p8 below.
2 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.
Education, Child Survival and Development and Ebola prevention. For those specific funding areas, the office recruited temporary staff. Moreover the deterioration of the security situation had led to a disparity between the country programme structure and the scale and complexity of emergency activity, which that structure was less able to effectively support.

This was exacerbated by a high level of vacancies. The Guinea Bissau country office had 47 approved posts. At the time of the audit (August 2015), eight of the approved posts were vacant, including the following key posts: Deputy Representative, Chief Water, Sanitation and Hygiene (WASH), Chief Child Protection, and Nutrition Specialist. The first two had only recently fallen vacant and the recruitment process was underway. However, the Chief Child Protection position had been frozen due to funding constraints, and had been vacant for more than two years. Two posts in operations (operations assistant/programme assistant) had also been frozen for some time following an organization-wide decision, although recruitment processes had now begun.

Where the office was able to recruit, it was not always possible to find a suitable applicant. The Nutrition Specialist post had been vacant for almost two years. There had been various unsuccessful attempts to hire a candidate in 2014 and 2015. Staff involved in the recruitment process had inadequate knowledge of UNICEF rules related to recruitment. It was also found that there were language constraints, as good candidates did not necessarily speak Portuguese; in fact, the office said that it had been difficult to attract qualified international professionals with Portuguese language background. These were major constraints noted during this recruitment.

The office also told the audit that sub-optimal living conditions had not helped. According to the office, these constraints meant that some of the delays in the recruitment were beyond its control. There were however no clear mechanisms in place to identify and address recruitment process bottlenecks.

The office said that, as part of the preparation of the new country programme 2016-2020, it would analyse gaps in staff capacity as part of a review of the Guinea Bissau staffing structure.

**Agreed action 2 (high priority):** The office agrees to, with support and input from the Regional Office:

i. Establish a process for timely recruitment of staff on established posts and/or for making staffing adjustments (such as abolition of long-vacant positions) so that staffing plans are aligned to the needs and available resources of the country programme.

ii. Establish a recruitment monitoring system that identifies bottlenecks in recruitment and causes of delays in order to address them.

iii. Review staffing needs for the next country programme, conduct a staff capacity gap analysis and identify staff capacity-building requirements for the next country.

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3 The Global Partnership for Education works with 61 developing countries to ensure that every child receives a quality basic education, prioritizing the poorest, most vulnerable and those living in fragile and conflict-affected countries.

4 This was due to the introduction of UNICEF’s Global Shared Services Centre in Budapest. As some positions in country offices were expected to be abolished, a number of posts were frozen so that vacancies would be available to assist redeployment of the staff affected.
programme.

Target date for completion: March 2016
Responsible staff members: Representative, Deputy Representative, Operations Manager and HR Officer

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

The Guinea Bissau office had conducted an RCSA in 2014, in which it had identified two high risks – fraud and misuse of resources, and natural disasters and epidemics. There were also five medium risks related to funding and external stakeholder relations, budget and cash management, human resources/unethical behaviour, results-based management and reporting, and safety and security. Identified risks were recorded in the inSight5 risk and control library, and the office had developed action plans to mitigate identified risks. However, the audit noted the following.

Escalation of risks: The office RCSA did not clearly identify those risks that could not be managed at country-office level and should have been escalated, as they were beyond the country office controls. For example, it was noted that under Human Resources/Unethical Behaviour, the risk statement indicated weak ability to attract and retain highly qualified staff due to the instability and difficult context of the country (a Family Duty Station, but with a lack of quality health services and schools). This resulted in a decreased quality of work and a high level of sick leave. The RCSA did not propose to escalate the risk although there were a number of issues that could not be handled by the office.

Action plans: Risks identified were high-level generic risks and the action plans did not fully address the risks identified. For example, under the risk related “fraud and misuse of resources,” which was considered as high risk by the office in its RCSA, the risk statement stated: “Weaknesses in control mechanisms within the country-specific working environment may lead to cash transfers to implementing partners with weak financial management capacity to correctly manage monetary funds. Funds and supplies may be misused, or used for other purposes other than those planned.”

Causes identified included weak financial governance in public sector, corruption and a high rate of poverty. However, the cause identified was defined at a high level and was not specific as to the related criteria/indicators that were to be addressed. The action plan was also generic, consisting of joint advocacy with other UN agencies in the country, Government and donors to improve public financial management capacity, reinforcement of existing responses and training programmes on funds management and ethical principles.

5 inSight (sic) is the performance component in UNICEF’s management system, VISION (Virtual Integrated System of Information). inSight streamlines programme and operations performance management, increases UNICEF staff access to priority performance information, and assists exchanges between country offices, regional offices and HQ divisions, as everyone sees the same data/information.
The office recognized that the RCSA included a number of generic risks and mitigation measures, and that some of the risks identified had not been escalated as needed. It said these weaknesses were mainly caused by inadequate knowledge of the ERM process, and weak guidance on how to incorporate the RCSA into management planning (AMP or any other document).

**Agreed action 3 (medium priority):** The office agrees to improve its risk-management process and ensure that:

i. **Staff are trained on the Enterprise Risk Management process.**

ii. **There are adequate mechanisms to identify potential internal and external risk factors and determine whether to escalate a risk to the appropriate level.**

iii. **Risks identified and actions to mitigate them are incorporated into management planning documents, including the Annual Management Plan.**

iv. **Whenever necessary, feedback is requested from the Regional Office and/or HQ on the Risk and Control Self-Assessment report and on the management of identified risks.**

**Target date for completion:** March 2016

**Responsible staff members:** Representative, Deputy Representative and Operations Manager

**Delegation of duties**

Each office is required to maintain a Table of Authority (ToA), setting out the authorities delegated to each staff member. The Representative should review the ToA periodically (preferably quarterly) to confirm its continued accuracy and appropriateness. The ToA should be reflected in the roles assigned within UNICEF’s management system, VISION (from Virtual Integrated System of Information). Resource mobilization, budgeting, programming, spending and reporting are all recorded in VISION, along with much else.

Representatives approve the provisioning of VISION user IDs and their corresponding roles, using the guidelines in UNICEF Financial and Administrative Policy No. 1: *Internal Controls and its supplements*. An understanding of these roles, and the responsibilities assigned to staff, is essential in approving role assignments.

A key requirement is to ensure, as far as possible, adequate segregation of duties, so that no single staff member can carry out a whole process (for example ordering, receiving and paying) without checks and balances. The VISION user roles have been built to ensure segregation of duties in key risk areas. However, this alone does not ensure segregation of duties. In particular, caution must be exercised when assigning multiple roles to a staff member. This is sometimes necessary, particularly in smaller offices, and conflicts may be impossible to avoid. In these cases, however, there should be measures in place to mitigate the resulting risks.

The audit reviewed the list of functions delegated to staff in VISION (ZROLE) and noted that the inSight report showed a lack of segregation of duties in 21 instances. Ten out of 21 violations were high-priority; the other 11 were medium-priority. Examples of conflicts that
involved high-priority rules, but were not mitigated, included bank reconciliation processes and other rules such as Authorizing Officer roles vis-à-vis those of Releasing Officer.

Of the 21 rules violations, one conflict was mitigated, and seven conflicts applied only when a staff member was deputizing for another. The remaining 13 conflicts were not mitigated.

**Agreed action 4 (medium priority):** The office agrees to take the following steps:

i. Monitor the available reports to ensure conflicts are known, justified, mitigated and documented.

ii. Review the assignment of roles to staff members and the options that are available to maintain a reasonable level of internal controls with appropriate segregation of duties.

iii. Comply with segregation-of-duties requirements in processing transactions and in preparation of bank reconciliations.

**Target date for completion:** March 2016

**Responsible staff members:** Representative and Operations Manager

**Governance: Conclusion**

Based on the audit work performed, OIAI concluded at the end of the audit that, subject to implementation of the agreed actions described, the controls and processes over governance, as defined above, were generally established and functioning during the period under audit.
2 Programme management

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

- **Resource mobilization and management.** This refers to all efforts to obtain resources for the implementation of the country programme, including fundraising and management of contributions.
- **Planning.** The use of adequate data in programme design, and clear definition of results to be achieved, which should be specific, measurable, achievable, realistic and 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 above areas were covered in this audit.

The audit found that controls were functioning well in some areas. The office had seen a significant and steady increase in OR funding during the country-programme extension period 2013-2015; it amounted to US$ 44.2 million (US$ 6.6 million RR and OR US$ 38.5 million OR), which was double the amount received during the original 2008-2012 five-year country programme cycle. A major part of the increase reflected UNICEF’s role for the Global Partnership for Education.

There was no case of Ebola virus identified in Guinea Bissau. However, a Government Ebola response plan had been drawn up with UNICEF’s support. There was also a UNICEF office Ebola response plan, developed together with the Government and various implementing partners, that had an agreed action plan with specified budget.

However, the audit noted the following.

**Country programme extensions**

As stated in the Summary (p2 above), the Guinea-Bissau country programme was intended to cover the period 2008-2012, but had been extended by a year three times. During the period of the extensions, the country programme had undergone some changes. These were not reflected in the key programme documents. This meant that some elements of the programme did not have the formal approval of the Government and/or UNICEF’s own Executive Board.
The documents in question were the Country Programme Document (CPD) and the country programme action plan (CPAP). The CPD is the formal outline of the forthcoming country programme with a summary of the resources that will be needed. This is submitted to the Board for approval. UNICEF guidance is that extensions do not require resubmission of a modified CPD to the Board. However, in order to be considered as an “extension”, the added duration of the programme should not involve any major changes to the approved structure or strategic focus.

The CPAP is signed with the host Government. It 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 during the period of the current country programme. The office had signed a CPAP with the Government and UNICEF country office for the period 2008-2012. However, following the mid-term review in 2010, there had been major changes to the to the country programme outputs that were not reflected in an amended CPAP or in the subsequent country programme extensions in 2014 and 2015. This meant that the changes did not have the formal endorsement of the Government.

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

i. Review key results achieved and document lessons learned, and take these into account in preparing the Country Programme Action Plan for the 2016-2020 country programme.

ii. Ensure there is a process to identify key changes to the country programme outputs and/or changes in key results areas that should be shared with the Government for endorsement.

Target date for completion: January 2016

Responsible staff members: Representative, Deputy Representative, RC Office and Heads of Section

Programme planning

UNICEF country offices set out their activities for the year in a series of workplans agreed with Government and other partners. Workplans should be endorsed by Ministries and should detail the activities to be carried out, the responsible implementing institutions, and timeframes and planned inputs from the Government and UNICEF.

The annual workplans for 2014 and 2015 included outcomes and outputs, annual targets, planned activities, timelines (by quarter), and planned budgets. Implementing partners were indicated for each activity for all programmes. They were all signed by UNICEF’s representative as well as a government official.

However, although some workplans were signed in March 2014 and 2015, others were signed in April or May – which is late, and can delay programme implementation. The planned activities included in the signed workplans were not all recorded in VISION. The activities in the VISION versions were therefore not the same as those included in the signed workplan.
There were no specific outcome results for Health, Nutrition and WASH programmes.

There were outputs that recurred in signed workplans in different years, with the dates changed. For example: “The proportion of population ...who properly use WASH facilities and adhere to safe hygiene practices ...is increased by 20 percent in Oio, Gabu, Quinara, Tombali, Biomno, Cacheu and Bissau by 2012.” The same output result was recorded in the 2012, 2013, 2014 and 2015 workplans with the same percentage and geographical coverage. The results statements were not clear regarding whether they were cumulative or discrete. As formulated, results were not SMART; there were no clear milestones that defined what was to be achieved in a year.

Where there were changes in planned activities, the workplans were not amended to reflect those changes and their impact was not clearly assessed. For example, the Education programme was amended to rehabilitate six schools that had been seriously damaged by rain and lack of maintenance. In this case there had been a change in the scope of the activity and coverage, but the workplan was not amended to reflect those changes and their impact on the implementation of planned activities. The office did not also have a mechanism to assess the achievement of planned results. In general, the annual reviews conducted focused on the completion of activities rather than achievement of the planned results.

The above weaknesses were caused mainly by limited knowledge of results-based programming and UNICEF programme planning policies and procedures. In particular, staff who had recently joined the office were not fully familiar with internal UNICEF policies and procedures. The complexity of planning for a series of one-year extensions had also not helped the office to establish a set of cohesive targets and indicators that could be adequately monitored. It also made it hard for the office to use rolling, instead of annual, workplans. With those, the workplan is subject to interim review and adjustment and does not have to be prepared from scratch each year.

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

i. Provide training to UNICEF staff on programme policies and procedures, to improve the planning process.

ii. Develop a results matrix, endorsed by the Government, with indicators, baselines and means of verification, so that UNICEF focus will be on programme results instead of the completion of planned activities.

iii. Have all workplans signed in timely manner; consider developing rolling workplans in the next country programme; and strengthen the quality assurance process so that signed activities in the signed workplan are entered into the system and implemented.

iv. Establish a mechanism to review and amend workplans in order to reflect significant changes made during the year.

Target date for completion: July 2016
Responsible staff members: Representative, Deputy Representative, Heads of Section, M&E Officer and planning Specialist

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6 Specific, measurable, achievable, relevant and time-bound.
Harmonized Approach to Cash Transfers (HACT)

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

HACT makes this possible by requiring offices to systematically assess the level of risk before making cash transfers to a given partner, and to adjust their method of funding and assurance practices accordingly. HACT therefore includes micro-assessments of implementing partners expected to receive US$ 100,000 or more per year from UNICEF. For those receiving less than this figure, offices should consider whether a micro-assessment is necessary; if they think it is not, they can apply a simplified financial management checklist set out in the HACT procedure. At country level, HACT involves a macro-assessment of the country’s financial management system.

As a further safeguard, the HACT framework requires offices to carry out assurance activities regarding the proper use of cash transfers. Assurance activities should include spot checks, programme monitoring, scheduled audit and special audits. There should be audits of implementing partners expected to receive more than US$ 500,000 during the programme cycle. HACT is also required for UNDP and UNFPA and the agencies are meant to work together to implement it.

During 2014 and 2015, the office collaborated with 70 implementing partners, of which 18 were Government and 52 were NGOs. A total of US$ 5.4 million was disbursed as cash transfers in 2014, and US$ 3.4 million in 2015 (as of 31 July 2015). Of the 70 partners, one had received more than US$ 500,000 since the beginning of the programme cycle in 2008.

According to UNICEF Financial and Administrative Policy 5 on Cash Disbursement, all UNICEF office are required to implement HACT. If they cannot do so, they must seek formal exemption. The office had started to implement HACT in Guinea Bissau but had not done so in full. It had notified the Regional Office in writing of the reasons, which included the instability in the country and the lack of clear government ownership in the absence of an updated CPAP for 2013-2015. However, the office had not obtained a formal exemption from HACT implementation.

Although HACT had not been fully implemented, the office did use some of its methodology for cash-transfer disbursements. For example, the FACE form was used to request funds and report expenditures, and micro-assessments were conducted for six out 70 partners. It was noted that three out of 70 implementing partners had been assessed as low risk and were thus not required to submit all their supporting documents for the cash transfers received, thus cutting down on paperwork – which is how HACT is meant to work. However, the remaining 67 were still required to submit all their supporting documents for funds received, which is not an effective and efficient way of managing cash transfers.

The audit also noted the following.

7 The Funding Authorization Certificate of Expenditure (FACE) form is used by the partner to request and liquidate cash transfers. It is also used by UNICEF to process the requests for and liquidation of cash transfers. The FACE forms should reflect the workplans, which set out the activities for which funds are being requested, or on which they have been spent. The FACE form was designed for use with the HACT framework, but can also be used outside it.
**Macro-assessment:** A macro-assessment had been conducted in 2007. The office said a new one would be done as part of the preparation 2016-2020 country programme.

**Accuracy of information:** The audit noted that information in the HACT assessment module were not accurate. For example, implementing partners’ risk ratings recorded in the HACT assessment module showed only four partners identified as high risk, which is in contradiction with the office’s own assessment stating that it is operating in a high-risk environment (and as stated above, it still required 67 out of 70 implementing partners to submit full documentation).

**Assurance plan:** No HACT assurance plan had been produced in 2014. The office stated in the HACT module that it had completed four micro-assessments and two spot checks during the year, but the audit noted that these were a light partner-capacity assessment and not a spot check as defined in HACT procedure. Further, the audit noted that the office reported 293 programmatic visits in the HACT module, although they were however not all related to HACT. The office said that they had considered all field visits conducted in 2014 as programmatic visits for HACT purposes. In fact, a field visit must meet certain criteria before that is the case (for example, examination of reports generated by the partner).

The office had not scheduled an audit for implementing partner that had received over US$ 500,000.

The office acknowledged that there was a limited understanding and knowledge of HACT requirements in the office, and that that had resulted in incorrect recording in the HACT module. Furthermore the office indicated that there was a language constraint as there were no guidelines in Portuguese that could be shared with implementing partners.

**Agreed action 7 (high priority):** The office agrees to, in consultation with the Regional Office HACT focal point, implement the Harmonized Approach to Cash Transfers (HACT) as per HACT guidelines. Specifically the office should:

i. Train all UNICEF staff on HACT policy and procedures, and consider developing guidelines in Portuguese that could be shared with implementing partners (this could be done together with other Portuguese-speaking country offices).

ii. Address the specific gaps in HACT implementation so that the system of collecting receipts from partners is discontinued, and risks identified are managed in accordance with HACT guidelines.

iii. Implement a comprehensive risk-based assurance plan that includes scheduled audits, programme monitoring and spot checks, with clear linkages to programme monitoring and a feedback process from the assurance activities.

iv. Established a quality assurance mechanism of the information recorded in the HACT assessment module in terms of accuracy and completeness.

**Target date for completion:** January 2016

**Responsible staff members:** Representative, Deputy Representative, Heads of Section and Operations Manager
Programme monitoring and reporting
The country office had established various programme monitoring mechanisms that included field-monitoring visits, and mid-year and annual reviews with implementing partners. The annual reviews analyzed results achieved, constraints and priorities for the following year. The audit noted the following.

**Annual reviews:** A review of 2014 annual review reports for Education, Health and Nutrition and Child Protection programmes noted that the reviews had been of activities completed instead of progress against planned outputs. This was mainly due to the inadequate formulation of results at the planning phase and the absence of milestones and means of verification. Moreover, although the reviews identified a number of bottlenecks and constraints faced during the year, that for the Education programme did not discuss strategies for overcoming bottlenecks; and there were no recommendations for improvement of performance in any of the annual review reports reviewed.

**Field monitoring:** The office stated that there had been 293 programmatic visits in 2014. It had monthly travel plans, but they were not risk-based – that is, the frequency of programmatic visits was not linked to the risks of partners. There was no mechanism to check whether sufficient field monitoring resources were allocated to high- or significant-risk partners that needed technical support. The field-monitoring visits were not directly linked to the partners risk ratings in the micro-assessments.

**Field-monitoring reports:** The review of trip reports noted that the standard format included the purpose of the travel, actual results, location visited, individuals met and follow-up. However, it did not specify linkage to the workplan outputs and had no requirement to list follow-up issues from previous trip reports, and the reports did not include any follow-up action discussed during the visit. None of the sample of reports reviewed used standard checklists to review status, use and effectiveness of programme inputs. The office did not have statistics on number of field missions that reviewed the use of key programme supplies or construction, or were HACT-related. Finally there was no follow-up mechanism to monitor outstanding key action points.

The office said that it would introduce new UNICEF field-monitoring templates issued in July 2015.

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

i. Develop risk-based field monitoring plans.

ii. Adopt the new field-monitoring visit template and strengthen the planning and reporting of field visits so that they include a review of status and use of programme inputs.

iii. Establish a mechanism to monitor follow-up action points raised during field-monitoring visits.

**Target date for completion:** March 2016

**Responsible staff members:** Representative, Deputy Representative, Operations Manager and M&E Officer
Donor reporting

In 2015 the office submitted 17 donor reports, of which one was submitted late. Late submission to the same donor was also noted in 2014. The office said that the reason for late submission in 2014 was staff sickness in the Health section. In August 2015, the office reported in inSight that the report has been submitted to the donor; it was noted however that the report had actually been submitted to Public Partnerships Division (PPD) in Brussels for review, as per the review process guidelines. This incorrect reporting in inSight may reduce the office capacity to monitor submission delays and bottlenecks.

UNICEF had received a grant related to “support to education for all Implementation in Guinea Bissau” amounting to US$ 12,840,000. At the time of the submission of the report to donor, US$ 7,460,163 had been disbursed, and US$ 3,251,193 (or 44 percent of the amount received) was expensed.

The audit reviewed the donor report and noted that there were some inconsistencies between the information reported to the donor and information recorded in VISION. The donor report stated that a loan was to be provided to the Ministry of Education in order to urgently rehabilitate six schools in the autonomous sector of Bissau. However, UNICEF policy does not cover the making of loans. The audit reviewed the transactions in question and noted the following.

The office had assisted the construction of schools by the Ministry of Education (MoE), which was responsible for the selection of contractors and supervision of the construction work. The work was funded by the Global Partnership for Education via UNICEF. According to the donor agreement, UNICEF, as the Global Partnership’s implementing agency, would pay directly for the work rather than make direct cash transfers (DCTs) to the Ministry, as the Partnership’s policy did not allow for cash transfer to the Government in Guinea-Bissau.

When the Ministry submitted the DCT request letter, it included work not covered in the original donor agreement, but which the Government regarded as necessary. This included a teachers’ training centre not in the donor agreement. The letter also changed the location of the six schools to be rehabilitated under the grant; they were now to be in Bissau – again, this was not allowed for in the original donor agreement, which had specified they be elsewhere. The Government requested that the extra funding required (about US$ 700,000) be advanced to it as a loan, which it would then pay off by financing the extra construction itself in place of UNICEF. The US$ 700,000 was thus disbursed to the Government as an advance as requested, and was put through the books in the office as a DCT but recorded in the donor report as a loan.

However, this was not in accordance with UNICEF policy, under which cash disbursements to implementing partners can only be made through direct cash transfers, direct payments or reimbursement. It does not cover the making of loans. This arrangement was also not accepted by the Global Partnership headquarters in the USA. The office had not sought guidance from the Regional Office or NYHQ, and there was no exceptional request for a loan to be made. There was no loan agreement signed and no waiver had been obtained for processing a “temporary loan” to the government. In effect, however, what the office had done was not really to make a loan; rather, it had made a DCT to a Government partner in contravention of the donor’s policy and the donor agreement, and called it a loan in order to do so.
The information included in the donor report submitted in March 2015 thus included some inaccuracies, and needed to be corrected to reflect that funds were disbursed as direct cash transfers (DCTs), to support emergency activities. OIAI discussions with the donor confirmed that the funding of the activities had been approved by UNICEF and Global Partnership for Education staff, who were members of the local education group; and that the request was in line with the donor grant policy. However, the type of disbursement used – DCT – was not, and the exception made was not formally communicated to the donor and was not adequately reported in the donor report.

Finally, the office stated that invoices and supporting documents related to the construction work were received in addition to a FACE form for liquidation of the transaction. The supporting documents were not reviewed in detail by the audit, but given the amount involved and the complexity of the construction process, the office may consider an independent validation of the reported expenditures.

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

i. Strengthen the quality assurance process to ensure the correctness of information uploaded to inSight and that included in the donor report.

ii. Institute a process for obtaining formal approval from donors for use of funds outside the signed agreement, and for any material changes (such as the method of disbursement).

iii. Ensure donor reports are correct.

iv. Working as necessary with the Division of Financial and Administrative Management and/or other responsible HQ Divisions, submit a revised donor report showing the correct expenditure of the US$ 700,000.

v. Consider assurance activities (audits) for cash transfers released to the government for construction work completed through cash transfers in 2015.

_target date for completion: March 2016_

_responsible staff members: Operations Manager, Deputy Representative, Chief of Education and VMD focal point_

**Programme evaluations**

The office had an integrated monitoring and evaluation plan (IMEP) for 2014 and 2015 that described key IMEP activities, including surveys, studies and evaluations. There were also programme monitoring activities, including capacity-strengthening; the latter included training on MoRES\(^8\) and other capacity development. However, the IMEP provided did not indicate what had been achieved, what was in progress and what was postponed or cancelled. This suggested that the status of implementation of evaluation recommendations was not regularly reviewed. Moreover the Regional Office noted in its review of the Guinea Bissau annual report that evaluations conducted by the office in 2014 did not meet the required quality standard, and that management responses had not been supplied.

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\(^{8}\) MoRES is the Monitoring Results for Equity System, a monitoring tool designed to strengthen UNICEF’s ability to address inequities and reach the most disadvantaged. It highlights the fact that there are critical conditions or determinants which either constrain or enable the achievement of results for particular groups of children.
The office acknowledged that monitoring and evaluation was one of the major weaknesses of the country programme, and that it had limited capacity to support monitoring of all programme sectors. Furthermore, the audit noted that monitoring activities were not prioritized for timely implementation.

**Agreed action 10 (medium priority):** The office agrees to strengthen its capacity in planning, monitoring and evaluation, and to take the following specific measures:

1. Regularly review the status of implementation of evaluation recommendations.
2. Prioritize monitoring activities for timely implementation.
3. Address concerns raised by the regional office in its review of the country office’s annual report.

Target date for completion: March 2016
Responsible staff members: Deputy Representative, Operations Manager, Supply Officer, and Heads of Section

**Programme management: Conclusion**

Based on the audit work performed, OIAI concluded at the end of the audit that, subject to implementation of the agreed actions described, the controls and processes over programme management as defined above, were generally established and functioning during the period under audit.
3 Operations support

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

- **Financial management.** This covers overall maintenance of the budget and accounts, financial closing procedures and reporting including bank reconciliation process.
- **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, and security of data and physical equipment, continued availability of systems, and cost-effective delivery of services.

All the areas above were covered in this audit.

The audit found that controls were functioning well over a number of areas. Bank reconciliations were completed on time and there were no long-outstanding unreconciled items. The office equipment was clearly identified and recorded.

The business continuity plan and disaster recovery plan had been updated and access to ICT systems and data was restricted to authorized users.

However, the audit also noted the following.

**Cash transfer management**

A total of US$ 5.5 million was released to programme implementing partners during the period from January 2014 to July 2015. In all instances, the implementing partner requested direct cash transfers (DCTs) using the FACE form. The audit reviewed a sample of 10 transactions and noted the following.

**Cash transfer requests and disbursements:** None of the requests reviewed provided sufficient information (for example the planned activity start date was sometimes missing). In some instances the requested cash transfer was not aligned with the agreed workplan. Detailed cost and budget estimates for the disbursement requested were not always attached to the cash transfer requests, and none of the cash transfer transactions reviewed had supporting documents.

In two instances, DCTs were erroneously used to pay for a service provided by an international organization. The company had signed a small-scale funding agreement to conduct a study on Ebola, instead of signing a contract for services, which would have been
more correct with this type of organization.

Finally, sampled requests from and disbursements to NGOs were made in terms of percentages of the total UNICEF support, and not the estimated expenditures for activities covering a three-month period. As a result, the office disbursed funds that covered activities in excess of the three-month limit.

**Cash transfer liquidations:** The review of a sample eight cash transfers liquidation noted that in addition to the FACE form, a Cash Assistance to Governments (CAG) monitoring document (manual form) together with paid invoices, receipts and all supporting documents related to expenses made, were also received from partners. The CAG form is no longer used.

**Agreed action 11 (medium priority):** The office agrees to strengthen cash transfer procedures by:

i. Using the Funding Authorization and Certificate of Expenditure (FACE) forms, so that cash transfer requests include specific budget details, and the certifying officer attests that itemized cost categories in the request are consistent with the signed workplans or programme cooperation agreements.

ii. Reviewing the correct use of obligating documents for service providers.

iii. Ensuring that disbursements to implementing partners are made based on the estimated expenditures for three months, linked to specific results.

iv. Accepting only FACE forms and statement of expenditure for liquidations.

Target date for completion: March 2016
Responsible staff members: Representative, Deputy Representative, Operations Manager, Heads of Section, Finance Section and PRC members

**Procurement of goods and services**

In 2014 the total programme supplies amounted to US$ 2.1 million, and 1.2 million in 2015 (as of July). The office warehouse had a stock value of US$ 461,809.15 as of 31 December 2014 and US$ 170,682 as of 20 July 2015. In 2014, the final Supply Plan value was estimated at US$ 1 million. By year-end, the actual sales orders amount was US$ 1.5 million. The difference arose because regular programme implementation was affected by various emergencies, including Ebola preparedness and flooding.

The review of a sample of 10 procurements of supplies showed that internal processing took several days, and for the sampled payments related to contracting and procurement process, none of the invoices were uploaded in VISION.

**Agreed action 12 (medium priority):** The office agrees to strengthen the contracting and procurement process so that it is completed in timely manner and invoices and all payment-related supporting documents are uploaded in VISION.

Target date for completion: March 2016
Responsible staff members: Representative, Deputy Representative, Operations and Head of Requesting section, Supply Officer and Vision Supervisors
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 definition of priorities and conclusions

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

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

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

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

Priorities attached to agreed actions

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

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

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

Conclusions

The conclusions presented at the end of each audit area fall into four categories:
**[Unqualified (satisfactory) conclusion]**

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

**[Qualified conclusion, moderate]**

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

**[Qualified conclusion, strong]**

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

**[Adverse conclusion]**

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

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

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

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