

# Internal Audit of the Senegal Country Office

Office of Internal Audit  
and Investigations (OIAI)  
Report 2013/14



## Summary

The Office of Internal Audit and Investigations (OIAI) has conducted an audit of the Senegal country office. The audit sought to assess the governance, risk management, and control processes over the country office's activities. The audit team visited the office from 3 to 14 December 2012. The audit covered the period from January to December 2012.

Senegal has a population of 13.7 million people, of which 49 percent are under 18 years of age. Access to social services remains insufficient; much of the population lives below the poverty line (65 percent rural, 35 percent urban). Child poverty is higher than the rest of the population, and social and regional disparities are significant. The 2012-2016 UNICEF country programme document indicates that no significant improvement may be expected in the situation because economic growth will not exceed 4 percent, a rate too low to bring about any sustainable reduction in the disparities among social groups or to attain all the Millennium Development Goals. The most critical situation will be faced by approximately 1.5 million children living in the poorest rural areas.

The year 2012 was the first year of the 2012-2016 country programme, which was approved by the Executive Board in June 2011. The new country programme has a total budget of US\$ 76.7 million over the five-year period. It consists of five programme components. The Senegal country office is based in the capital, Dakar, with one zone office in Ziguinchor. The office has 63 established posts (12 international professionals, 17 national officers, and 34 general service posts), of which eight posts were vacant as of 1 November 2012.

### Action agreed following 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. The report contains nine agreed actions. Four of them are being implemented as high priority. They are as follows:

- There were improvements required in the functioning of the contract review committee. Submissions were not well prepared and were not presented to the committee in timely manner. Members' attendance in the committee was also not adequate; this was particularly important as the committee reviewed also programme cooperation agreements. The office has agreed to adhere to UNICEF policy on contract review committees, train staff on preparation of submissions and establish a separate programme cooperation agreement review committee.
- The implementation of the harmonized approach to cash transfers needed to be strengthened. Micro-assessments of implementing partners were not conducted as required; there was no systematic plan for assurance activities; and required audits were not implemented.
- The office entered into a partnership with an NGO whose activities cut across various programmes but the activities were not coordinated among these programmes. Furthermore the office received funds from donors, including UNICEF National Committees, which were earmarked for this implementing partner. The earmarking of the funds to the NGO limited the office's management of project funds.
- There were also improvements required in contract management. Linkages between deliverables and payments were not always well formulated, and this had weakened the certification and approval process prior the release of payments. The office has agreed

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to ensure timely evaluation of contractor performance, link payments clearly to deliverables and hold contractors responsible for delays or shortfalls in performance.

## Conclusion

The audit concluded that overall, controls and processes in the Senegal country office needed improvement to be adequately established and functioning. The measures to address the issues raised are presented with each observation in the body of this report. The country office has prepared action plans to address the issues raised. The Senegal country office, with support from the West and Central Africa Regional Office, 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. 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 paragraph that begins each of these sections explains what was covered in that particular area, and between them define the scope of the audit.

## Audit Observations

### 1 Governance

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

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

All the areas above were covered in this audit.

### Satisfactory key controls

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

- The office had defined key programme and office priorities, performance indicators and standards. These were reviewed during the programme, operations and country management team meetings.
- The office had initiated work-process reviews and documented new work procedures to support the changes introduced with VISION. It had also developed checklists and translated/simplified policy to guide staff on the new control framework.

- Roles assigned to staff in VISION were individually checked to ensure appropriate segregation of duties. At the time of the audit, the office had zero conflicts in Approva, the tool used to detect such conflicts.
- In preparation for the new programme and new office structure, the office had hired a human-resources firm to provide training and assistance to staff in preparing for change. The process was evaluated by participating staff as satisfactory and was recognized by the Division of Human Resources as a model for replication by other offices.

## Contract Review Committee

The office had an established contract review committee (CRC) with defined membership and clear terms of reference to review procurement cases over US\$ 20,000. In 2012, the CRC reviewed 21 submissions, of which eight were individual contracts, six were programme cooperation agreements (PCAs), five were institutional contracts and two were procurements. The audit noted the following:

**Construction contracts:** Five construction-related submissions worth a total of US\$ 2.7 million were presented to the CRC. The CRC minutes recorded comments on the type of contract (i.e. whether there should be single or separate contracts with a given contractor, considering year-end closure and data-migration requirements). The minute of the meetings did not however provide information on the technical, quality and price/cost aspects of the services proposed.

**Timing of submissions:** CRC members did not always receive submissions with full documentation, and far enough in advance of a meeting to conduct their review. The relevant UNICEF Financial and Administrative Policy states that members should receive these not less than two days before the CRC meeting, and that a good benchmark is five days. In the sample reviewed, not all submissions were made at least two days before the meeting so as to give the members sufficient time to consider them. There was pressure on the CRC to push through the reviews, and this did not encourage independent discussion.

**Submissions of PCAs to the CRC:** The programme cooperation agreement (PCA) guidelines provide guidance on the documents that should be presented for review, including information on the organisation, justification for collaboration, the assessed level of risk, the design of the PCA and cost-effectiveness implications.

The audit reviewed six PCAs and noted that in five of these, the supporting documents presented to the committee were incomplete and inadequate. For example, in one instance the registration form provided showed the organization as registered in UK while it was actually registered in Spain; in another instance the audit report of the NGO was not on file and was not presented for review.

**Delays in the completion of the CRC process:** In four of the 21 CRC cases, the reviews were completed after the planned activity date. In one case, the contract was signed before the CRC recommendation was approved. In two cases, the CRC meetings took place three to four weeks after the bid opening.

**CRC meetings:** The CRC meetings were not always chaired by the designated staff. In two of the 21 cases reviewed, the committee was chaired by the secretary of the committee, who

was not an alternate chairperson. The secretary is an *ex-officio*, non-voting member responsible for, among other things, preparing the minutes, and recording issues raised by the CRC members and their resolution. The chairperson of the CRC, however, is a voting member and is responsible for ensuring that the minutes are prepared promptly, and that they reflect accurately the deliberations and advice of the CRC members. Having the secretary of the CRC assume the chairperson role meant that there was insufficient segregation of duties to conduct an independent review, and the policy specifically requires that the roles be undertaken by different staff members.

The majority of the meetings were attended by operations staff and programme assistants, rather than higher-level programme staff who were also CRC members. The attendance of programme staff was important, as the committee was also reviewing PCAs, and UNICEF Financial and Administrative Policy No 5, on the CRC, acknowledges that criteria to assess an NGO partner's suitability differ from those to assess regular goods and/or services providers. To exacerbate the review weaknesses, three of the seven CRC members had not attended any of the briefings provided on the terms of reference and accountability of CRC members.

Weaknesses in the functioning of the CRC are risks to effective review prior to commitment of UNICEF resources, and to fair and transparent selection of the most suitable providers of goods and services.

**Agreed action 1 (high priority):** The office agrees to strengthen the functioning of the Contract Review Committee by:

- i. ensuring adherence to UNICEF Financial and Administrative Policy on CRC with respect to timing and quality of submissions, membership and attendance, review and recording of discussions; and,
- ii. training staff to ensure that complete and well-prepared submissions are made to the Contract Review Committee for review, and establish a separate programme cooperation agreement review committee.

Responsible staff member: Representative, Deputy Representative and Chief, Operations.  
Target completion date: 30 June 2013.

### Governance: Conclusion

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

## 2 Programme management

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

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

All the areas above except resource mobilisation and evaluation 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:

- In 2010, the office had developed a situation analysis (SitAn) on children and women in the country to inform the preparation of the new country programme. The document was updated in 2012 by using the most recent data from the multiple indicator cluster surveys and from the Demographic and Health Survey prepared by the *Agence Nationale de la Statistique et de la Démographie*.
- In 2012, with the implementation of monitoring of results for equity systems (MoRES), the office had made efforts to explicitly address equity issues in all programme sectors.
- The office had developed an advocacy and fundraising strategy.
- The office participated in preparation of the UN development framework (UNDAF) and in national reviews, and in meetings at local level.

### Programme planning

The new country programme action plan (CPAP) defined five programme component results



(PCRs) and 15 intermediate results (IRs).<sup>1</sup> The audit reviewed four 2012-2013 rolling workplans (related to: survival of women and children, inclusive and quality education, child protection, and social policies and advocacy) and noted that the plans included required information such as the IRs, planned activities, timelines, and names of the implementing partners. However, the following shortcomings were noted:

- In three of the four rolling workplans – survival of women and children, inclusive and quality education, and child protection – the office had not defined indicators for the defined IRs. Without defined indicators in the RWPs, the office will not be able to measure the progress towards the IRs defined in the signed workplans.
- In 2012, the office had signed workplans at decentralized level. However, the audit noted that except for social policies and advocacy, none of the national-level rolling workplans reflected the zone-office activities. This made it difficult to ensure that the information in the rolling workplans was complete.

The office indicated that the main constraints faced in 2012 were to link the workplan with the monitoring process introduced with Monitoring Results for Equity Systems (MoRES). The office told the audit that as the relevant guidance from HQ on the Results Assessment Module (RAM) had been received after the rolling workplans had been agreed with the Government partner, it had decided not to change them (including the VISION result assessment requirement.)

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

- i. ensure that the country-office rolling workplans have indicators and reflect activities defined in the zone-office workplans; and,
- ii. obtain support from the Regional Office on how to use the Monitoring Results for Equity System (MoRES) guidance and Results Assessment Module (RAM) for planning and monitoring of results.

Responsible person: Deputy Representative. Target completion date: 30 June 2013.

## HACT implementation and assurance activities

Offices are required to implement the Harmonized Approach to Cash Transfers (HACT) policy. HACT requires offices to systematically assess the level of risk before making cash transfers to a given partner, and to adjust their method of funding and assurance practices accordingly. HACT therefore includes a macro-assessment of the country's financial management system, and micro-assessments of the individual implementing partners (both Government entities and NGOs). Assurance activities should include spot checks, programme monitoring and scheduled audits. There should also be audits of implementing partners expected to receive more than US\$ 500,000 during the current programme cycle. Offices should also have an assurance plan regarding proper use of cash transfers. HACT is also required for three other UN agencies, and country offices should coordinate with them to ensure best use of resources.

In 2012, the Senegal country office collaborated with 146 implementing partners, of which

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<sup>1</sup> PCRs are defined as descriptions of significant change for children and women to which the UNICEF Programme of Cooperation will contribute. An IR is a significant change over a shorter period of time that will eventually contribute to the PCR.

17 were NGOs. Information was not available regarding the total number of the implementing partners working with other UN agencies as well. As at 2 November 2012, cash transfers released to implementing partners amounted to US\$ 4.4 million.

**Macro-assessment:** A macro-assessment of Senegal's public financial management system was completed in June 2007. The macro-assessment report concluded that there was a need to strengthen systems of controls at various levels. The report recommended improvement of the government system by providing training to government staff, and by developing tools for monitoring and evaluation of projects, programmes and policies.

**Micro-assessments:** In accordance with the HACT framework, partners that receive more than US\$ 100,000 should be micro-assessed. Out of 146 implementing partners, 16 partners received over US\$ 100,000 from UNICEF in 2012, but there were no micro-assessments during the year. In 2011 there had been micro-assessments of five implementing partners, out of 19 that received over US\$ 100,000 in that year.

**Assurance activities:** The scale of assurance activities for a given partner is guided by the risk rating and magnitude of cash transfers received. Assurance activities include periodic on-site reviews that may include spot checks by UN agency staff, and special audits, programmatic monitoring of activities and scheduled audits for partners that receive over US \$500,000 in a programme cycle. The following issues were noted:

- In a sample of 15 cash transfers made in 2012, two implementing partners received over US\$ 500,000, but no scheduled audits were implemented or planned. It was noted that one implementing partner that received more than US\$ 500,000 was also working with UNFPA under a joint programme; but although UNFPA had audited its own project, there had been no discussion on a possible joint audit.
- There was programmatic monitoring of activities supported by cash transfers by UNICEF staff, and 35 spot checks were conducted in 2012. However, there was no systematic plan for the assurance activities, and the results of those conducted were not shared with other UN agencies.

**Validating reported expenditures:** As stated above, most partners had not been micro-assessed. Therefore, after recording the liquidation of a cash transfer, the office should conduct spot checks to validate the liquidation. The audit reviewed two liquidations submitted by two implementing partners and noted various shortcomings in the accuracy of the reported expenditure and in the quality and completeness of supporting documents. For example, in one case reviewed, the funds liquidated amounted to US\$ 140,000 but the review of supporting documents noted that reported dates of implementation were different from dates in the invoices, and there were incomplete supporting documents for the expenditure incurred – which made it difficult to confirm the accuracy of the funds liquidated. The second implementing partner visited did not provide the supporting documents and the activity reports to support use of US\$ 42,500 transferred.

**Agreed action 3 (high priority):** The office agrees to adhere to the requirements of the Harmonized Approach to Cash Transfers to implementing partners, and to:

- i. conduct the micro-assessments, review their results and take appropriate action, including correct use of direct cash transfers, and capacity-building based on risk rating of partners;
- ii. conduct audits for implementing partners that received over US\$ 500,000 during the

- country programme cycle, and micro-assessments for implementing partners that received cash transfers above US\$ 100,000;
- iii. share information, and promote joint efforts, on HACT implementation with other UN agencies that are implementing HACT, including sharing of information from, and costs of, micro-assessments and assurance activities with partners working with more than one UN agency;
  - iv. systematically plan and undertake the various assurance activities, including programmatic and financial spot checks, and scheduled audits that are included in an assurance plan; and,
  - v. ensure that all liquidations of cash transfers are adequately supported.

Responsible persons: Representative, Deputy Representative and Chiefs of Programme Sections. Target completion date: 30 June 2013.

### Management of cash transfers

As at 2 November 2012, cash transfers released amounted to US\$ 4.4 million, of which US\$ 544,000 (12 percent) was outstanding between six and nine months and US\$ 300,000 (7 percent) was outstanding over nine months. The audit noted the following weaknesses in this area.

Direct cash transfer (DCT) payments were based on a letter received from the implementing partners and approved by the Representative, and subsequently the office issued FACE forms that were approved by the Chiefs of Programme Sections as per the office table of authority.<sup>2</sup> A detailed review of DCTs noted delays in 11 out of 15 transactions reviewed. The delays were not appropriately documented. For example, requests were received from a government implementing partner in January 2012 and were approved by the representative (through the letter to the partner) in May 2012; payments using the FACE form were processed in June 2012, six months after the request was received. In another instance, the request received from an NGO in January was approved in February but was not paid until May (after the expiry of the PCA). Delays in disbursing funds could delay programme implementation.

The reasons for the delays in those various instances were not documented. However, in discussions with the audit, the office cited the challenges related to implementation of UNICEF's new management system, VISION, in January 2012. VISION has made it mandatory to attach supporting documents when issuing a fund commitment, including the Representative's approval of the letter from the partner. This letter was therefore sent before starting the process in VISION, before the office would know whether or not the partner had long-outstanding balances (in which case the funds could not be released). In the opinion of the audit, the partner's letter should not have been approved until such confirmation had been received through VISION.

Besides the delays, the audit also noted that the FACE form had missing information in 12 of 15 cases reviewed. Examples included: FACE form not dated; the type of cash transfer

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<sup>2</sup> FACE stands for Funding Authorization and Certificate of Expenditures. UNICEF and its partners can use the FACE form to approve or request disbursement of funds and authorization to incur expenditures, to report on expenditures and to certify the accuracy of data and information provided by the partner. The FACE form is meant to be part of the HACT process, although it can be used independently of it.

requested not indicated (whether DCT, reimbursement or direct payment); and duration of activity was not indicated, so that it was not clear if the advance being given was to cover three months' activities, as required by the policy.

**Agreed action 4 (medium priority):** The office should review its cash-transfer work process to ensure that all cash-transfer requests set out all required information on the FACE form, that all disbursements are in line with VISION requirements, and that information in VISION on a partner is considered before any approval letter is sent to that partner.

Responsible persons: Representative, Deputy Representative, Chiefs of Programme Sections.  
Target completion date: 30 September 2013.

## Partnership management

One of the office's partners was an NGO with which it had been working since 1991. The office had signed PCAs with this implementing partner amounting to CFA 738,248,547 (about US\$ 1.5 million) in 2011 and US\$ 899,500 in 2012. The NGO's activities focused on a community empowerment programme to bring sustainable development and positive social transformation based on respect for human rights through a holistic three-year education programme. The audit's review of the partnership noted the following issues on coordination of project activities and the earmarking of funds for the NGO.

**Technical coordination:** UNICEF's partnership with the implementing partner focused on abandonment of harmful practices (female genital cutting). Although the agreement was signed with the child protection programme, the package included activities such as education, health, water and sanitation that were not planned in coordination with other UNICEF programmes. This occurred because the office entered in partnerships based on proposals being provided by the NGO, as opposed to a jointly developed programme cooperation agreement that ensured all the programme activities were coordinated and linked directly to specific results.

**Earmarked funds:** The office informed the audit that the NGO had a predominant role in ending harmful practices in the country and had long-standing relationships with UNICEF at regional office, NYHQ and with donors. The office did not fundraise for all the activities included in the PCA signed with the NGO. Instead the NGO fundraised for these activities by contacting UNICEF National committees (Natcoms) and other donors. In 2012, the NGO had been able to mobilize resources through NatComs amounting to US\$ 376,000, or 42 percent of the total PCA amount. The office then received funds that were earmarked for the NGO from the donors. The donors in question would contact the office to inform it of the availability of funds that they had so earmarked. This approach risked the office not being able to manage the NGO on the use of the earmarked funds. For example the office indicated that the costs per village of managing the project were to decrease as the number of villages covered increased. However, the cost of doing business in each village had increased from CFA 1.6 million in 2008 to CFA 3.1 million in 2012. Since the funds received from the donors were already earmarked for the NGO, the office could not assign the funds to another implementing partner.

The audit discussed the issue with UNICEF's Private Fundraising and Partnerships (PFP) Division in Geneva, which indicated that it did not encourage the earmarking of funds in support of a specific implementing partner.

**Agreed action 5 (high priority):** The office should:

- i. ensure that activities in programme cooperation agreements are coordinated among relevant programmes and that all agreements with implementing partners are managed in accordance with UNICEF guidance on partnerships; and,
- ii. directly fundraise for planned activities and, with input of the Private Fundraising and Partnerships Office, ensure that funds received are not earmarked for a specific implementing partner.

Responsible persons: Deputy Representative, Chiefs of Programme Sections. Target completion date: 30 June 2013.

### Supply planning and monitoring of timeliness

As of December 2012, the office procured supplies totalling US\$ 2.8 million, of which US\$ 2.2 million were procured off-shore and US\$ 600,000 from local suppliers.

The office had a supply plan, but there were delays in its implementation. It had not been used as the guiding document for supply interventions included in the two-year signed workplans, and not all procurement that had been done was included in it. Inadequate implementation of the supply plan and limited linkages between it and the rolling workplans reduced opportunities to set procurement priorities and keep activities on schedule.

The timeliness of deliveries was not monitored adequately; in two out of five procurements reviewed amounting to US\$ 58,000, the audit noted delays of two and five months after the target arrival dates indicated in the sales orders. Furthermore, the partner's requests did not always give a date either for expected delivery dates for requested supplies, or for the activity for which they were needed – making it harder to plan for the timely delivery of requested supplies.

In one instance, the delay was over a year due to an implementing partner not taking responsibility as agreed. This partner had originally agreed to pay the customs clearance costs and assembly charges for 157 motorcycles and 15 vehicles. However, in November 2011, upon arrival of the ordered items, the office was asked to pay for both, as the partner said it did not have sufficient funds. The office paid US\$ 96,000 to clear the items and suspended any additional procurement of transportation equipment for this partner. However, it was noted at the time of the audit that 10 of the motorcycles were still at the port, and had been there for more than a year. The delays in customs clearance increased costs and delayed programme implementation.

**Agreed action 6 (medium priority):** The office agrees to strengthen planning and monitoring of the timeliness of supply deliveries by ensuring that:

- i. the supply plan has clear linkages with the signed rolling workplans;
- ii. all supply requests include the expected delivery dates; and,
- iii. the motorcycles that had been kept at the customs for more than a year are cleared urgently.

Responsible person: Supply & Logistics Specialist. Target completion date: 30 June 2013.

## Donor reporting

The office is expected to supply donors with reports stating what has been achieved with their contributions during the period covered. These should include who was affected (number of persons assisted, geographic coverage), and a comparison of results achieved against those planned results. The office had a donor-report work process. It also used the checklist issued by UNICEF's Public Sector Alliances and Resource Mobilization Office (PARMO) for clearance and review of donor reports. Review of three donor reports noted the following:

- One donor report included results that did not have measurable achievements. Examples of unmeasurable results were: *'development of tools for monitoring activities for the development of integrated early childhood'* and *'Supervision of a training workshop for teachers'*.
- In all three donor reports reviewed, the fund-utilisation reports lacked comparison of completed activities with those planned as included in the budget proposals. This is required under the guidelines issued by PARMO.

**Agreed action 7 (medium priority):** The country office agrees to strengthen its quality review process to ensure that donor reports meet UNICEF reporting requirements.

Responsible person: Representative and Deputy Representative. Target completion date: 30 September 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.

### 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 server room was well-maintained and recommendations made by the Regional Chief of ICT had mostly been followed up. Staff files were well-maintained and the reconciliation of staff annual leave records was complete.
- Bank signatories were up to date. There were appropriate controls to safeguard assets and a mechanism to monitor those that were taken out of the office premises. The audit made a count of assets; this was satisfactory.
- The office monitored completion of supply orders, and the status of stock by value and age was monitored by each section. The warehouse was well-maintained and there were no discrepancies noted between the audit inventory count and the office inventory record.

#### Financial management

The audit reviewed the balance of general ledger accounts related to the office as at 13 November 2012 together with a sample of transactions, and noted the following:

**General Ledger (GL) coding:** Incorrect general ledger codes were used in five of the 14 sampled transactions related to contracts and supplies. For example, customs clearance costs were coded as programme supplies, and construction services were recorded as construction materials. Furthermore, the Goods-in-Transit account had a negative balance of US\$ 855,000 due to incorrect posting of the currency for the product unit cost. The office indicated that it could not determine the source of the negative balance.

Incorrect GL coding could lead to incorrect donor and financial reporting.

**Timeliness of payment:** There were delays in various payments made in 2012, including some of up to six months. Some arose from technical problems, such as issues in establishing the budget and processing in VISION.

**Bank reconciliations:** The bank reconciliations from December 2011 through August 2012 were not completed until September 2012. The office stated that this occurred because of challenges of implementing VISION. A review of bank balances indicated that the office had an overdraft in May 2012 amounting to CFA 2,186,765 (approx. US\$ 4,374)—UNICEF offices are not expected to overdraw their accounts. The office explained that this occurred because of the mismatch created by not carrying out complete bank reconciliations at the time. The office informed the audit that it was already aware of some of the issues noted above and had already started to complete bank reconciliations, and to investigate the reason for the overdraft. Since September 2012, the bank reconciliations had been carried out on time.

The office stated that the above weaknesses occurred because of challenges of implementing VISION, and inadequate staff capacity in the Finance section—the section had one staff member instead of three from January through May 2012.

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

- i. establish a process to ensure correct general ledger codes are used for all financial transactions (such a process could include providing appropriate training to staff on definitions and application of the different general ledger codes);
- ii. seek support from the Supply Division or other appropriate office, and clear the negative balance in the goods-in-transit account;
- iii. ensure that payments are processed on a timely basis; and,
- iv. ensure that challenges in implementing VISION are addressed through training and guidance of the staff concerned.

Responsible persons: Chief of Operations, Finance Officer and Supply & Logistics Specialist.  
Target completion date: 30 September 2013.

## Contract management

At the time of the audit, the office had individual contracts worth US\$ 319,600 and institutional contracts worth US\$ 2,349,050. The audit noted the following:

**Same contractor for ToRs and main contract:** In 2010, the office had signed two contracts worth a total of US\$ 33,663 with an international contractor to draft terms of reference (ToR) for work related to strengthening the protection system in the country. The same contractor was later awarded a one-year contract (January to December 2011) amounting to



US\$ 599,620, to deliver the service for which it had written the ToRs.

The CRC minutes had noted that the contractor benefited from its knowledge and understanding of the context because the company had also been contracted to draft the ToR. However, this was contrary to UNICEF policy, which states that a “contractor hired to prepare a ToR for an assignment shall not later be invited to quote, bid, or submit a proposal, or be contracted to provide the service in order to avoid a situation where the contractor has inside information or a privileged position to bid more favourably than other service providers.” This had occurred in this case.

Furthermore, the contractor had been given a satisfactory evaluation in respect to the one-year contract, and had been paid in full (the last payment amount was US\$ 59,000) – although a note for the record stated that not all deliverables contracted for had been provided. This was neither recorded in the official evaluation of the contractor’s performance, nor formally shared with the contractor, which was not penalized for unsatisfactory performance.

The office indicated that it had stopped working with this contractor and had shared all documentation related to this contract with the regional office for review. The regional office was leading the review of this contractor regarding the quality of work delivered to other offices in the region.

**Construction:** The office had entered into five construction contracts in 2012 with a total value of US\$ 2.7 million. The progress of the construction and corresponding payments was monitored, but there were delays in the completion of the work in four of the five contracts. All four contracts were extended for three months, and though the contracts included a penalty clause, this was not applied.

The above weaknesses were due partly to inadequate evaluations of consultants’ performance, but also to inadequate linkages between deliverables and payments in the signed contract; that had made it more difficult to hold the contractor to account for the delays. The weak certification and approval process of the work done prior the release of payment was significant given the high expenditure on the selected contracts.

**Agreed action 9 (high priority):** The office agrees to establish mechanisms to strengthen the certification and approval function by:

- i. ensuring timely evaluation of contractor performance by the supervising staff;
- ii. linking payment clearly to each deliverable in the signed contract; and,
- iii. holding consultants/contractors accountable for any unsatisfactory performance and/or unjustifiable delay through application of a payment penalty clause.

Responsible persons: Deputy Representative; and Chief of Operations. Target completion date: 31 December 2013.

### Operations support: Conclusion

Based on the audit work performed, OIAI concluded at the end of the audit that the controls and processes over operations support, as defined above, needed improvement to be adequately established and functioning

## Annex A: Methodology and definition of priorities and conclusions

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

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

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

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

### Priorities attached to agreed actions

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

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

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

### Conclusions

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

***[Unqualified (satisfactory) conclusion]***

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

***[Qualified conclusion, moderate]***

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

***[Qualified conclusion, strong]***

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

***[Adverse conclusion]***

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

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

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