

Chad Country Office

Follow-Up Audit
(2017/09)

August 2017



Office of Internal Audit
and Investigations (OIAI)
Report 2017/09

Summary

The Office of Internal Audit and Investigations (OIAI) has conducted an on-site follow-up review of its 2016 internal audit of the Chad Country Office.

The original audit field visit took place in May-June 2016, and the audit report (2016/21) was finalized in January 2017. The original audit found a number of significant weaknesses in the office's governance, risk management and control processes, and recorded an 'Adverse' rating.¹ Actions were agreed with management to address the weaknesses identified.

The objective of the follow-up audit was to provide assurance that the agreed remedial actions had been implemented successfully, and to help management focus their attention on any which remained outstanding. The follow-up audit team visited Chad in July 2017.

The office had started a new country programme (2017-2021) in January 2017. This has five main programme components: *Child survival and development*; *Inclusive quality education*; *Child protection*; *Social Inclusion*; and *Programme effectiveness*.

The total approved budget for the 2017-2021 country programme is US\$ 303.43 million, of which US\$ 73.43 million is Regular Resources (RR) and US\$ 230 million is Other Resources (OR). RR are core resources that are not earmarked for a specific purpose, whereas OR are contributions that may have been made for a specific programme or activity, 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), up to the approved ceiling.

The Chad Country Office is located in N'Djamena. There are field offices in Abéché, Moundou, Mongo and Mao. As of July 2017, the country office had a total of 167 approved posts, of which 45 were for international professionals, 43 for national officers and 79 for general service staff.

Action agreed following the audit

The original audit (report 2016/21) had identified 20 agreed actions in total. The on-site follow-up audit found that 19 had been fully implemented – including all of the high-priority actions (that is, those requiring immediate management attention). Substantial progress had also been made in implementing the sole remaining action, which related to records management. In discussion with the audit team, the country office agreed an adjusted set of measures to address this area.

Conclusion

The Office of Internal Audit and Investigations was pleased to note the progress made by management in addressing the risks and issues previously identified in the Chad Country Office.

As this was a follow-up audit, OIAI has not given a new overall rating following this visit.

¹ See Annex A for an explanation of the audit ratings.

OIAI will work with the Chad Country Office and the West and Central Africa Regional Office (WCARO) to monitor the implementation of the agreed measures that are set out in this report. Successful closure of the remaining outstanding action from the previous report will continue to be tracked through OIAI's on-line tracking system.

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Objectives

The objective of the on-site follow-up was to assess the Chad Country Office's progress in implementing actions to address weaknesses in governance, risk management and control processes identified in the previous internal audit (report 2016/21).

Audit observations: On-site progress review of the 2016 internal audit

The original audit report issued in January 2017 had identified 20 agreed actions, of which six had already been closed by OIAI before the on-site follow-up took place.

The on-site follow-up found that 13 of the 14 remaining actions had been fully implemented. All high-priority actions from the original audit had been implemented in full.

Just one agreed action, on records management, remained open as of 21 July 2017. Substantial progress had been made with this, as discussed below.

Records management (*Agreed action 19, medium priority*)

The office had agreed to take the following steps with regard to its records management:

- Periodically review records and classify them as permanent, non-permanent or routine.
- Make an inventory of the existing archives to identify sections and years for which supporting documents are not complete.
- Assist retrieval of documents by maintaining reference information for archived documents, including filing dates, locations and closure status.
- Ensure that documents that exceed the retention period are properly disposed of in line with UNICEF rules (subject to any specific conditions included in the contribution agreements).
- Maintain records of disposals.

The original planned completion date was July 2017.

Progress: The follow-up audit found that this action was substantially complete. The office had defined its archiving policy, appointed and trained focal points for each section, completed the review and classification of current archives, and started the classification of historical archives.

However, only about a tenth of the historical archives had been reviewed and cleaned-up. Further, the completion date for the review and classification project had been set for September 2019, which left a prolonged period in which the office might not be able to retrieve important documents (such as those requested during donors' on-site verifications). Also, the office had no process for confirming that its archiving policy was consistent with UNICEF's global policy. The office's policy also did not fully reflect the specific retention rules for one donor.

Before the audit on-site follow-up, the office had tried to reinforce the team allocated to the

project by hiring two more international volunteers, but this recruitment had been unsuccessful.

After discussion with the audit team, the country office agreed to take the following steps by the end of December 2017 (*agreed action 19A, medium priority*):

- Treble the archives team's capacity, so as to significantly accelerate the pace of review and classification of the historical records.
- Prioritize the review and clean-up of archives for those sections whose projects may potentially be subject to donor verification.
- Revise its archiving policy to ensure it fully reflects each donor's specific documents retention provisions.
- Check its archiving policy for consistency with the UNICEF global policy (which is currently under revision in the framework of the Enterprise Content Management project).
- Finalize the treatment of archives by December 2017, at least for all the documents linked to projects that might be submitted to donor verification.

Target date for completion: 31 December 2017

Responsible staff members: Chief of Operations, Heads of Section, Human Resources Manager, Archivist

When these steps are satisfactorily completed, OIAI should be able to close this outstanding action.

Annex A: Methodology, and definitions of priorities and conclusions

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

For the on-site follow-up of open agreed actions, OIAI assessed the timeliness, appropriateness and sustainability of corrective actions through various techniques including interviews (staff and implementing partners), tests of controls, reviews, and analysis as appropriate. In case of delays in implementing corrective actions, root causes were identified and analysed with management so as to establish measures to reinforce implementation.

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 headquarters 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 auditing 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 following categories were used for the overall conclusion in the original internal audit report (report 2016/21):

[Unqualified (satisfactory) conclusion]

Based on the audit work performed, OIAI concluded at the end of the audit that the control processes over the office 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 the office 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 the office needed improvement to be adequately established and functioning.

[Adverse conclusion]

Based on the audit work performed, OIAI concluded that the controls and processes over the office needed **significant** improvement to be adequately established and functioning.