

Iraq Country Office

Extended Follow-Up Audit
(2017/04)

May 2017



Office of Internal Audit
and Investigations (OIAI)
Report 2017/04

Summary

The Office of Internal Audit and Investigations (OIAI) has conducted an on-site follow-up review of its 2015 audit of the Iraq Country Office.

The original audit field visit took place in November-December 2015, and the audit report (2016/01) was finalized in May 2016. It recorded an 'Adverse' rating,¹ as the audit had found a number of significant weaknesses in governance, risk management and control processes. Actions were agreed with management to address these.

The principal objective of the extended follow-up audit was to provide assurance that the agreed remedial actions had been implemented successfully and help management focus their attention on any which remained outstanding. In addition to the follow-up, OIAI also reviewed risks relating to information and communication technology (ICT) in the Iraq Country Office. This covered areas of ICT that were not reviewed in the original audit, and built on an approach to looking at local ICT risk which OIAI had developed in other internal audits in 2016. The extended follow-up audit covered the period from May 2016 to 12 November 2016, and the audit team visited Iraq during late November 2016.

The original audit had taken place against the background of a grave humanitarian crisis in Iraq, with a huge internal displacement of population which left an estimated 5.2 million Iraqis in need of humanitarian assistance. In November 2016, when OIAI visited for the extended follow-up audit, the country office was still dealing with a considerable humanitarian challenge that included the Mosul emergency operations and other emergencies, as well as its regular programme activities.

The office had started a new country programme (2016-2019) in March 2016. This has eight main programme components: *Health and nutrition; Water, Sanitation and Hygiene (WASH); Education; Child protection; Adolescent development; Social policy and evidence; Emergency capacity and coordination and Programme effectiveness.*

The total approved budget for the 2016-2019 country programme is US\$ 452 million, of which US\$ 8.8 million is regular resources (RR), US\$ 103.2 million is Other Resources Regular (ORR), and US\$ 340 million is Other Resources Emergency (ORE). Regular Resources are core resources that are not earmarked for a specific purpose, and can be used by UNICEF wherever they are needed. Other Resources 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 Other Resources), up to the approved ceiling. ORE are Other Resources contributed for a humanitarian emergency.

The Iraq country office is located in Baghdad and Erbil. There are field offices based in Baghdad in the Centre, Dohuk and Erbil in the North, and Basra in the South. As of December 2016, the country office had a total of 175 approved posts, of which 44 were for international professionals, 70 for national officers and 61 for general service staff.

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

Action agreed following the audit

The original May 2016 audit report had identified 29 agreed actions in total (28 addressed to the office and one to a headquarters division), of which 26 were due for implementation at the time of the audit. The on-site follow-up audit found that 18 of the 26 actions had been fully implemented, and substantial progress had been made in implementing the remainder.

Of the 11 original high-priority actions which had fallen due at the time of OIAI's follow-up visit, six had been fully implemented and the remainder were substantially complete. (The final high-priority action had not yet passed its 'due by' date.) This significant and noteworthy progress had been achieved despite the competing pressures from a very demanding humanitarian situation in Iraq.

In addition, OIAI's visit reviewed a number of aspects of ICT in the Iraq Country Office. Following discussion with the audit team, a number of measures will be taken to address the issues identified by this work.

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

OIAI will work with the Iraq Country Office and the Middle East and North Africa Regional Office (MENARO) to monitor the implementation of the agreed measures that are set out in this report. Successful closure of the remaining outstanding issues from the previous report will continue to be tracked through OIAI's on-line tracking system.

Contents

Summary	2
Objectives	5
Observations	5
Audit observations (I): On-site progress review of 2015 internal audit	5
Audit observations (II): Information and communication technology	8
Annex A: Methodology, and definition of priorities and conclusions	10

Objectives

The objective of the on-site follow-up was to assess the Iraq Country Office's progress in implementing actions to address weaknesses in governance, risk management and control processes identified in the 2015 internal audit (report 2016/01). The OIAI follow-up visit also included an audit of ICT, including infrastructure, connectivity and information security. Where transactions were selected for testing, these were chosen from the period between 11 May and 12 November 2016.

Audit observations (I):

On-site progress review of 2015 internal audit

The audit report issued in May 2016 had identified 29 agreed actions (28 addressed to the office and one to a UNICEF headquarters division). The audit team found full implementation of 18 out of the 26 open actions which were due, and that substantial progress had been made with the remainder at the time of the follow-up visit. (Three of the remaining actions were not yet overdue as they were still within the original agreed deadlines for action.)

Of the 12 high-priority actions originally agreed, 11 had fallen due at the time of OIAI's follow-up visit. Of these, six had been fully implemented, and five had been substantially completed.

The status of the outstanding high-priority actions on 25 November 2016 can be summarized as follows.

Management of zone offices (agreed action 8)

The office had agreed to: develop an accountability framework for the field offices; establish a structured process and standards for effective oversight of, and technical support to, field offices; and mechanisms to ensure effective coordination of field monitoring led by country-office staff, including sharing of field monitoring trip reports with relevant staff in zone and field offices (original planned completion date: April 2016).

Progress: Substantially complete. At the time of the audit, the office had completed a draft version of the accountability framework that was expected to be finalized by the end of January 2017. The remainder of the agreed action was ready to be launched pending review by the Country Management Team (CMT).²

Programme planning (agreed action 11)

The office had agreed to: revise and update its work-planning process, and improve oversight and quality assurance mechanisms over it; ensure timely preparation and signature of annual workplans; establish performance indicators for outcomes; give priority to a situation analysis, and to studies and surveys needed to address gaps in baseline data; and prepare standard costs, guidance and tools to be used for budget estimates in the annual workplans (original planned completion date: April 2016).

² The CMT advises the Representative on the management of the country programme and on strategic programme and operations matters. It consists of senior staff from Programme and Operations sections, and staff representatives.

Progress: Substantially complete. The outstanding components were to carry out the studies and surveys to address the gaps in baseline data, and to establish standard costs for costing annual workplan activities.

Programme monitoring (agreed action 15)

The office had agreed to: ensure that sections prepare, monitor and update results-based and risk-informed field-monitoring plans; ensure that the purpose of monitoring visits is clearly linked to specific outputs and activities in workplans; implement plans for end-user monitoring of supplies; establish a system for follow-up on significant action points from field monitoring; establish a central repository for trip reports; and assign staff responsibility for monitoring to ensure they are done within 15 days of completion of travel (original planned completion date: May 2016).

Progress: Substantially complete. The office had completed much of the agreed action. It had still to establish a central repository for trip reports and a process to follow up on significant action points stemming from field trips. At the time of the on-site review, the office was rolling out eTools,³ which would help complete the remainder of the action.

Programme cooperation agreements (PCAs) (agreed action 17)

The office had agreed to: conduct refresher training on PCAs so that the procedures would be fully understood; establish mechanisms to ensure a timely PCA approval process; fully document the PCA submissions and programme documents; establish standard unit costs and verify budgets in PCAs against them; justify single-source selection; require that partners prepare progress reports in line with the results matrix in the relevant PCA programme document; secure local procurement authorization for construction activities; and ensure effective ongoing coordination with relevant government authorities for construction activities (original planned completion date: May 2016).

Progress: Substantially complete. The office had largely completed the agreed action, but had still to establish and implement standard unit costs and verify budgets against them in PCAs with implementing partners.

Programme evaluation (agreed action 19)

The office had agreed to: prepare a focused annual or multi-year Integrated Monitoring and Evaluation Plan (IMEP); establish an evaluation and research committee with responsibility for quality assurance, coordination and monitoring of IMEP activities; carry out evaluations of key programme components, prepare timely management responses and upload them to the global database; and train programme staff and equip them with the knowledge necessary to meet their accountabilities on programme evaluations (original planned completion date: July 2016).

Progress: Substantially complete. The office had completed most of the agreed action, but had chosen to delay the establishment of the evaluation and research committee to 2017,

³ eTools is an online platform for UNICEF staff that simplifies office processes related to work planning, implementing partnership management, travel and monitoring.

when it was planning to undertake evaluations of key programme components.

Programme results assessment (agreed action 14), not yet overdue

The office had agreed to train the responsible staff in recording the progress on achievement of results in the Results Assessment Module (RAM), and ensure that the results structure was consistent with the structure recorded in UNICEF's financial system, VISION. Further, the office was to: establish performance indicators for all outcomes and record their status; prepare analytical statements of progress towards results for all outcomes and outputs,⁴ and identify specific constraints to their achievement and key actions to mitigate them; and upload to the RAM relevant supporting documentation and/or appropriate hyperlinks as means of verification for progress against indicators (original planned completion date: 31 December 2016).

Progress: Not yet overdue at time of audit. Nonetheless, the office had already completed much of the agreed action. It still needed to complete the analytical statements of progress towards results for all outputs and outcomes, and upload relevant supporting documents in the Results Assessment Module (RAM).

Finally, there were five medium-priority recommendations yet to be implemented at the time of the follow-up. These were: Delegation of authorities and assignment of roles (agreed action 4); risk management (agreed action 9); donor reporting (agreed action 20); contract review committee (agreed action 24); and information and communication technology (agreed action 28). All were in progress, though three of them (agreed actions 9, 20 and 28) had exceeded the timescales agreed for implementation.

⁴ UNICEF programmes plan for results on two levels. An outcome is a planned result of the country programme, against which resources will be allocated. It consists of a change in the situation of children and women. An output is a description of a change in a defined period that will significantly contribute to the achievement of an outcome. Thus an output might include (say) the construction of a school, but that would not in itself constitute an outcome; however, an improvement in education or health arising from it would.

Audit observations (II): Information and communication technology (ICT)

ICT management

As part of the audit visit, the audit team also reviewed the office's use of information and communication technology (ICT). The UNICEF Field Office *ICT Service and support provisioning guidelines* (issued in 2012) require country offices to be ready to meet their ICT needs and those of the UNICEF programme. This includes an emergency operation, should one become necessary, including the provision of internet/email and secure communications for the responders.

The audit noted the following.

Connectivity: 'Guest WiFi' is usually set up for guests and for staff who need to connect mobile devices to the internet. Staff use of the UNICEF guest WiFi, for both official and personal purposes, was using up to 25 percent of the available bandwidth in the Baghdad office. To free up UNICEF bandwidth, UNICEF staff were requested to use the UNAMI (United Nations Mission in Iraq) guest WiFi. (UNICEF is one of the agencies located in the UNAMI compound.) However, the wireless access points of UNAMI were also constrained by poor connectivity, risking disruption to the continuity of operations in the UNICEF Baghdad office.

Disaster recovery plan (DRP): Preparedness in telecommunications generally involved the use of mobile satellite communications for internet/email, and VHF and HF radio communications. The office's DRP tests of satellite phones and Broadband Global Area Network (BGAN) satellite terminals covered the Baghdad office and almost all the zone offices, but omitted Basra. Further, the audit team noted that the DRP tests did not include the Dynamic Host Configuration Protocol (DHCP) server.⁵ This increased the risk of unauthorized access by guests, other agency staff and consultants to the internal network of the office.

Performance measurement and monitoring: The UNICEF Strategic Plan 2014-2017 identified key field-level ICT metrics and indicators. One of these is the percentage of emergencies where information technology services requested are provided as per standards in the revised CCCs (Core Commitments to Children).⁶ However, the office had not identified and reported any ICT specific indicators and metrics to the CMT for review. As many parts of Iraq are in emergencies, it would be helpful to identify and monitor key ICT indicators.

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

- i. In liaison with the United Nations Mission in Iraq (UNAMI), resolve the weak connectivity of UNAMI guest WiFi.
- ii. Include the DHCP server in the disaster recovery plan (DRP) testing, and extend DRP

⁵ The DHCP server allows access (e.g. grants IP addresses) for UNICEF computers to the sensitive parts of the local network, such as the wired network connections, while denying access to non-UNICEF computers. This is an important security function. During emergencies, however, there are large numbers of new staff/consultants, and the DHCP server can delay team communications; so offices in emergencies sometimes switch it off – and then forget to turn it back on later, creating a security risk. It is thus essential to test it during the DRP, particularly in offices that are working in emergencies.

⁶ The Core Commitments for Children in Humanitarian Action (CCCs) represent UNICEF's core humanitarian policy. They are especially applicable in humanitarian emergencies such as that in Iraq.

testing to the Basra zone office.

- iii. Identify and report key ICT performance indicators/metrics to the Country Management Team for review.

Responsible staff members: Chief of Operations

Date by which action will be taken: i, September 2017; ii, the office reports the action as having been implemented; and iii, October 2017

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 2016/01):

[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.