Internal Audit of the Mali Country Office

November 2017

Office of Internal Audit
and Investigations (OIAI)
Report 2017/17

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Summary

The Office of Internal Audit and Investigations (OIAI) has conducted an audit of the Mali Country Office. The objective of the audit was to assess the office's governance, risk management and internal control processes, with a focus on key risks to achieving UNICEF's objectives. The audit team visited the office from 31 May to 20 June 2017, and the audit covered the period from 1 January 2016 to 30 May 2017.

The 2015-2019 country programme has six main components: *Child Health*; *Women and children's nutrition*; *Water, sanitation and hygiene*; *Equitable access to quality basic education*; *Child protection*; and *Social policy and inclusion*. The total budget is US$ 328.4 million, of which US$ 75.3 million is Regular Resources (RR) and US$ 253.1 million Other Resources (OR). RR are core resources that are not earmarked for a specific purpose. OR are contributions that may have been made for a specific purpose or programme, 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. An office may also need to raise OR in the form of emergency funding; in the case of Mali, the office had an approved OR (emergency) ceiling of US$ 35.2 million in 2017, in addition to the regular OR ceiling quoted above.

The main office is in Bamako; there are three zone offices (in Gao, Mopti and Sikasso), and staff are also outposted in Timbuktu and Kayes. As of May 2017, the office had 182 approved posts, of which 63 were allocated to the three zone offices.

Since 2012, Mali has faced a serious political crisis coupled with an armed conflict and the occupation of the northern regions (two-thirds of the country's territory) by armed groups. The crisis in the northern region has caused a severe humanitarian crisis and the deployment of the United Nations Multidimensional Integrated Stabilization Mission in Mali (MINUSMA).

The audit found a number of areas in which the office's controls were functioning well. Since the inception of the 2015-2019 country programme, the office had raised US$ 124.7 million in OR funds, approximately 53 percent of the five-year OR target. As of 1 March 2017, 85 percent of the 2017 OR target had already been secured. Governance systems were generally established and functioning. The office was collaborating well with other UN agencies, including leading the UN monitoring and evaluation thematic work group and co-chairing the UN programme management group.

The office maintained good oversight over procurement of services and programme supplies. Partners met by the audit team confirmed that programme supplies were of good quality and received on time. The office had an emergency preparedness and response plan, and maintained sufficient emergency stocks in Bamako. There were business continuity and disaster recovery plans to ensure continuity of operations. Programme implementation was monitored regularly. The office conducted bi-annual and annual programme reviews at the national and regional levels with key implementing partners, to review progress and inform programme adjustments as needed.

Actions agreed following the audit
The audit identified a number of areas where further action was needed to better manage risks to UNICEF's activities. In discussion with the audit team, the country office has agreed to

take a number of measures to address these risks.

One action is being implemented as a high priority; that is, to address a risk that requires immediate management attention. This relates to ensuring the generation of adequate assurance over the management of direct cash transfers (DCTs) to UNICEF's partners in Mali.

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 key controls and processes over the country office were generally established and functioning during the period under audit.

The country office, the West and Central Africa Regional Office (WCARO) and OIAI will work together to monitor implementation of the measures that have been agreed.

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Audit 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.

This report presents the more important risks and issues found by the audit, the measures agreed with the auditee to address them, and the timeline and accountabilities for their implementation. It does not include lower-level risks, which have been communicated to the auditee in the process of the audit.

Audit observations

Data and information

To design appropriate programmes and strategies, UNICEF offices need to make the best possible use of data on the situation of children and women. The audit assessed the extent to which the office had obtained key data and used it to identify the needs and priorities of the most deprived children.

Overall, the audit team noted that a lack of up-to-date and high-quality data presented a major challenge including for UNICEF-supported programmes in Mali. It also noted that the data available were insufficiently disaggregated; this is crucial for effective programme planning (it can be important to know, for example, whether access to water is skewed by gender or income group).

The data and information for the health, education and child protection programmes were generally not sufficiently disaggregated and used appropriately for programming purposes. The picture was better for the WASH (water, sanitation and hygiene) programme, mostly within the Government WASH sector. For the Government health management systems, data and information were generally available, but again were not sufficiently disaggregated, especially at the sub-regional levels, and in some cases were not sufficiently analyzed. The education information management systems also lacked adequate and accurate disaggregated data and information, particularly at school level where they would be mostly collected. Except for some databases on sensitive child-protection issues (gender-based violence), there were no systems for data collection in relation to supported interventions in child protection.

Insufficient availability of disaggregated data and information was primarily due to systemic weaknesses in the data collection and analysis systems. The poor security situation had also constrained data collection. Data were available only at the regional and national levels but not at the "village/commune/cercle" levels. (Since the crisis, some sites were not accessible due to security concerns.) These had constrained accurate assessment and reporting of progress against planned results, including UNICEF's contribution to the United Nations Development Assistance Framework (UNDAF) for Mali.

The office planned to address these weaknesses during the forthcoming mid-term review. Meanwhile it assisted with the analysis of socio-economic indicators, primarily undertaken by

the national statistical office, to inform economic and social planning. The office was also piloting the development of a geographic information platform to enhance vulnerability analysis and the targeting of programme interventions. Further, together with other members of the UN Country Team (UNCT), the office had also taken steps to advocate and support the development and implementation of improved data systems at the sectoral and cross-sectoral levels. For instance, UNICEF led the UN statistical support to ensure child-related data collection systems were sustained. It was also a member of the sub-working group of financial and technical partners on Statistics led by UNFPA. The office said that progress was slow but UNICEF Mali would continue its efforts.

Agreed action 1 (medium priority): The office agrees to develop a strategy, and incorporate specific activities and performance indicators in its workplans, to further support the Government in strengthening key components of national data-collection systems. In this way, it will ensure significant disaggregated data and information—particularly at the regional and lower levels—are available to support effective programming by UNICEF and its partners.

Responsible staff members: Deputy Representative; and Chief of Planning, Monitoring and Evaluation with the support of the Chiefs of programme sections
Target date for completion: September 2018

Results-based planning

UNICEF programmes plan for results on two levels, outcomes and outputs. 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 that will contribute to that outcome. Thus an output might include, say, helping equip a school or clinic, but that would not in itself constitute an outcome; however, an improvement in education or health arising from it would. It follows that there should be a logical results structure that enables measurement of an output's contribution to the outcome which it is meant to assist. Also, the difference between an output and an outcome should be clearly understood at the programme planning stage.

At the end of 2016, the office reported progress against six outcomes and 22 outputs. Three outcomes and 14 of the outputs were on track while the remaining three outcomes and eight outputs were constrained. The Child Protection programme showed significant constraints in three out of four outputs; this was due to insufficient staff capacity, high turnover of specialist programme staff, major gaps in data and information, and issues with the acceptability of key programme interventions related to child marriages and harmful practices. The audit reviewed the office's mitigating actions to address these causes and found them to be generally sufficient and appropriate.

At the time of the audit, the office had assessed its results structure. It had also recently trained some staff who did not have adequate results-based management skills. The audit reviewed whether planned results were rigorously defined in such a way as to enable meaningful measurement. The audit review included all programme results.

The audit noted that eight outputs had actually been formulated as outcomes. This meant that their achievement could not easily be measured. The contribution of UNICEF to an output can be assessed, but an outcome is something broader to which it can contribute but which cannot be directly attributed to any one body or organization. Meanwhile two programmes

lacked baseline data and targets for all their indicators (up to 2019). For another programme, they had yet to be established.

The audit also noted weak quality of disaggregated data for 11 indicators and their means of verification (see also previous observation). They were also not specific and measurable.

The audit team observed that UNICEF workplans[1] were compiled and signed at the national level. However, the planned outputs, indicators and baselines for the regional plans (which stemmed from the national ones) were not always consistently established, and targets were not region-specific. This was mainly due to insufficient work planning processes to establish targets and baselines at the regional levels. It had reduced the office's capacity to properly monitor results at the regional level and to subsequently aggregate them at the national level.

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

   i.   Ensure that planned outputs, indicators and means of verification enable rigorous assessment of progress.
   ii.   Streamline the work-planning processes at the regional level and ensure the regional planned outputs, targets, indicators and baselines are consistently established and communicated to the regions.

Responsible staff members: Deputy Representative; and Chief of Planning, Monitoring and Evaluation with the support of the Chiefs of programme sections
Target date for completion: 31 March 2018

Programme strategies

The current country programme concentrated on three geographic areas where children faced the most severe deprivation, such as chronic malnutrition (stunting). In order to reduce the severity of chronic malnutrition, the office said it had developed a multi-sectoral and integrated approach that combined nutrition, health, WASH, education and child protection interventions. This approach sought to support the Government's decentralization strategy that was already underway at the regional levels. The audit reviewed the office's strategies for achieving planned results.

The five-year country programme focused on strengthening the resilience of communities to achieve greater results for children. Resilience programming means the implementation of interventions that can respond to complex risks and vulnerabilities, and ensure that development gains are secured. UNICEF's resilience approach focuses on sustaining results for children despite natural or human-made shocks and stresses. Programming for resilience also means addressing underlying causes of shocks and stresses, in order to break cycles of vulnerability.

A focus on resilience requires on-going risk assessment against prior assumptions made during the development of the country programme in 2015, especially in a fluid context like in Mali. The audit team noted this was not always done and documented in rolling workplans

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[1] UNICEF offices agree workplans with their implementing partners. The workplans detail outputs, indicators, targets, baselines, activities to be carried out, the responsible implementing institutions, timelines and planned inputs from the partners and UNICEF. They also serve as the basis for programme disbursements to partners.

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or other documents. Further, only two out of four sampled programmes, WASH and Education, clearly emphasized resilience (although each programme had an output for emergency).

The indicators selected to measure resilience at output and outcome level were found not to be appropriate (see also the previous observation, *Results-based planning*). For example, since 2015 the office had carried out complementary interventions to strengthen resilience such as rehabilitation of health centres together with WASH facilities, education for peace preceded by community mobilization activities, and child-rights awareness with primary education. However, the benefits stemming from the implementation of these mixed emergency and development interventions was not being adequately captured by the programme indicators. Two major donors said they were aware of the resilience-strengthening activities in these areas but acknowledged these were not well depicted in selected indicators.

In late 2016, UNICEF's West and Central Africa Regional Office had asked the Mali Country Office to strengthen its focus on resilience and to define a more structured preparedness and response strategy. At the time of the audit visit in June 2017, the office stated that it was planning to conduct a humanitarian performance review in July 2017 so as to further integrate resilience into the country programme in light of the fragility context of Mali.

Agreed action 3 (medium priority): The office agrees to:

i.   Include resilience and/or fragility in its comprehensive risk analysis, and ensure that the approaches are context-specific.
ii.   Review, and adjust as relevant, the programme indicators related to resilience to enable rigorous determination of progress against planned resilience-related outputs and outcomes.

Responsible staff members: Deputy Representative; Chief of Social Inclusion and Chief of Field Operations
Target date for completion: 31 March 2018

Partnerships

The office had established key partnerships with the Government and NGOs, primarily to support the delivery of sustainable and equitable basic social services to the most vulnerable children, and also to strengthen the partners' capacities. The office had 83 programme cooperation agreements (PCAs) with NGOs in 2015 and 2016, amounting to US$ 13.9 million and U$$ 11.7 million respectively. From January to May 2017, the value of PCAs was US$ 3.5 million. With respect to its donors, the office sought to leverage these donor partnerships towards delivering the most critical services for children. The audit reviewed the office's controls over the management of key relationships with donors and implementing partners, including donor reporting and grants management.

During 2016, OR grants provided for specific purposes were fully utilized. The audit team met a number of key donors, who said that the donor reports they received were of good quality and issued on time. The office had controls and processes to ensure donor conditions were met, including alignment of results expectations in donor proposals and agreements.

However, the audit noted the following.

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Selecting NGO partners: UNICEF's global guidelines on partnerships with NGOs, revised in the third quarter of 2016,[2] require country offices to invite bids from NGOs to ensure competitive selection. The office had issued only one bid since the inception of the revised guidance. Further, it had not yet established sound criteria to guide its selection process. This had increased the risk of not selecting the most suitable implementing partners in a transparent and objective manner.

The audit team met nine international and national NGOs, who said that they did not clearly understand the revised guidelines. For instance, they asked how UNICEF would assess and compare national and international NGOs, given that the former usually have less capacity but a strong presence in geographical areas of operations and an in-depth knowledge of community dynamics, while the latter tend to have more capacity, reach and funding.

The office said it had delivered training sessions on the revised guideline to a number of partner staff from January 2016 to May 2017. However, the training had focused mainly on assurance activities and accounting for UNICEF funds, and less on the strategic intent and risks of partnerships and criteria to guide the selection of the most appropriate partners. Insufficient communication of the strategic intent of UNICEF's partnerships and the methodology for selecting NGOs had increased the risks of misunderstanding, and reduced the NGOs' interest in responding to future invitations to bid.

Risk analysis: The office acknowledged that risk-informed programming was a work-in-progress, not only in the office but also in planning work with partners. For instance, in the northern regions and in Mopti, where insecurity due to conflict was prevalent, the operating costs had risen significantly. The office's 2016 annual management plan clearly outlined the cost implications of operating in the northern regions and in Mopti. Despite this, security-related costs—now necessary to support programme implementation in insecure areas—had not been thoroughly reviewed and included in PCA budgets with NGOs.

Direct cash transfers (DCTs) to NGOs: From January 2016 to May 2017, the office paid US$ 17.4 million in DCTs to NGOs. This was 56 percent of the US$ 31 million of total DCTs paid to all partners, NGOs and Government partners, and was the largest programme expenditure in the period covered by the audit. For DCTs to NGOs, the office entered into PCAs that specified the budget required.

The audit reviewed a sample of 10 PCA submissions that had been made to the office's Partnership Review Committee (PRC).[3] It was noted that the PRC review provided reasonable assurance that planned results were specific, and that budgets were adequate for the planned activities. For instance, the office used standard costs where practicable to determine whether the proposed budgets in each PCA ensure the economic acquisition of resources by the implementing partners.

However, in four of the 10 cases reviewed, it took a long time (between five and 14 weeks) to approve DCT requests received from NGOs. Three NGOs said that the delays had constrained timely implementation of planned activities, within PCAs that were already of short duration.

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[2] With effect from 1 April 2015 partnerships with NGOs are subject to UNICEF's *Procedure For Country And Regional Office Transfer Of Resources To Civil Society Organizations* (FRG/PROCEDURE/2015/001), which introduced a number of changes (for example, SSFAs may now be used up to a threshold of US$ 50,000).

[3] This is a committee that exists in all UNICEF country offices to review PCAs.

The office attributed most of the delays to incomplete financial documents submitted by partners to support DCT expenditures, despite several training activities provided for them. However, the audit team also noted that the office had no process to monitor the timeliness of receipt and approval of DCT requests.

Agreed action 4 (medium priority): The office agrees to:

i.   Develop sound context-specific criteria for competitive, objective and transparent selection of NGO implementing partners; and communicate to NGOs the guiding principles and the intended impacts of the revised guidelines on partnerships.
ii. With support from the regional office, establish a mechanism to standardize security-related costs in PCA budget preparation.
iii. Review work processes to ensure receipt and approval of DCT requests are adequately monitored and completed within country-specific standards, to reduce the risk of delays in programme implementation.

Responsible staff members: Security Specialist with support from Regional Security and Emergency Advisors; Quality Assurance Specialist; Deputy Representative; Chief of Planning, Monitoring and Evaluation; and Chief of Operations
Target date for completion: 30 June 2018

Funding nutrition-supported interventions

Since the beginning of the 2015-2019 country programme, the office had raised US$ 124.7 million in OR funding, representing over half (53 percent) of the total non-emergency OR target for the five-year programme (US$ 235.3 million).

As of 1 March 2017, the office had raised 85 percent of the planned OR requirement for 2017. Three programmes (Health, WASH and Child Protection) had already secured resources above their 2017 budget. However, for the prevention and treatment of malnutrition, the office had mobilized only 10 percent of resources against the 2017 target. At the time of the audit visit, the target appeared unlikely to be met before year-end.

Insufficient funding had been already identified as a constraint to planned activities in 2016. Further, by 1 March 2017, 11 percent of emergency nutrition funds had been raised (as per the HAC).[4] Pipeline funding – funding that is pretty much secured but has not yet been received – for Nutrition in Emergency is expected to amount to US$ 6.8 million in 2017, representing 63 percent of planned humanitarian needs, including the needs for ready-to-use therapeutic foods (RUTF). This significant funding gap increased the risk of a failure to make timely delivery of RUTF supplies for approximately 80,000 children (as per the HAC target) currently at risk of not receiving treatment of severe malnutrition in 2017.

The audit team acknowledged extensive fundraising efforts by the office with support from the regional office. These included developing a resource mobilization/advocacy strategy specifically for Nutrition; borrowing RUTF supplies from neighbouring country offices; building thematic proposals; and visiting donors. Although Nutrition had been recognized and

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[4] HAC stands for Humanitarian Action for Children. A HAC is an appeal that UNICEF launches for assistance for a particular crisis or emergency response, and will state how much UNICEF thinks it needs to raise for a given situation. The appeals page is at https://www.unicef.org/appeals/; that for Mali is at https://www.unicef.org/appeals/mali.html

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flagged as a national emergency by all development partners, the Government had limited capacity to support the short-term financial needs of the UNICEF-supported programmes and to find medium-to-long-term solutions.

The UNICEF regional office emphasized the need for the country office to develop dynamic and varied ways to leverage funds, both inside and outside the country. In line with the regional strategies to leverage resources, the country office was seeking to develop ideas and proposals that promised return on investment for either the Government or other identified local private-sector organizations. The office was considering other mitigation strategies, such as refocusing its own priorities. It also said that in addition to its fundraising efforts, it had engaged in a concerted advocacy effort with the Government of Mali and other UN agencies whose mandates include nutrition. Given the wide array of ongoing initiatives with key partners, the audit is not making any recommendation in this area.

Assurance on the use of direct cash transfers

From January 2016 to May 2017, the office had paid US$ 31 million to implementing partners. The audit assessed whether the office obtained sufficient assurance that direct cash transfers were used for intended purposes, and had achieved the expected results, during the period January 2016 to May 2017.

Several UN agencies, including UNICEF, use a risk-based framework to obtain this assurance. Known as HACT,[5] it requires that, where appropriate, an office assesses the risks involved in working with a particular partner. This is done through a micro-assessment, which looks at the partner's financial procedures and capacity. The level of assurance activities – spot checks, programmatic visits, and in some cases audits – should be based on this assessment. This procedure is designed to reduce bureaucracy for both the partner and UNICEF, while ensuring that reasonable assurance is obtained. During the period under audit, the office had developed a risk-based assurance plan, taking into account the risk profile of partners and the amount of cash transferred to each one.

The last internal audit of the country office, conducted in 2014, had included a high-priority recommendation related to assurance on the use of direct cash transfers. This recommendation was closed in April 2016. However, when the current internal audit team reviewed the quantity and quality of micro-assessments and assurance activities, it found that progress with this recommendation had not been fully sustained, as noted below.

Micro-assessments: During the period January 2016 to May 2017, 83 of the office's partners received more than US$ 100,000 each, and should therefore have been micro-assessed; all but three had been. The 80 micro-assessed partners were rated as follows: 40 low risk, 35 moderate risk, and five high risk. The audit team reviewed eight of the micro-assessments for the period covered by the audit and found inconsistent application of the rating methodology. For instance, in 20 instances, different rating scores were assigned for similar responses to the same questions. These errors were due mainly to weak quality review by the service providers who carried out the micro-assessments, and insufficient oversight of the service providers by the office. This could lead to either insufficient or excessive assurance activities with the partners in question.

Assurance activities: In volume terms, the office had implemented a significant proportion of

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[5] Harmonized Approach to Cash Transfers.

its risk-based plan: 243 out of 280 planned programmatic visits[6] (87 percent); 102 out of 133 planned spot checks (77 percent); and 29 out of 39 of planned HACT audits of implementing partners (74 percent). The audit team reviewed the quality of HACT audits and programmatic visits, two major components of the assurance plan.

The office completed 29 HACT audits from January 2016 to May 2017, and nine of them had qualified opinions. The audit reviewed a sample of five of the audits from 2016. It found that they were conducted by professional auditing firms in accordance with established standards. Three out of five sampled audit reports showed a qualified opinion due to important gaps in controls. However, the office had not considered how this might change in the risk profile of these three partners, or appropriately adjusted the frequency of assurance activities— particularly with respect to programmatic visits— in its risk-based assurance plan.

The audit team reviewed a sample of 10 programmatic visits reports and found important gaps in these too. In six cases, there was no assessment of progress against the expected results defined in the partners' programme documents. The audit team could not therefore determine whether the achievement of results was on-track and evidence-based. These weaknesses appeared to have resulted from insufficient training of programme staff and oversight by the office. It was also noted that, to meet UNICEF's internal targets, the office focused more on the quantity of assurance activities at the expense of the quality of the assurance generated.

Security issues and assurance: At the start of the new country programme, conflict-related insecurity was mainly in the northern regions. By 2016, the insecurity had spread to the central region of Mopti. At the time of the audit in June 2017, accessibility to the Mopti region (without armoured vehicles) by UNICEF staff was limited to approximately 10 percent of the area, inhabited by approximately 15 percent of the total population of the region. Partners told the audit team that insecurity constrained implementation, including the availability and willingness of community personnel to accept risks. Also, because of increased insecurity and stretched capacity of government partners in Mopti and Sikasso, Government functions previously done at the regional level had been mostly centralized at the national level.

The continued deterioration of the security situation made it harder for UNICEF's zone-office staff in the field to monitor programme implementation and obtain assurance on the use of funds. Following OIAI's previous internal audit of the office, in 2014, the country office had agreed to establish third-party monitoring systems to conduct programmatic visits in areas that could not be accessed by UNICEF staff due to prevailing insecurity. However, the office had actually entered into partnership with a third-party monitor only in March 2017. As a result, it had not conducted regular programmatic visits of project implementation and achievement of results for children in the hard-to-reach areas (mainly in the northern region) during the period covered by the current audit (January 2016 to March 2017).

At the time of the current audit visit, the office had signed a PCA with the third-party monitor (an NGO) for an initial period of six months, so as to test the NGO's capacity and assess the adequacy of using a PCA rather than a regular contract for services. However, the audit team

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[6] According to UNICEF's HACT procedure, programmatic visits are defined as "a review of progress towards achievement of planned results, challenges and constraints in implementation and ways to address them performed with the partner at the programme site. Depending on the nature of the partnership, programmatic visits may be undertaken at a field location (field monitoring), the partner's office and/or in the form of a meeting involving key stakeholders. Programmatic visits focus on programmatic issues, including attention to matters of financial management."

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noted that this NGO had not been selected following a competitive process. Its selection was based mainly on the NGO's past performance with UNICEF and input from another UN agency.

Further, while the terms of reference of the third-party monitor included collecting data on outcome indicators and end-user monitoring, it did not include qualitative indicators like social change and community dialogue. The office said it would review the feasibility of gathering information on those indicators in the next PCA with the third-party monitor. Meanwhile the regional office recommended linking selected monitoring indicators set in the PCA to the office's overall information management system; this would assist data collection, trend analysis and regular feedback. As of the time of the audit, this had not yet been done, but responsibilities had been assigned to do it.

The audit also found that the regions of implementation (except one) were not mentioned in all planned activities in the PCA. A budget was presented for each planned output, but those budgets were not adequately documented to support the differentiation of costs in each region. This had increased the risk of inefficient use of resources.

Follow-up: The office had a template to track implementation of recommendations arising from assurance activities. However, it did not include key information, such as: expected completion dates; status of implementation; and responsible staff member assigned to monitor implementation. As a result, the comprehensive information needed to detect cases of slow implementation was not available. In two of the sampled audit reports, the external auditors noted slow implementation of key recommendations stemming from previous spot checks and micro-assessments.

Inadequate functioning of the office's oversight mechanisms contributed to the weaknesses noted above, particularly those related to the quality of micro-assessments and programmatic visits. The regional office should increase its oversight of, and support for the quality of the office's programmatic visits, with emphasis on those conducted by third-party monitors.

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

i.   Ensure micro-assessments and programmatic visits are properly carried out to generate the required assurance over the use of funds and the activities being funded.
ii.   With support from the regional office, revise and strengthen processes and criteria for selecting service providers for micro-assessments, and more closely supervise their work.
iii. With support from the regional office, ensure that the workplans of the third-party monitor are comprehensive; address sectoral differences where relevant; and provide sufficient assurance on progress against planned results and appropriate use of funds.
iv.   Establish a process to integrate the information collected by the third party monitor into the office-wide information management system.
v.   Ensure accurate and complete tracking of the status of implementation of key recommendations stemming from micro-assessments and assurance activities.

Responsible staff members: Country Office – Deputy Representative; HACT Specialist; Chief of Operations and eTools Project Manager; and Regional Office – HACT Specialist and Emergency team

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Target date for completion: i, ii and iii – 31 March 2018; and iv and v – 31 July 2018

Agreed action 6 (medium priority): The regional office agrees to strengthen its oversight of the quality of the office's programmatic visits, with emphasis on those conducted by third-party monitors, and establish qualitative indicators to monitor progress.

Responsible staff members: Regional Office – HACT Specialist; Regional Emergency Adviser and Regional IM Specialist; and Country Office – Deputy Representative; Chief of Planning, Monitoring and Evaluation; and HACT Specialist
Target date for completion: 31 December 2017

Zone offices

The office maintained three zone offices (Mopti, Sikasso and Gao), and staff were also outposted in Timbuktu and Kayes. Their primary role was to work with the Government, local authorities and community members to design and implement equitable interventions. In 2016, the three largest zone offices between them spent US$ 21 million, representing 30 percent of all funds utilized by the country office overall (US$ 70 million). The audit reviewed whether the zone offices and the outposted staff member had clearly defined roles and responsibilities, and sufficient authority to discharge them. It visited two zone offices, Mopti and Sikasso, and held discussions with the Chief of the zone office in Gao (in the north). The audit noted the following.

Human resources: The primary purpose of zone office staff is to implement workplan activities jointly with partners, conduct field monitoring, and support partners. As of May 2017, 63 of the country office's 182 staff posts were assigned to the zone offices, including the staff member in Timbuktu. Since 2015, however, insecurity had increased, thereby significantly limiting access of UNICEF staff to hard-to-reach areas in the northern and central parts of the country. The office therefore needed to revisit its original assumptions regarding staffing, especially of zone offices. The office said it planned to do this during the 2017 mid-term review with a view to making best use of limited resources.

Financial resources: The financial limits of the Chiefs of two zone offices (US$ 25,000) were not commensurate with the significance of their expenditures, which amounted to US$ 11 million in 2016. The limits of the programme officers were even lower. Further, staff said that funds were not always available on time in the zone offices to implement programme activities, due to delays in transfer of funds by the programme sections of the main office. The office told the audit team that the financial limits had been purposely set at that level on an experimental basis, to mitigate the risks related to serious corruption in the regions, and to assess staff capacity.

Missions and field visits: The main office set standards for the planning of programmatic missions in the zone offices. For instance, programme Section Chiefs and Programme officers of the main country office were expected to allocate five and six days a quarter respectively. However, the missions in the quarterly plans were not adequately monitored and coordinated by the country office. During the audit team's on-site visits, the Chief of one zone office said that visits from the main country office were rare and this had reduced its awareness of the main issues affecting the zone office, especially those related to cash transfers to partners and budget commitments. In contrast, a staff member from another zone office said that receiving approximately eight visits per week from staff of the main office was excessively

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onerous and required significant time for coordinating meetings with staff and implementing partners.

Agreed action 7 (medium priority): The office agrees to:

i.   In light of the major changes in the operating environment, including the use of third-party monitors, revisit the responsibilities, skills and numbers of staff – especially, though not only, those in the zone offices, including the outposted staff members.

ii.   Review the financial limits assigned to staff in the zone offices to ensure these are appropriate to operational needs.

iii.   Strengthen processes to ensure that funds are available in the zone offices when needed.

iv.   Ensure adequate monitoring and coordination of programmatic missions to the regions by staff of the main country office.

Responsible staff members: Representative; Deputy Representative; Chief of Operations and Chief of Field Operations
Target date for completion: 30 September 2018

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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 team 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 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 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 the 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.

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Conclusions

The conclusions presented in the Summary fall into four categories:

[Unqualified (satisfactory) conclusion]

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