

Internal Audit of the Sierra Leone Country Office

November 2017

Office of Internal Audit
and Investigations (OIAI)
Report 2017/16



Summary

This internal audit formed one section of a three-part review by the Office of Internal Audit and Investigations (OIAI) of UNICEF's corporate response to the Ebola outbreak in West Africa. OIAI undertook an initial field visit to the Sierra Leone Country Office during the period from 27 June to 18 July 2016, and subsequently carried out further remote audit work at headquarters as part of the tri-partite internal audit review. The audit also assessed the effectiveness of the governance, risk management and control processes over elements of the Sierra Leone Country Office's regular programme. Where transactions were selected for testing during the audit, these covered activities for the period from 4 September 2014 to 18 July 2016.

The audit period therefore covered portions of both the 2013-2014 and the 2015-2018 Sierra Leone country programmes. The 2015-2018 country programme was approved by UNICEF's Executive Board in June 2014, just as the first cases of Ebola virus disease were being reported. It consists of five main programme components: *Child survival and development; Education; Child protection; Social policy, planning, monitoring and evaluation; and External relations and advocacy*. There is also a cross-sectoral component. The 2015-2018 country programme has a total budget of approximately US\$ 241.4 million, of which US\$ 35.8 million was Regular Resources and US\$ 205.6 million was Other Resources. The budgeted amount did not include funds required for the Ebola emergency response.

On 24 May 2014, Sierra Leone reported the first cases of Ebola in the country. On 8 August, the World Health Organization (WHO) declared a Public Health Emergency of International Concern (PHEIC), the WHO name for a public health crisis that it considers may have global implications. On 4 September 2014, UNICEF declared a Level 3 emergency and activated the Corporate Emergency Activation Procedure (CEAP) for an initial three-month period. This was to be extended four times until 31 December 2015.

The CEAP activation triggered substantial support to the country office from UNICEF's headquarters and from its West and Central Africa Regional Office. This included both human and financial resources. There was also a Humanitarian Action for Children (HAC) appeal – an appeal for a particular emergency that is tailored to the evolving needs of that situation. This raised US\$ 121.6 million for Sierra Leone. To enable it to respond to the emergency, the number of staff deployed by the country office increased almost tenfold in little more than six months (from 126 in July 2014 to 1190 in February 2015) and such a rapid growth posed a major management challenge for UNICEF.

OIAI was pleased to note that partners interviewed during the audit considered that UNICEF was a key contributor to dealing successfully with the Ebola outbreak in Sierra Leone. This included the country office's successful co-leadership of the social mobilization pillar alongside the Ministry of Health. The audit team also identified that the Sierra Leone Country Office had used UNICEF's Early Warning-Early Action (EW-EA) system to trigger an 'Early Warning Alert' to warn the organization about the Ebola emergency and its potential impact. As provided for in UNICEF's corporate procedures, the office adopted streamlined operating procedures to help it respond to a rapidly evolving situation in the difficult operating environment of a public health emergency.

At a corporate level, UNICEF's response included a considerable coordination effort led by a Global Ebola Emergency Coordinator, who helped pull together the efforts of the affected country offices together with the regional office and the relevant headquarters divisions.

OIAI's internal audit also identified a number of good practices and improvements in the country office's regular programme, including the successful introduction of a new freight-tracking system which had generated significant savings in logistics management and thus facilitated more effective and efficient delivery of results for children.

On 29 March 2016, WHO declared that the Ebola epidemic in West Africa no longer represented a PHEIC, confirming that Guinea, Liberia and Sierra Leone all had the detection and response capacities to effectively contain and manage small outbreaks should they occur.

Action agreed following the audit

In discussion with the audit team, the country office has agreed to take a number of measures to address issues identified by the internal audit. Four of these are being implemented as a high priority; that is, to address issues requiring immediate management attention. They are as follows:

- The office will revise its programme outcome and output results in order to take into account the impact of the Ebola crisis and the subsequent recovery, incorporating the Ebola exit strategy in the revised programme and office structure.
- The office will strengthen its risk-management processes so that its risk profile properly reflects the current key risks to the regular country programme. The profile will have risk levels that reflect actions taken to mitigate the risks, and will include any new risks, particularly those arising from the Ebola crisis.
- The efficiency and effectiveness of donor reporting will be optimized to ensure timely submission of donor reports, recording submission dates accurately in the system and ensuring that reports meet the UNICEF reporting standards.
- Controls over cash transfers will be strengthened, including ensuring that cash-transfer reimbursements are based on approved activities, addressing internal capacity gaps, and reviewing payments made for transport services.

Conclusion

Based on the audit work performed, and whilst acknowledging the challenges of the Ebola outbreak and the difficult environment within which the office was working during the period under audit, OIAI concluded that the controls and processes over the country office needed improvement to be adequately established and functioning.

The Sierra Leone Country Office, the regional office and OIAI will work together to monitor implementation of the measures that have been agreed.

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Audit objectives and scope

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, including in this case the management of the Ebola Virus Disease (EVD) emergency. In addition to this assurance service, the audit report identifies, as appropriate, noteworthy practices that merit sharing with other UNICEF offices.

Audit Observations

The audit observations in this report are presented in two sections. The first sets out those related directly to the Ebola emergency response. The second section reviews more general issues regarding the office and its programme and operations. However, it is important to note that routine office operation in Sierra Leone was significantly impacted by the Ebola emergency, and so there is some crossover between the two sections of this report.

1 Ebola emergency management

Background

The Ebola outbreak in West Africa was the largest ever reported. Its rapid spread was exacerbated by weak health systems and poor hygiene and sanitation practices in the region - in particular, unsafe burial practices, and lack of early isolation and care.

Sierra Leone reported the first cases of EVD in the country on 24 May 2014. On 8 August 2014, the World Health Organization called Ebola in West Africa a Public Health Emergency of International Concern (PHEIC) – WHO’s term for a public health crisis that it considers may have global implications. On 4 September 2014, the UNICEF Executive Director declared a Level 3 emergency¹ and activated the Corporate Emergency Activation Procedure (CEAP) in the countries affected by Ebola. The CEAP was extended four times, until 31 December 2015. On 7 November 2015, World Health Organization (WHO) declared Sierra Leone free of Ebola transmission. WHO reported 14,122 cases in total in Sierra Leone, with 3,956 deaths. This was the highest number of cases of the three affected countries, but the lowest overall fatality rate at 28 percent.

To respond to the emergency, WHO adopted the STEPP strategy – ‘Stop the outbreak, Treat the infected, Ensure essential services, Preserve stability and Prevent outbreaks’. The response evolved with the changes in Ebola epidemiology. Thus there were three distinct phases: Phase 1 (August-December 2014) was geared towards rapid scale-up of treatment

¹ UNICEF defines an emergency as a situation that threatens the lives and well-being of a population and requires extraordinary action to ensure their survival, care and protection. There are three levels of emergency response: Level 1 – the scale of the emergency is such that a country office can respond using its own staff, funding, supplies and other resources, and the usual regional office and headquarters support; Level 2 – the scale of emergency is such that a country office needs additional support from other parts of the organization to respond, and the regional office must provide leadership and support; and Level 3 – the scale of the emergency is such that an organization-wide mobilization is called for.

beds and safe burials; Phase 2 (January-July 2015) shifted to case finding, contact tracing and community engagement; and Phase 3 (August 2015-March 2016) focused on rapid isolation and treatment of residual Ebola cases.

A UNICEF humanitarian response usually uses the organization's Core Commitments for Children (CCCs) in Humanitarian Action² as its guiding principles. Among other things, the CCCs set a standard for emergency preparedness and provide UNICEF with an operational framework for coordination, implementation and monitoring of the response to complex emergencies. However, the nature of the Ebola crisis meant that all UNICEF's resources and focus had to be on stopping the spread of Ebola. When UNICEF declared the Level 3 emergency in September 2014, it was not clear how the multi-sector nature of CCCs could be applied to this single urgent goal, or how it would fit in with the WHO STEPP approach. Thus Programme Guidance Note for Immediate Ebola Response was issued in November 2014 that focused UNICEF resources and actions on stopping the spread of Ebola, rather than on meeting all the CCCs simultaneously. At this stage UNICEF also implemented STEPP.

Government and NGO partners and donors interviewed during the audit considered that UNICEF had been a key contributor to dealing successfully with the Ebola outbreak. Among other functions, UNICEF was assigned co-leadership of the social mobilization pillar alongside the Ministry of Health. Based on the feedback received from different partners whom the audit team met during the audit visit, the country office performed well in this area by bringing the needed resources and expertise and by ensuring, together with the Government, the coordination of the dedicated working groups at national and district levels. The social mobilization pillar was maintained to support national emergency preparedness after the country was declared Ebola-free.

On 29 March 2016, WHO declared that the Ebola epidemic in West Africa no longer represented a PHEIC, confirming that Guinea, Liberia and Sierra Leone had the detection and response capacities to effectively contain and manage small outbreaks if they occurred.

The audit team examined the UNICEF response to the emergency in Sierra Leone and noted the following.

Emergency preparedness

The Sierra Leone Country Office had completed a situation analysis (SitAn) that informed the 2015-2018 country programme. The SitAn included an emergency risk assessment, underlying vulnerabilities that could affect various groups and the preparedness of the various actors to mitigate emergency risks.

The office had also made use of UNICEF's Early Warning-Early Action (EW-EA) system. This system, established in 2009, should trigger an "Early Warning Alert" to warn the organization about potential emergencies that may require UNICEF assistance. EW-EA does this by providing a framework and tools to support the monitoring of risks, indicators, triggers and changing conditions. The EW-EA online system consists of three elements: Preparedness; Early Warning; and Key Actions. All offices are required to update all their data in the EW-EA system in line with the requirements, based on the ratings on exposure to emergency risks.

² The text can be downloaded from http://www.unicef.org/publications/index_21835.html.

The office had updated its EW-EA system in July 2014. At that time, the office had so far reported 399 confirmed cases of Ebola with 131 confirmed deaths, a fatality rate of 33 percent. Ebola was classified as a Level 2 emergency in the EW-EA. A Level 2 emergency is situation where "the magnitude of the emergency is such that a country office needs additional and prioritized support from other parts of the organization (HQ, and regional and country offices) to respond and that the regional office must provide leadership and support".³

In its first situation report dated 21 July 2014, the office reported an Ebola emergency funding requirement of US\$ 2.7 million, of which only about US\$ 331,000 (12 percent) was received.

The President of Sierra Leone declared a state of emergency on 31 July 2014 and WHO declared the Ebola outbreak as a PHEIC on 8 August 2014. On 4 September 2014 UNICEF declared a Level 3 emergency; this is graver than Level 2, being defined as a situation in which an organization-wide mobilization is called for. UNICEF also activated its Corporate Emergency Activation Procedure (CEAP). This triggered a large-scale support to the country office from headquarters and the regional office, in terms of both human and financial resources with US\$ 121.7 million mobilized for the Sierra Leone Ebola emergency.

The office management who were in charge at the onset of the Ebola crisis told the audit team that various factors had delayed the response and that it would have been difficult for UNICEF headquarters to declare a Level 3 emergency for the Ebola outbreak prior to WHO's declaration, given WHO's mandate in leading health outbreak responses. However, the audit team noted that UNICEF procedure does envisage such a scenario: its guidelines state that "if a new major sudden onset emergency is being considered as a potential Level 3 but the assessment does not result in the activation of the L3 CEAP, it can be considered as an L2 and subsequently be added to the list at any time." In Sierra Leone, this was not done, delaying organizational support to the country office at the inception of the outbreak.

Analyses already performed of the response showed that although the office participated actively in the national Ebola task force and its different pillars, national and international actors, including UNICEF, could have responded more quickly to contain this major disease outbreak.

Emergency staff capacity

There was an enormous increase in the number of staff deployed by UNICEF in Sierra Leone during the Ebola crisis, from 126 at the start of the Level 3 emergency in July 2014 to 854 in December 2014, and to 1,190 in February 2015. The staff deployed included outsourced staff; surge capacity;⁴ staff from standby partners;⁵ and both national and international staff engaged for the crisis, on various types of contract (fixed term or as temporary assistance). The duration of staff deployment varied from three days up to a maximum of six months. The temporary assistance included 17 surge staff at managerial level in supply, due to various challenges in the area; the office also took on two warehouse assistants.

³ See the 2011 UNICEF Executive Directive *UNICEF's Corporate. Emergency Activation Procedure* (CF/EXD/2011-001).

⁴ Surge capacity is an arrangement under which UNICEF makes staff temporarily available from across the organization to assist in a particular emergency.

⁵ Standby partners are other organizations, UN and non-UN, with which UNICEF has a reciprocal agreement under which it can borrow staff for up to three months in an emergency such as Ebola.

The audit reviewed the deployment of surge-capacity staff and others, and noted that there were delays in the recruitment of several temporary appointments (TAs) identified in the response plan. The recruitment started in November 2014. The audit noted that in some instances, selected staff joined the office five to seven months after the recruitment had been started. Delays occurred because the office had limited choices of candidates with emergency experience, and staff were reluctant to take up available posts due to the significant health risks associated with Ebola and the unattractive terms of short-term contracts.

In particular, there was limited capacity for cluster coordination in social mobilization and community engagement, to the extent that an HIV advisor from headquarters in New York (NYHQ) was assigned as the cluster coordinator in January 2015. The audit team was told that the kind of skills required for C4D⁶ and community engagement in emergencies were different from the ones needed in the regular programme, and were available only in a limited number of countries with polio-outbreak experience, such as India, Pakistan, Nigeria and Afghanistan. The office, the regional office and divisions at headquarters all confirmed that the need to create a database of C4D in emergency staff is an issue that will need to be addressed globally to facilitate a more rapid response in future emergencies.

Also, the office stated that the staff deployed focused on emergency response and not on strengthening local capacity. There was no specific action taken to train staff in meeting growing challenges in a complex emergency. Neither was there sufficient evidence that the staff deployed in the emergency had briefed local staff on lessons learned. At the time of the audit field visit, the country office could only provide four out of 19 end-of-assignment reports of selected staff deployed in the country.

The office subsequently made emergency response a key area of its approved learning priorities for 2017. This has included an emergency preparedness training organized by the regional office in May 2017, incorporating the roll-out of UNICEF's new global approach and resulting in development of an emergency preparedness plan for the country office.

The audit team has discussed the issues relating to corporate-level recruitment with management at headquarters, and these will feed into OIAI's review of corporate recruitment later in 2017.

Emergency structure and oversight

Various governance committees were established to support and coordinate the unprecedented Ebola emergency response. On 19 September 2014, the UN established a Mission for Ebola Emergency Response (UNMEER) as a temporary measure. UNMEER, which deployed financial, logistical and human resources to Guinea, Liberia and Sierra Leone, was closed on 31 July 2015. A subsequent UN General Assembly document⁷ noted that UNMEER had achieved its core objective of scaling up the response on the ground.

UNICEF created a dedicated Ebola crisis cell in New York to coordinate UNICEF's scale-up efforts. A specific Global Ebola Emergency Coordinator (GEEC) was appointed. The GEEC held emergency meetings that involved country offices, regional office and various entities at

⁶ Communication for Development.

⁷ *Lessons learned exercise on the coordination activities of the United Nations Mission for Ebola Emergency Response Report of the Advisory Committee on Administrative and Budgetary Questions*. The report can be downloaded from <http://reliefweb.int/sites/reliefweb.int/files/resources/N1705057.pdf>.

headquarters. These included the Office of Emergency Programmes (EMOPS), Programme Division, the Division of Communication, Supply Division and the Division of Human Resources. The regional office provided continuous support throughout the EVD crisis.

At country level, there were various meetings to coordinate the Ebola response. Various analyses conducted and lessons-learned reports noted a need to strengthen internal and external coordination of various actors that had overlapping or conflicting mandates. The need to strengthen internal and external coordination is a global issue that has been identified through the various lesson-learning exercises conducted.

Emergency procedures and risk management

The Corporate Emergency Activation Procedures and Level 3 Simplified Standard Operating Procedures (SSOPs) allow the use of simplified procedures in an emergency, permitting an office to (for example) speed up the procurement of essential items and the recruitment of essential staff. The directive states that the period of application for SSOPs is not more than three months. Moreover the use of SSOPs does not imply that an office need not manage risks involved in its activities, and indeed the logistical challenges of an emergency may greatly increase the level of risk involved in certain functions.

For the Ebola crisis, UNICEF activated the CEAP and Level 3 SSOPs for three months and extended it four times, for a total of 15 months, from 4 September 2014 to 31 December 2015. The office did use the SSOPs, particularly to obtain the staff needed in the emergency; a review of a sample confirmed the implementation of fast-track recruitment. For supply and logistics, the office ordered a very large quantity of supplies and airlifted most of them into the country. The office opened a cash-on-hand account to assist payments. Quantities of the supplies were ordered at the request of donors and the Government of Sierra Leone. However, evolving risks related to the procurement and to changes in the needs and in the operating environment were not assessed using a coherent, consistent and well-communicated approach to risk management. A number of weaknesses arose from this and are discussed later in this report, including emergency supplies remaining in the warehouse for long periods.

The audit team also noted that there were risks involved in the office's approach to managing partnerships during the emergency. Prior to 2014, the office had signed programme cooperation agreements (PCAs) with a large number of NGOs. According to the Level 3 SSOPs, as part of emergency preparedness activities, offices are encouraged to develop contingency PCA/programme documents that can be brought into use quickly when an emergency takes place. However, the office had instead continued its existing partnerships by amending existing PCAs in order to meet the emerging needs.

The many amendments to the PCAs created a number of weaknesses noted later in this report under *Partnership management*. The risks related to amending the various PCAs had not been assessed through a coherent, consistent and well-communicated approach to risk management. This issue was also noted in some other areas of the office's work; see the observation on *Risk management*, below.

Country programme structure

UNICEF's country offices prepare country programme management plans (CPMP) that describe the management structures and mechanisms for supporting the implementation of

the country programme. The CPMP should be revised if modifications to the country programme require significant changes in the use of resources, including changes in the management structure and number of staff posts.

This will clearly be the case during an emergency, when the office's activities and staff need to be scaled up significantly. In that situation, the office, and the regional office concerned, review and agree on the best type of contracts to use for staff needed during an emergency scale-up. If any new office structure is not expected to be long-term (for example, in the case of a short emergency), they will ensure that an exit strategy is incorporated into its design.

As part of the preparation of the 2015-2018 country programme, the country office had submitted its staffing structure to a programme budget review (PBR)⁸ in June 2014. An emergency PBR then took place in November 2014 to review the Ebola staffing needs. There were subsequently three more PBRs to allow for the evolving staffing needs to meet the changing demands of the Ebola crisis. For example, the supply advisor position created in 2014 at the start of Ebola emergency was changed to a supply and logistics chief position during a special PBR held in June 2015; the change involved included the reporting structure of the entire supply function in Sierra Leone. The initial request was for two years, but the 2015 PBR indicated that the post was to remain as long as the office played a leadership role in the Free Health Care Initiative.

With such changes, there should have been a post-emergency CPMP update process to analyse the strengths and weaknesses of an Ebola exit strategy and how to deal with any risks that may arise following the end of the emergency. However, this was not done. The minutes of a 2016 PBR noted that it would have allowed the office and regional office to better analyse the strengths and weaknesses of the office's revised structure and the current emerging risks.

The office is updating its country programme management plan as part of the process of preparing the new country programme for Sierra Leone.

Emergency indicators

As stated earlier (see *Background*, above), UNICEF would normally use the Core Commitments for Children (CCCs) as an operational framework for coordination, implementation and monitoring in a complex emergencies. This includes indicators built into the CCCs for monitoring the emergency response. However, in this case UNICEF could not align the expected results and the related indicators of the emergency with the CCCs because of the nature of the emergency, which was focused on stopping the transmission of Ebola. Instead, UNICEF headquarters provided a set of common indicators for the three affected countries, based around this focus. In Sierra Leone, following consultation with the country office, this set of indicators was adapted to country-specific interventions and information systems.

Humanitarian response and regular programme results

Where a situation requires humanitarian action on the part of UNICEF, it can appeal for contributions through a Humanitarian Action for Children (HAC) call – an appeal for a

⁸ The PBR is a review of a UNICEF unit or country office's proposed management plan for its forthcoming country programme. For a country office, it is carried out by a regional-level committee, which will examine – among other things – the proposed office structure, staffing levels and fundraising strategy, and whether they are appropriate for the proposed activities and objectives.

particular emergency that is tailored to the changing needs of that situation, being updated as it evolves. For the Ebola outbreak response, UNICEF prepared a regional appeal, focusing on the needs of the three Ebola affected countries. The last HAC issued, on 1 July 2015, was for US\$ 160 million. As of 30 June 2016, the office had already received US\$ 121.6 million, which was 76 percent of the requested amount.

This amount was equivalent to 59 percent of the budget for the entire 2015-2018 country programme Other Resources (OR) budget (US\$ 205.6 million). Such a massive injection of emergency funds, although not intended for the regular country programme, inevitably changed the environment in which that programme had been drawn up. However, the regular programme output and outcomes⁹ had not been adjusted to reflect this.

Moreover, the audit noted that, from March to November 2014, the office used the regular programme outputs to allocate the emergency funding received and to record inputs related to the emergency response. It only added Ebola-specific emergency outputs to the programme in November 2014 following communication from the regional office. UNICEF's Field Results Group then helped the office define Ebola-specific outputs, and trained staff on how to improve Ebola programming and reporting. However, there was no review as to how the Ebola response affected the 2015-2018 country programme implementation and results.

Agreed action 1 (high priority): The office, with the support from the regional office, agrees to review and revise as necessary the formulation of 2015-2018 outcome and output results in order to take into account the impact of the Ebola response and the subsequent recovery.

Responsible staff members: Not applicable

Target date for completion: The office reports that this action has been completed

Evaluation of the humanitarian response

One of the benchmarks of UNICEF's commitments to rapid assessment, monitoring and evaluation in humanitarian situations is to undertake an evaluation within three or four months of a major rapid-onset emergency, or to time such an evaluation to feed into its regular strategic planning.

UNICEF headquarters and the regional office had agreed that a Real Time Evaluation (RTE) should be conducted in January 2015. This was intended to provide a real-time assessment of UNICEF's ongoing contribution to the Ebola response and make recommendations to enhance it. The RTE did not take place as planned in early 2015, because the country office thought it unrealistic to divert effort from the emergency response at that time. However, the audit team noted that the office had nonetheless conducted a study on Public Knowledge, Attitudes and Practices (KAPs) relating to Ebola in Sierra Leone. This provided evidence-based information that helped the office and its partners to shape and adjust its interventions as the emergency evolved.

⁹ 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.

An evaluation of the Ebola response was organized later, and was taking place at the time of the internal audit visit.

2 Regular programme management

Risk management

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

The office had updated its risk profile in 2015 and 2016; it included risks, root causes, risk owners, and action plan. However, the risk rating in selected areas had remained very high and in some cases risks that were serious enough to be escalated – that is, referred up to the regional office or to headquarters – had not been.

At the same time, the audit team's view was that the assessed level for some risks might have been reduced, as the office appeared to have taken appropriate mitigation measures. The office management said that the risk level had been kept high in selected areas to reflect the office's concerns and to indicate matters that required management attention. However, the audit team noted that the 2015-2018 CPMP did not specifically identify significant risks that could affect the achievement of planned results. The office could benefit from the regional office input in updating its risk profile, considering the new risks created during the Ebola crisis, and this would also help the Sierra Leone Country Office to benefit from knowledge of risk management from the other Ebola-affected countries. In addition, there were operational and reputational risks that arose from the emergency that should be addressed in an updated risk assessment.

Agreed action 2 (high priority): The office agrees to revise and update its risk profile, so that the current risks to the regular country programme are properly reflected. The revised profile will have risk levels that reflect the actual actions taken to mitigate the risks, and will include any new key risks, particularly those arising from the Ebola crisis and UNICEF's response. Any risks requiring escalation to the regional office or to headquarters will be referred appropriately.

Responsible staff members: Not applicable

Target date for completion: The office reports that this action has been completed

Work planning

UNICEF offices agree workplans with their implementing partners. These can be developed on an annual or multi-year basis, or as rolling workplans. In the latter case, the workplan is subject to interim review. Whatever their duration, workplans serve as the basis for programme disbursements to partners and are expected to detail outputs, indicators, targets, baselines, activities to be carried out, the responsible implementing institutions, timelines and planned inputs from the partners and UNICEF. Workplans should be endorsed by the Government.

The office prepared multi-year workplans for 2015-2016 and an updated annual workplan for 2016. Workplans were prepared as part of the sectorial annual programme reviews led by the government counterparts. The Representative and the relevant Ministers signed the

workplans, which included information on planned activities by output, timeframe, responsible partners, source of funds, and estimated budget. The audit noted the following.

Formulation of results: The signed 2015-2016 workplans mentioned the targets for the output indicators at the end of the country programme, but there were no interim indicators to measure ongoing progress including at the end of each year. It was thus not clear how the office and its partners could assess the progress made and determine if the overall planned results were on track. The office was addressing this issue in its results framework for 2017.

Result budgeting and funding: The source of funding of activities was not specified in the workplans as either Regular Resources (RR) or Other Resources (OR). The data in VISION¹⁰ showed that planned OR amounts were not recorded for the outputs under the Health, Nutrition, WASH,¹¹ HIV/AIDS and Education outcomes. Further, a number of outcomes and outputs were underfunded. For example, the OR funding of the programme *External relations and advocacy* was 6 percent and it was at 14 percent for *Child protection*. There were also individual outputs under some outcomes that had no OR funding. Examples included outputs 6.1 and 6.6 for *Child protection*. This is a funding, rather than work-planning, issue but it suggested that the workplans had been drawn up without regard as to whether the funding for the planned activities was in place.

Updating workplans: The 2016 portion of 2015-2016 workplans was updated to take into account emerging office priorities, including lessons learned from the emergency response.

The country office prepared a recovery strategy based on the lessons learned from the Ebola intervention and the Government of Sierra Leone recovery plan. This strategy was incorporated in the 2016 annual workplans. Inter-sectoral groups were established to coordinate the implementation of cross-sectoral strategies such as community engagement, data and emergency preparedness.

However, significant workplan updates had not been signed or endorsed by the Government. Also, according to the office, guidance was needed on how to adjust UNDAF¹² and CPAP¹³ outcome results given the changes created by the emergency. The audit team was told that discussions had begun with the regional office in April 2016 on how to align the CPAP and UNDAF outcome/output results with the new Government priorities for recovery. The Programme Strategy Note Guidance¹⁴ issued in December 2015 could prove helpful in this regard.

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

- i. Budget and funding sources are reflected in the signed workplans.
- ii. Relevant implementing partners formally endorse significant changes to workplans.

¹⁰ VISION is UNICEF's management system (from Virtual Integrated System of Information).

¹¹ Water, Sanitation and Hygiene.

¹² The United Nations Development Assistance Framework (UNDAF) is a broad agreement between the UN as a whole and a national Government, setting out the latter's chosen development path, and how the UN will assist.

¹³ The CPAP is a formal agreement between a UNICEF office and the host Government on the programme of cooperation, setting out the expected results, programme structure, distribution of resources and respective commitments during the period of the current country programme.

¹⁴ UNICEF Programme Strategy Note Guidance, December 2015.

Responsible staff members: Deputy Representative, Chief Social Policy Planning Monitoring and Evaluation

Target date for completion: August 2017

Advocacy

One of the key ways in which UNICEF works for children and women, especially the most disadvantaged, is by addressing inequities through advocacy on their behalf. The office stated that advocacy to influence policies and budgets in favour of children was one of its key priorities in Sierra Leone. Using UNICEF's 10 advocacy priorities, staff had been asked to vote for priority issues that best fitted the country-office context. This exercise led to the selection of the selection of the following four themes for 2016:

- Prioritize education so that all children and adolescents are in school and learning.
- End preventable child and maternal deaths.
- End violence against children.
- Increase investments in all children, especially the most vulnerable and marginalized.

The office did not develop an overall advocacy plan for the country programme. Instead, it prepared an annual strategy and asked the programme sections to produce sectoral action plans. At the time of the audit, only the *End violence against children* action plan, prepared by the Child Protection section, was available. Some objectives of this advocacy action plan were not specific, making it difficult to manage and monitor its implementation.

In addition, some of the programme staff interviewed stated that there was a need to enhance their own understanding of the concepts of advocacy.

Agreed action 4 (medium priority): The office agrees to seek guidance from the regional office in preparing an overall advocacy plan for the remainder of the country programme; ensure that the plan contains specific objectives; monitor its implementation; and develop the capacity of relevant programme staff on advocacy.

Responsible staff members: Chief External Relations and Advocacy

Target date for completion: August 2017

Resource mobilization

The 2015-2018 country programme had an approved Other Resources (OR) budget of US\$ 205.6 million, which is 85 percent of the total CP budget of US\$ 241.4 million. In 2016, the office prepared a resource mobilization¹⁵ strategy for the 2015-2018 Country Programme. This was a multi-year rolling document, which constituted an integral part of the office Annual Management Plan (AMP). The document acknowledged the impact of the Ebola outbreak and the post-Ebola recovery activities, but the results and budget framework was not adjusted to reflect the changes; they instead reflected the original country programme document as approved in 2014, just as the Ebola emergency was beginning.

¹⁵ While the terms "resource mobilization" and "fundraising" are often used interchangeably, the former is slightly broader; although fundraising is its largest single component, it also includes mobilizing resources in the form of people (volunteers, consultants and seconded personnel), partnerships, or equipment and other in-kind donations.

The resource mobilization strategy focused on staff accountabilities, and was built around generic core commitments such as effective contribution management, visibility and donor participation, and timely and effective donor reporting. It did not, however, set specific fundraising targets. Without these, it was not clear how indicators included in the office dashboard (amount of OR funding received against the fundraising target) could be measured.

The strategy document also did not identify the underfunded/unattractive outcomes and outputs, and did not include specific strategies and actions to address the existing funding gaps. This was despite the fact that the unfunded portions of some approved workplans was significant. For example, the *Child Survival and Development*, *External Relations and Advocacy*, and *Social Policy* workplans were underfunded by 41 percent, 64 percent and 72 percent respectively.

The office said that competing priorities and lack of time meant that resources had been limited for preparation of the resource mobilization strategy. This was mitigated to a certain measure by inter-sectoral working groups in the office that offered opportunities to combine fundraising for challenging areas with areas that were more attractive to donors. However, the audit also noted that the UNICEF office (and indeed development in Sierra Leone more generally) relied heavily on a very few donors. This could increase the challenge of balancing donor-driven activities with the broader priorities agreed by the Executive Board in the country programme. In 2015 and 2016, the office received more than 38 percent of its funds for the regular country programme (as opposed to the Ebola response) from just one donor.

Agreed action 5 (medium priority): The office agrees to update the resource mobilization strategy to include fundraising targets and opportunities to leverage resources and specific actions to address the underfunded areas, taking account also of the need wherever possible to diversify funding and manage the risk of relying on just a few donors to support programme activities.

Responsible staff members: Representative
Target date for completion: September 2017

Donor reporting

Prompt reporting to the donors is a contractual obligation that is part of the agreements signed with them. These require the office to submit donor reports at specific dates.

The Donor Reports Status Overview in inSight¹⁶ showed that the office submitted 52 donor reports in 2014, 89 in 2015, and 84 in 2016 (as of 13 July 2016). All reports due in 2014 were submitted on time, but 26 (29 percent) of the 2015 and 27 (32 percent) of the 2016 donor reports were sent late. The inSight dashboard included 16 reports submitted to Private Fundraising and Partnerships (PFP) for National Committees.¹⁷ The report showed that 11 out of the 16 reports had been sent late, and one was overdue.

¹⁶ inSight is the performance component in UNICEF's management system, VISION (Virtual Integrated System of Information). inSight streamlines programme and operations performance management, increases UNICEF staff access to priority performance information, and assists exchanges between country offices, regional offices and HQ divisions, as everyone sees the same data/information.

¹⁷ National Committees for UNICEF (often called NatComs) are bodies that coordinate UNICEF's presence and fundraising in donor countries.

The country office commented that the 'late' submission dates in inSight could reflect in some cases an internal record-keeping issue and not actual late submission of the report to the donor. Inaccurate recording and reporting of the dates reduces the country office's ability to manage submission and also UNICEF's ability at a corporate level to monitor donor report status.

Where submission actually had been late, this was due to various factors. Programme staff members' workload in having to produce a large number of reports was one constraint. For example, for the National Committees, the office produced two to six reports, including progress, funds utilization and final reports.

Another cause of delay arose from the complexity of and variations in the reporting formats. Some donors required reports with specific information and additional financial information that UNICEF's VISION system could not readily generate. Examples included the financial statements in Euros or quarterly financial reports requested by some donors. In those instances, the office had to generate the requested information manually, and this took extra time. Moreover the number of donor reports required had increased during the Ebola emergency response; implementation of emergency activities could also explain the late submission of donor reports in 2015 and 2016.

Besides looking at timeliness, the audit also reviewed the quality of a sample of reports. UNICEF standards require a description of main activities undertaken. They also require a clear description of the results (including how the result will contribute to a change in the situation of children, especially the most disadvantaged). In the four donor reports sampled, the office described the main activities undertaken but did not mention how the project results contributed to change in the situation of children. (Although the four reports did not fully meet UNICEF's standards, the audit team was pleased to note that they nonetheless did meet the donor's own requirements.)

The audit team noted that there had been changes of funding sources for which the office did not always give sufficient explanation, and this had resulted in reporting errors noted by a donor. Also noted by a donor were data inconsistencies in the grant utilization reports provided. Starting in January 2016, UNICEF requested all offices to generate from inSight an uncertified financial statement that addressed the problem of data inconsistencies. However, these reports may not meet requirements included in donor agreements signed before 1 January 2016.

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

- i. Review submission dates for donor reports as recorded in the inSight dashboard and ensure that the information therein accurately reflects both the donor agreement and the actual submission date. Headquarters may be able to assist the country office with reviewing and adjusting the current information recorded in inSight.
- ii. Ensure that all donor reports fully meet UNICEF reporting standards as well as the donor's requirements.

Responsible staff members: Not applicable

Target date for completion: The office reports that this action has been completed

Management of donor relationships

There was strong coordination and collaboration with donors during the Ebola emergency. Discussions held by the audit team with three major donors indicated positive working relationships with UNICEF.

However, donors did consider there was a need for better communication from UNICEF; in particular, they would have liked timely information on constrained implementation instead of getting it only at the reporting stage. Also, there had been delays in providing information required for a donor's own due diligence assessment (DDA). These had occurred because the UNICEF office did not have clear guidance regarding the information to be shared with the donor and the DDA assessment team.

There were also delays in finalizing a memorandum of understanding (MoU) on contributions-in-kind (CIK) received. On 11 May 2016, UNICEF and the World Food Programme (WFP) signed a letter of intent with a donor to support the 2015-2017 National Ebola Recovery strategy. The letter of intent stated that CIK were to support the readiness and response requirements to Ebola outbreaks in the country. It was to be followed up by an MoU that detailed the parties' roles and responsibilities.

In June 2016, the office obtained CIK valued at US\$ 8.2 million related to Ebola resilience. The CIK consisted of supply items that were already in the country. The transfer of ownership of the supplies was completed and recorded in VISION on 29 September 2016. However, the MoU that detailed each party's responsibilities had not been signed by 31 October 2016.

Without the MoU, it was not clear what responsibility and accountability the office was assuming in accepting the supplies, including what would happen if the supplies cannot in the end be utilized in Sierra Leone. Also, the regional office and UNICEF's Supply Division had required that questions related to quality and expiry dates be addressed.

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

- i. Work closely with relevant headquarters divisions to ensure timely sharing of information with donors, including that required for due diligence, and particularly information on constrained implementation of agreed activities and its impact on programme implementation.
- ii. Ensure the roles and responsibilities of all parties involved in managing contributions in kind are clarified through a signed memorandum of understanding (MoU). In finalizing the MoU the office should address concerns raised by the regional office and by Supply Division, specifically those related to quality and expiry dates of supplies.

Responsible staff members: Not applicable

Target date for completion: The office reports that this action has been completed

Harmonized Approach to Cash Transfers (HACT)

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

HACT does this by requiring offices to systematically assess the level of risk before making cash transfers to a given partner, and to adjust their method of funding and assurance practices accordingly. HACT therefore includes micro-assessments of implementing partners expected to receive US\$ 100,000 or more per year from UNICEF. At country level, HACT involves a macro-assessment of the country's financial management system. As a further safeguard, HACT requires offices to carry out assurance activities regarding the proper use of cash transfers. These include spot checks, programmatic visits, programme monitoring, and scheduled and special audits. There should also be audits of implementing partners expected to receive more than US\$ 500,000 during the programme cycle. HACT is also required for UNDP and UNFPA and the agencies are meant to work together to implement it.

The office prepared annual plans for HACT micro-assessment and assurance activities for 2015 and 2016. However, these plans were prepared late; that for 2015 was completed at the end of June, while the 2016 plan was finalized in April. This meant that the office had only six months to implement the 2015 plan and eight months to implement the 2016 plan.

Macro-assessment: A macro-assessment in 2009 concluded that the Government system did not itself have adequate capacity to conduct audits of government partners. The office had therefore contracted an audit firm to carry out such audits when required. Another macro-assessment had since taken place, but the final report was pending at the end of the audit.

Micro-assessments: According to the 2015 HACT status report posted by the office in inSight in 2015, the implementation rate of micro-assessments was 31 percent, with 11 micro-assessments completed out of 35 planned. Also, there were 20 partners shared with UNDP/UNFPA for which no micro-assessments or audits were completed jointly, which could have reduced costs. In 2016, on the other hand, the office reported having planned for 10 micro-assessments, all of which were completed and the assessments shared in inSight.

The audit team reviewed a sample of six partners assessed as low risk, and noted that for three of them the assessment was based on scheduled audits. However, these provided an opinion only on internal controls and did not assess the overall risk levels of the partners.

Assurance activities: The HACT status report from 2015 stated that the office conducted 146 programmatic visits¹⁸ out of 186 planned (78 percent) and 30 spot checks out of 76 planned (39 percent). Again, as the plan would have been intended to reflect the HACT requirements, performance of only 39 percent of the planned spot checks could suggest inadequate coverage in practice. Furthermore, the office did not plan any scheduled audits in 2015, although it had nine implementing partners that had received more than US\$ 500,000 the previous year and that should therefore have been audited. The office said that a number of assurance activities could not take place because of the Ebola crisis. It said that a firm would be contracted to audit all partners that had received over US\$ 500,000 in 2015.

¹⁸ According to the latest UNICEF-specific HACT procedure issued in 2014 (page 2), 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."

A review of three spot check reports completed in 2015 found they did not state which FACE forms¹⁹ had been reviewed and there was no evidence that partners agreed with the recommendations. Some inconsistencies were also noted. For example, one report mentioned that all the activities were carried out and documents properly accounted for. Yet the same report said that original invoices were not available and that most of the receipts were not readily available. The office said that these weaknesses were due to limited staff capacity and time to conduct spot-checks. However, no action had yet been taken to address this.

Further, partners met by the audit said that the country office did not follow up on the results of its assurance activities. Programme staff interviewed confirmed that they did not do so; their perception was that monitoring of the results of HACT assessments was the responsibility of the HACT focal point or the HACT working group, not of the programme teams. There was no standard procedure as to how the results of the assessments should be used; this undermined the HACT approach and increases the risk of misuse of cash transfers.

Agreed action 8 (medium priority): The office agrees to obtain adequate assurance on cash transfers, including:

- i. Review the plans for the annual micro-assessment and assurance activities to ensure these will provide adequate assurance, and ensure the plans are completed sufficiently early in the year to enable their timely implementation.
- ii. Work with other UN agencies to conduct joint micro-assessments and assurance activities whenever possible to reduce costs.
- iii. Conduct sufficient assurance activities in practice to provide the necessary level of assurance in line with the guidelines for the Harmonized Approach to Cash Transfers (HACT) – including programmatic visits, spot checks and audits.
- iv. Establish a mechanism to review corrective actions arising from assurance activities and monitor their implementation.

Responsible staff members: Not applicable

Target date for completion: The office reports that this action has been completed

Management of cash transfers

The basis for any cash disbursement under HACT is the signed workplan, which sets out the agreed-upon activities and budgets. The partner requests cash transfers using the FACE form.

In 2014, the country office's cash transfers to partners totaled US\$ 25.6 million; this increased to US\$ 42 million in 2015. It was the largest input of the programme in 2015, representing approximately 36 percent of total expenditure. For 2016, cash transfers amounted to US\$ 9.8 million as of the end of June. The office had 132 partners in 2015; this fell to 78 in 2016. The audit reviewed a sample of 25 cash transfers, including 19 direct cash transfers (DCTs), two direct payments and four reimbursements, amounting to US\$ 6.3 million in total. All but one of the 25 transactions reviewed had been processed during the Level 3 emergency

¹⁹ The Funding Authorization Certificate of Expenditure (FACE) form is used by the partner to request and liquidate cash transfers. It is also used by UNICEF to process the requests for and liquidation of cash transfers. The FACE forms should reflect the workplans, which set out the activities for which funds are being requested, or on which they have been spent. The FACE form was designed for use with the HACT framework, but can also be used outside it.

(2014/2015).

In all the sample reviewed, the office had required a signed workplan or project cooperation agreement (PCA), a FACE form and itemized cost estimate. It also required a request letter, which is not needed under HACT and could have caused delays.

The audit noted delays in releasing cash transfers in 19 of the 25 cases; these varied from three to 150 days. Also, the implementation dates were not always specified in the request, or the request was submitted after the activities were scheduled to start. The FACE forms had not been completed correctly; in some instances, the office used a request FACE instead of FACE liquidation. The office said it had recognized problems in the use of FACE forms, and that specific FACE training had taken place in June 2016.

Reimbursements: The audit reviewed four transactions totaling just under US\$ 1 million, made in 2014 and 2015. In all four instances, the activities started before the signing of a PCA or receipt of the partner requests. The office told the audit team that during the emergency some NGOs were allowed to start programme activities before signature of the PCAs. Whilst acknowledging the need to move quickly in an emergency situation, the audit team noted that there was no record maintained to formally justify exceptional decisions taken. Neither had there been any assurance activity to review actual expenditures reported.

Direct payments: Cash transfers can also be made as direct payments to vendors on behalf of the partner for supplies or services a partner needs for agreed-upon programme activities, upon request, and following completion of the activities.

A review of two such payments noted that in one instance (for transportation services), a payment amounting to about US\$ 143,000 was recorded incorrectly as a direct payment. Incomplete supporting documentation was attached to the payment and there were discrepancies between the amount paid (SLL²⁰ 424,200,000, about US\$ 56,350) and the amount invoiced (SLL 406,600,000). There were also computation errors on two transportation invoices.

The second direct payment transaction reviewed was for US\$ 326,350, and was for a programme activity that had yet to take place. The office reported the payment as an expense instead of an advance. Consequently, the amount was not reflected in the list of outstanding DCT transactions and there was no follow-up with the implementing partners on the use of the funds. This increased the risk that the funds may be diverted or otherwise misused.

The office has reviewed and analysed the causes of the delays of cash transfers payments and has developed a multi-pronged approach to address the weaknesses identified, including additional training for staff and implementing partners.

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

- i. Streamline business processes to help ensure timely processing of cash transfers.
- ii. Ensure that cash transfer reimbursements payments are based on approved activities prior their start and also ensure that payments are correct and supported, or that exceptions are properly documented and approved.
- iii. Review the correctness of the direct payments made for transport and request the

²⁰ 1 USD = SLL (Sierra Leonean Leone) 7,525 approx.

- refund of any amount that may have been incorrectly paid.
- iv. Ensure that the direct cash transfer of US\$ 326,350 that was incorrectly expensed as a direct payment is properly monitored and accounted for, based on documented implementation of agreed programme activities.

Responsible staff members: Deputy Representative, Chief of Operations

Target date for completion: June 2017

Partnership management

Government, NGOs and international organizations like UNICEF all worked together to contain the Ebola outbreak. In 2015, the office worked with 66 different NGOs.

During the emergency, the office made various amendments to existing PCAs rather than drawing up new ones, due to the need to respond quickly to changing needs. Some PCAs included procurement of supply through an NGO, although the office had not assessed the NGOs procurement capacity – again, the office informed the audit team that this was to speed up the emergency response. In addition, vehicles used by NGOs were procured by them using cash transfers, instead of being purchased by UNICEF and loaned; the PCA reviewed did not specify that transportations assets were on a loan, and the vehicles were not monitored through loan agreements. The office explained that this was an exceptional measure taken by the office during the Ebola emergency.

The audit team visited three NGOs that had signed PCAs with UNICEF amounting to US\$ 3.1 million in total. It also reviewed the three PCAs signed with these NGOs. In all three cases, there had been long delays in finalizing the PCAs. In one instance, it took more than one year to sign the PCA, only for the partnership then to be terminated after six months. Some of the activities in the PCA were also sub-contracted to another NGO. A second NGO visited indicated good working relationship with UNICEF, but mentioned that UNICEF's lengthy planning process could delay programme implementation. A third NGO signed four PCA agreements that were amended a total of 13 times. The audit team was told that the amendments allowed the office to conduct specific activities in selected areas during the Ebola emergency.

An audit visit to an NGO and review of a sample of transactions found that activity and expenditures were not accurately reported. For example, the NGO reported a training of 2,000 selected support-group leaders on Ebola prevention. Audit verification confirmed only 1,324 participants during the visit. Expenditures reviewed showed both positive and negative variations. This NGO had last been audited in 2013, and there had been no assurance activity conducted with it in 2014/2015. The NGO acknowledged the differences identified and explained the difficulties of collecting information during the emergency. However, it is important for the country office to determine the accuracy of information reported and identify any ineligible expenses. The office said that an audit of the NGO was planned for 2016.

Some of the deficiencies identified above were the result in part of the multiple PCAs and PCA amendments that the office had concluded with partners during the emergency. OIAI was informed that, in order to address challenges arising from multiple PCAs, the office had launched a call for proposals in December 2015. The objective of the call for proposals was to optimize its partnerships by covering its activities with any given NGO under as few PCAs as possible. Further, all NGOs visited mentioned UNICEF's new partnership guidelines and

processes, introduced in 2015,²¹ although the NGOs did not appear to sufficiently understand the process.

Agreed action 10 (medium priority): The office agrees to:

- i. Conduct special or scheduled audits of partners in accordance with UNICEF procedures.
- ii. Where transactions with NGOs were not in line with UNICEF policy, review these transactions and/or the terms of the agreement with the partner.

Responsible staff members: Not applicable

Target date for completion: The office reports that this action has been completed

Procurement of goods and services

Due to Ebola emergency response, the procurement of goods and services amounted to US\$ 39.5 million in 2014 and \$ 36.6 million in 2015. The audit noted the following.

Market survey and vendor-capacity assessment: The office had undertaken construction works related to rehabilitation of health facilities in 13 districts in Sierra Leone. The project cost amounted to US\$ 6.8 million. In the absence of reliable up-to-date supplier database, the office decided to contract companies through public bidding. There were 129 offers, of which 55 were valid, and 19 contractors were selected. The need to conduct a market survey was identified. At the time of audit, the office had already developed terms of reference of the market survey that were shared with the regional office, and reported that the survey was completed by the end of 2016.

The office's Contract Review Committee (CRC) noted that the large number of suppliers whose offers had not been valid showed that there was a risk of dealing with unreliable companies. To mitigate the risk, the CRC recommended evaluating the selected vendors prior to contracting. (UNICEF's Supply Manual states that this should be done.) The three construction companies with the largest contract amounts were therefore evaluated before contract signature, and there were additional assessments after they were signed. However, a review of six assessment reports showed that there were no established criteria for assessing those construction companies. Some evaluation reports had very limited information on the construction company, while others were very detailed and identified issues that needed to be addressed. The office said that it had had various interactions with the construction companies but the audit could not confirm that there had been a formal follow-up of issues identified, or that they had been addressed. (See also the following observation, *Construction projects*).

Contract review committee: The CRC had defined membership and clear terms of reference, which specified that it should review procurement cases over US\$ 50,000. There had been 30 CRC meetings in 2014 that reviewed 50 submissions, and another 30 in 2015, dealing with 53 submissions. In 2016 the CRC had met six times as of 15 June.

The audit reviewed a sample of five CRC meeting minutes, relating to 21 contracts. It noted that the contracting process sometimes took a long time. For example, it took over 18 months

²¹ *Procedure For Country And Regional Office Transfer Of Resources To Civil Society Organizations (FRG/PROCEDURE/2015/001).*

to contract certain construction companies, from initiation of bidding in April 2014 to the issue of contracts in November 2015. In this instance, the Ebola crisis and the change of priorities during the emergency could be seen to have caused delays. More recently, however, it had so far taken a year to select transport contractors; started in June 2015, the process was not yet completed at the time of audit in July 2016.

Agreed action 11 (medium priority): The office agrees to:

- i. Ensure that standard supplier evaluation criteria are being used and that evaluation, when required, is done before contracting.
- ii. Follow up any issues raised and take any corrective action needed, and update the supplier database accordingly.
- iii. Review the contracting process timeline, analyse the cause of long delays and define key performance indicators for the time taken at various stages.

Responsible staff members: Not applicable

Target date for completion: The office reports that this action has been completed

Construction projects

Construction and rehabilitation of health clinics and hospitals was one of the country programme strategies to improve the quality of health services. UNICEF also supported construction and management of Community Care Centres (CCCs) during the Ebola crisis.

The office undertook construction activities in 2015 amounting US\$ 6.8 million. The technical team in UNICEF's Supply Division in Copenhagen reviewed the contracting process. The Construction Unit in the Sierra Leone Country Office had a mechanism in place to monitor the construction process that included third-party contractors. There were also some joint field visits conducted with the Government and donors.

The supply manual stated that local orders must be paid the local currency. A review of eight construction contracts amounting to US\$ 2.8 million noted that the amount specified in the CRC meeting minutes was in dollars, but in company submissions it was in local currency. Further, the audit team noted that some contracts were in US dollars whilst others were in local currency. The office explained that due to system limitations, contracting documents for high-value contracts were in US dollars. Having two currencies for the same contract could create confusion and potential disputes over the terms of the contract and was thus a risk to UNICEF's reputation as well as potentially requiring time to resolve any disputes with the contractors.

The office explained that although payment negotiations were in local currency, the agreed amount could not be recorded in VISION because of a technical system problem. Discussions with the Information and Communication Technology Division (ICTD) confirmed that the system limit for the total purchase order value was 13 digits, including the decimals, and for the unit price, the limit was 11 digits including the decimals. Some of the identified contracts did indeed exceed these limits, but some did not. Although the amount in local currency remained the same, the US dollar value of the contract changed with the exchange rate, increasing the complexity of budget monitoring. The office had raised the issue with Supply Division and ICTD, who were making necessary adjustments to the VISION system.

Agreed action 12 (medium priority): The office agrees to ensure that payment negotiation and contracting are undertaken in the same currency.

Responsible staff members: Not applicable

Target date for completion: The office reports that this action has been completed

Supply logistics

Transportation of supplies was a crucial activity during the Ebola emergency response. It was done mostly by private companies. The office had analysed its partnerships with various transportation and distribution companies in 2015 and 2016, and had identified a number of serious anomalies in the documentation and data submitted by all transport companies. They included for instance the provision of incorrect odometer readings, leading to an overcharge estimated at about US\$ 81,000. The companies involved had agreed to pay this money back to UNICEF.

The office said that there were 456 trucks used for in country logistics operations at a total cost of \$4 million. The audit could not however confirm transport costs as the office had been using different general ledger codes for them. The audit selected a sample contract amounting to US\$ 806,000 and reviewed payments totalling US\$ 64,000. It could not establish the correctness of the amount paid because invoices did not indicate the list of waybills being paid; some attached waybills were not legible; and some waybills related to supplies other than those included in the contract.

It was also noted that the office requested various sizes of trucks for the same volume of supplies. A review of a sample of waybills noted that using the wrong size of trucks, and therefore rate, had resulted in both overcharges (of US\$ 2,207 in the sample) and undercharges (of US\$ 126). Some rates used were not those in the bid submitted by the supplier.

The audit team also reviewed the office's customs clearance and container handling. Following an audit by OIAI in 2013 on supply management,²² the country office had improved its tracking of UNICEF containers from the moment of their arrival in Freetown to their return (empty) to the shipping companies. The office had also devised a system to track all offshore-related customs clearance activities and payments.

The tracking system had resulted in significant improvements. In 2015, the supply and logistic received and cleared 574 containers from the seaport and processed customs clearance of 129 airfreight shipments. A review of the shipping reports showed that the time it took UNICEF to clear the containers had been reduced from an average of 100 days in January 2014 to 24 days by January 2016. Because of the high volume of shipments received and delays in clearing the supplies procured, the cumulative clearing and forwarding (C&F) costs were US\$ 1.9 million in 2014 and US\$ 1.4 million in 2015. Demurrage²³ charges were reduced significantly, from US\$ 226,500 (12 percent of the total C&F cost) in 2014 to US\$ 109,299 (8 percent) in 2015. The tracking system was not flawless; for instance, there had been issues in alerting the relevant staff members of a shipment resulting in a loss of just over US\$ 14,000 in demurrage and storage fees. Even so, the audit team was pleased to note that the

²² *Supply Management in the Sierra Leone Country Office (2013/32)*.

²³ Demurrage refers to charges paid when the party chartering a vessel, or container, has tied it up for longer than the period for which it was chartered. This can occur (for example) when there are delays in customs clearance of a shipment, delaying the use of containers for another cargo.

turnaround of containers had been significantly speeded up and material reductions in costs had been achieved – both of which had a real benefit to programme implementation.

Besides setting up the tracking system, the office had reviewed the financial documentation related to the clearing process for containers. This identified a number of anomalies, including the fact that the office and/or its C&F agents had been paying container deposit fees from which it had a written exemption from the shipping lines. It was estimated that for the period 2014-2015, these fees had amounted to about US\$ 105,000. The office had obtained a refund of US\$ 30,000 from one of the shipping lines, and further recoveries were ongoing at the time of the audit.

Agreed action 13 (medium priority): The office agrees to:

- i. Strengthen its process for monitoring and confirming distance travelled. The office will also consider using GPS tracking devices so that accurate mileages are reflected in waybills and corresponding invoices.
- ii. Define criteria for selecting the size of trucks required for shipments.
- iii. Create a distribution list or generic email address to which information can be sent, such as automated alerts, so that the Supply Unit team members are automatically aware of the scheduled arrival of a shipment.

Responsible staff members: Not applicable

Target date for completion: The office reports that this action has been completed

Warehouse and inventory management

The office had three warehouses in Freetown. The value of the programme supplies in these warehouses as of 31 December 2015 was US\$ 6.4 million. It was US\$ 7.8 million by 10 April 2016 and had increased to US\$ 22 million by 4 October 2016. This included prepositioned emergency supplies and US\$ 8.2 million of contributions in kind (CIK) supply items provided to support the 2015-2017 National Ebola Recovery strategy. The warehouses' insurance cost increased from US\$ 10,400 in 2014 to US\$ 22,700 in 2015. An audit visit to the warehouse noted that all items were palletized and bin cards were available for all supplies except for motorcycles and motor vehicles.

The audit noted that of the US\$ 22 million-worth of supplies in storage, US\$ 3.9 million had been in the warehouse for over six months and US\$ 1.5 million had been in the warehouse for more than a year. Health and WASH-related supplies amounting to US\$ 268,999 had expired in October and June 2015. The WASH items were emergency supplies procured in 2011. It also took time to identify and dispose of the expired and damaged items. The write-off was approved on 26 April 2016.

There was a large quantity of unused supplies in the warehouse visited by the audit team; they included Ebola-related supplies and were received between 4 November 2015 and 16 May 2016. The Ebola items in stock were procured on a "no regret" policy, as nobody knew at the time of purchase how the outbreak would develop. Because of the rapid changes in the epidemic, some of the supplies received were not used at all. It was decided to keep them as Ebola emergency supplies. Contingency supplies totalled US\$ 1.9 million, but the minimum quantity needed for rapid response in case of emergency was not specified. Also, the cost and risks of keeping such a large quantity of supplies had not been assessed. There had also as yet

been no risk analysis when establishing CIK; the office said it was still working with the government and donor on how the CIK supplies would be used.

Agreed action 14 (medium priority): The office agrees to work closely with the regional office and Supply Division to:

- i. Analyse risks related to keeping Ebola emergency supplies.
- ii. Define the minimum quantity of supplies needed for rapid response in case of emergency.
- iii. Discuss with the government and donors the level of emergency supplies that should be maintained in the warehouse, and plan the timely use of the remaining supplies.

Responsible staff members: Not applicable

Target date for completion: The office reports that this action has been completed

Monitoring and evaluation

The office had drawn up an Integrated Monitoring and Evaluation Plan (IMEP) for 2015-2018, and annual IMEPs for 2015 and 2016. There were however inconsistencies and discrepancies between the four-year IMEP and the annual IMEPs. Only two studies scheduled in the four-year IMEP were included in 2015 IMEP, meaning that 12 studies and surveys were new additions. Only one survey was common to both 2016 IMEP and the multi-year IMEP.

The evaluation management response tracking system on the UNICEF intranet showed that only four percent of agreed actions were implemented for three evaluations completed in 2012 and in 2013. There were two evaluation reports submitted in 2014 without management responses. The office said that staff in charge of these evaluations had left the office and, as the office did not consult the tracking system on the intranet, it was not aware of this situation.

Agreed action 15 (medium priority): The office agrees to:

- i. Ensure that there is an adequate portfolio of evaluations in place, and that the annual and the five-year integrated monitoring and evaluation plans (IMEPs) are coherent with any necessary adjustments being properly documented.
- ii. Prepare management responses to evaluations on a timely basis, upload them to the Evaluation Management Response and Tracking System, monitor agreed actions and follow them up until closure to ensure they have the desired impact.

Responsible staff members: Chief Social Policy Planning Monitoring and Evaluation / Monitoring and Evaluation specialist

Target date for completion: August 2017

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 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 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 control processes over the country office *[or audit area]* were generally established and functioning during the period under audit.

[Qualified conclusion, moderate]

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

[Qualified conclusion, strong]

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

[Adverse conclusion]

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