

# Internal Audit of the Republic of Cameroon Country Office

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Office of Internal Audit  
and Investigations (OIAI)  
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## Summary

The Office of Internal Audit and Investigations (OIAI) has conducted an audit of the Cameroon Country Office. The audit team visited the office from 23 June to 11 July 2013. The audit sought to assess the governance, programme management and operations support over the office's activities, and covered the period from January 2013 to July 2014.

The budget for the 2013-2017 programme is US\$ 79.5 million, of which US\$ 31.8 million is Regular Resources (RR) and US\$ 47.7 million is Other Resources (OR). RR are core resources that are not earmarked for a specific purpose, and can be used by UNICEF wherever they are needed. OR are contributions that may have been made for a specific purpose such as a particular programme, strategic priority or emergency response, 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.

The country office is in the capital, Yaoundé. There are three zone offices, in Douala, Bertoua and Maroua.

### Action agreed following the audit

As a result of the audit, and in discussion with the audit team, the country office has agreed to take a number of measures to address all the issues raised in this report. Six of these are being implemented by the country office as a high priority – that is to say, they concern issues that require immediate management attention. These measures are as follows:

- There had been high turnover of senior staff in the country office and a number of other key positions had been vacant for long periods. The office, with support from the Regional Office, has agreed to develop a human-resources plan to minimize programme interruptions and to support office governance.
- The office has agreed to document the situation analysis (SitAn) for the country and justify changes in planned results for the rest of the country programme. The office will also provide partners with information on, and the rationale for, the new programme results structure, and obtain their agreement; update the integrated monitoring and evaluation plan to include the activities needed to draw up the needed indicators; and ensure that the information for missing baselines and targets is collected.
- The office has agreed to prepare and implement a comprehensive HACT implementation plan that includes training for staff and implementing partners, and ensure compliance with UNICEF policies on cash-transfer management.
- There had been non-compliance with the UNICEF policy on agreement of project cooperation agreements (PCAs) for construction work, and weaknesses in oversight over the work itself. There were also delays in the implementation of construction work through NGOs that were attributable at least in part to PCAs and short-term funding that were not aligned to the construction timeline. The office has agreed to extend the duration of the current agreements and ensure that an audit is done to ensure a proper use of funds.
- The office has also agreed to take a number of steps in order to comply with UNICEF policy on construction agreements, and to submit a request to Supply Division to review progress on the work in hand.
- The office's cash-transfer management was not in line with UNICEF policies and

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procedures. Funds were released to multiple partners through one account, and to partners with long-outstanding amounts, without appropriate authorization; there were cash transfers released as expenditures; and disbursements made were not in line with agreed workplans. The office has agreed to strengthen its cash-transfer management and comply with UNICEF policy.

## Conclusion

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

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## Objectives

The objective of the country-office audit is to provide assurance as to whether there are adequate and effective controls, risk-management and governance processes over a number of key areas in the office. In addition to this assurance service, the audit report identifies, as appropriate, noteworthy practices that merit sharing with other UNICEF offices.

The audit observations are reported upon under three headings; governance, programme management and operations support. The introductory paragraphs that begin each of these sections explain what was covered in that particular area, and between them define the scope of the audit.

## Audit observations

### 1 Governance

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

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

All the areas above were covered in this audit.

#### Staffing and recruitment

There had been a high turnover of Representatives in Cameroon office – four since 2008. In the period covered by the audit (January 2013-June 2014), the Representative position was vacant for five months, during which the Deputy Representative had been in charge. In addition, there were a number of other key positions that had been vacant for long periods. For example the Chief, Protection and Chief, Social Policy and Planning positions had been vacant for more than 10 months.

Other key programme and operations that were vacant included: HIV/AIDS Specialist L4, vacant since March 2014; HIV/AIDS Specialist NO3, vacant since June 2013; Child Protection Officer NO2, vacant since 2010; and Administrative and Financial Specialist NO3, vacant since

2011. While these positions had remained vacant, others had simply been abolished because of lack of funds, although they were needed. The changes and vacancies had made it harder to ensure smooth continuity in critical functions. In addition, vacant positions and various emergencies had increased the staff workload and had affected the governance of Cameroon office, reducing the office's capacity to achieve its priorities and monitor its performance.

The 2013-2017 country programme management plan (CPMP)<sup>1</sup> had included posts needed to support the new country programme. In order to develop the 2013-2017 structure, the office had had to analyze the skills/staff requirements required by the new programme. However, the CPMP did not provide a clear indication that the office had assessed what skills were needed and what was available in the context of the office's funding constraints.

For example, the office indicated that it did not have an adequate information and communication technology (ICT) structure to support 90 staff distributed between four offices (Yaoundé, Bertoua, Maroua and Douala), given that some issues could not be addressed remotely. At the same time, however, an ICT post was abolished due to funding constraints. As a mitigation measure, the current ICT staff conducted some field trips. These issues constrained effective support to programme implementation. They also increased pressure on existing staff and on the human resources unit.

It did not help that, where recruitment did take place, it took time. In 2013 and 2014 up to the time of audit, the office undertook recruitment of 57 staff. Of these, 31 positions were for emergency response and 26 positions for the regular programme. The audit noted significant delays in the recruitment process for all these posts (in some cases there were delays of over a year). The office did not have indicators to monitor the timeliness of the recruitment process. The emergency workload accounted for some of the delays; however, an analysis of the office recruitment monitoring report noted that one of the cause of the delays was difficulties in having staff available for the recruitment interview panel.

**Agreed action 1 (high priority):** The country office, with support from the regional office and with input from Division of Human Resources as necessary, has agreed to:

- i. Develop a human resources plan to minimize programme interruptions, and ensure that office governance is not negatively affected by staff turnover.
- ii. Re-assess staffing skills needed for the remainder of the 2013-2017 country programme in view of funding constraints and ensure a strategy to support the key skills requirements.

Staff responsible for taking action: Representative, Deputy Representative and heads of sections and resources mobilization specialist

Date by which action will be taken: March 2015

**Agreed action 2 (medium priority):** The office agrees to reduce delays in the recruitment process by identifying and addressing recruitment bottlenecks – in particular, it will specify the indicators that will be monitored for the timely recruitment of staff and it will also ensure that recruitment panels are available for timely completion of recruitment.

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<sup>1</sup> When preparing a new country programme, country offices prepare a CPMP to describe, and help budget for, the human and financial resources that they expect will be needed.

Staff responsible for taking action: Chief of Operations, human resources and country management team

Date by which action will be taken: November 2014

### Zone-office structures

There were three zone offices – in Douala, the commercial capital, where the office has a main warehouse, and in Bertoua and Maroua. The latter was new; for the new 2013-2017 country programme implementation strategy, the office had decided to close a zone office in N'gaoundéré and open one in Maroua instead. The UNICEF's West and Central Africa Region maintains a regional response hub for Central Africa in Douala<sup>2</sup> zone office.

The audit noted the following in connection with the staffing and organization of the zone offices.

**Opening and closing of zone offices:** The office had obtained permission from the Regional Office to establish the Maroua office from January 2014. The closure of N'gaoundéré and establishment of Maroua zone offices had been approved by the PBR.<sup>3</sup> However, the creation and closure of zone offices should also be formally approved by the Deputy Executive Director for Management. The office indicated that it was not aware of this requirement.

The audit also noted that Maroua was not yet classified as a UN duty station. Through the UN Resident Coordinator, the office had obtained a temporary classification; however, this was valid for one year only, ending in 24 July 2014. The classification of duty stations is established by the International Civil Service Commission (ICSC) according to living and working conditions, and provides an office with information on the entitlements of staff members serving in a given location.

**Zone-office reporting structure:** In Maroua, the Chief of the zone office reported to the Deputy Representative. The zone-office staff reported to the Chief, although with functional reporting responsibilities to the relevant programme sections in Yaoundé.

The Bertoua zoned office was established with three staff members and without a designated chief. These three staff members reported directly to their programme sections in Yaounde. At the time of the audit, however, there were actually 13 staff members in the Bertoua office, as 10 temporary staff had been brought in to help with the CAR emergency. Though the emergency team included a chief at the L3 level, none of the staff reported to that post. Because the CAR emergency is on-going and will continue to affect the Cameroon programme, there is need to review this zone office's reporting structure.

**Douala regional supply hub:** In the PBR submission, the country office's post allocation table included two posts based at the regional response hub in Douala that were funded by UNICEF's West and Central Africa Regional Office (WCARO). These two positions (one of which was vacant) did not report to the chief of the hub in Douala. One, the Logistics Assistant,

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<sup>2</sup> The regional supply hub in Douala was badly damaged by a fire in October 2013.

<sup>3</sup> The programme budget review (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.

reported to the Supply & Logistics Specialist in Yaoundé, and the other, a driver, reported to the Administrative Assistant based in Yaoundé. According to the country programme management plan (CPMP),<sup>4</sup> the two staff members were supposed to report to the Regional Supply Officer positioned in Douala.

**Monitoring and reporting zone-office results:** The zone-office priorities and key results were not specified, and there were no zone-office workplans. The Yaoundé office had not clearly specified how the zone offices' contribution to the planned results in the annual workplan (AWP) would be measured and monitored. The activities of the zone offices were not clearly linked to the country programme objectives, and there were no performance indicators developed to monitor zone-office activities.

**Agreed action 3 (medium priority):** The country office agrees to, with support from the Regional Office, take the following steps:

- i. Obtain written authorization for the closure of N'gaoundéré zone office and opening of Maroua zone office, and ensure that all the zone offices have the appropriate UN duty-station classification.
- ii. Ensure that changes in staffing in the zone office are formalized through a programme budget review submission, and that reporting structures are adequately documented.
- iii. Develop monitoring and reporting systems to be used by the zone offices, and ensure that zone-office priorities and key results are clearly specified in the office workplans and/or in other documents, such as the annual management plan.
- iv. Develop clear objectives and performance indicators, and use the latter to monitor the zone offices' activities and their contribution to strategic and programme objectives.

Staff responsible for taking action: Representative, Deputy Representative, Chief of Operations, heads of sections and country management team

Date by which action will be taken: June 2015

**Agreed action 4 (medium priority):** The office and the Regional Office agree to together review the regional hub reporting structure and make changes as appropriate.

Staff responsible for taking action: Chief of Operations, and Regional Office

Date by which action will be taken: March 2015

## Office priorities and performance measurement

Country offices are expected to prepare an annual management plan (AMP) in which they establish key priorities, and assign staff responsibilities for them. Progress on these priorities should normally be monitored by an office's country management team (CMT), which advises the Representative on the management of the country programme and on strategic programme and operations matters.

**Office priorities:** The office had developed AMPs for 2013 and 2014 that defined key programme and office priorities. There were 10 priorities identified in 2013 and 11 in 2014. Eight out of 10 priorities identified in the 2013 AMP had been carried over in the 2014 AMP.

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<sup>4</sup> When preparing a new country programme, country offices prepare a CPMP to describe, and help budget for, the human and financial resources that they expect will be needed.



A detailed review of sampled key priorities noted that they were not adequately reflected in the staff performance evaluation/appraisal system report of the staff concerned, and the office did not monitor and report on the achievement of key priorities. There was a link between this and some of the weaknesses identified during the audit. For example, developing an emergency response plan had been set as a priority but was not reflected in the PER of the relevant staff member, and it was not done. Since 2012, the country had faced major emergencies in the North and East regions. In the absence of a response strategy and an emergency workplan, with clearly assigned responsibilities and resources, it was not clear how the office managed the additional workload and how it ensured that the regular programme results were not compromised (see also observation *Planning for emergencies*, p12 below).

There was no evidence of a comprehensive annual management review that assessed progress against key priorities. The office had discussed and identified priorities for 2014 in a staff retreat, but had not reviewed what progress had been made against the priorities for the previous year.

**Performance measurement:** The office had identified a set of performance indicators that included long-outstanding direct cash transfers (DCTs), expiring grants, timeliness of donor reports, and a number of other areas. Data for these indicators were compiled weekly and analyzed during governance meetings (section chiefs, programme and CMT). The audit noted poor performance against some indicators, such as DCTs outstanding over nine months (they amounted to US\$ 1.4 million as of 8 July) and late submission of some donor reports. The office did not identify the causes for these or clearly define what needed to be done about them.

The audit noted that the majority of identified priorities and performance reviews were assigned to office management and might not have been clearly explained to, and understood by, staff at all levels, including those who might have to monitor them.

**Agreed action 5 (medium priority):** The office agrees to, in the development of the next annual management plan, take the following actions:

- i. Clearly define accountability and responsibilities for the management of identified key priorities at all levels, and include them in the personal appraisal/evaluation of relevant staff members.
- ii. Define specific actions to support the implementation of office priorities, and monitor progress made against them in the country management team meetings and in the annual management review.

Staff responsible for taking action: Representative, deputy representative, chief of operations, country management team

Date by which action will be taken: March 2015

## Governance area: 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 controls and processes over governance, as defined above, were generally established and functioning during the period under audit.

## 2 Programme management

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

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

All the areas above were covered in this audit.

### Country programme planning

UNICEF programmes should be evidence-based, both to bring about the best outcomes for children and women, and to ensure that advocacy on their behalf is also evidence-based. The audit noted two weaknesses in this area. The first concerned the analysis that informed the design of the 2013-2017 country programme; the second, modifications made to that programme one year in. The audit also noted gaps in the indicators that were to be used to measure progress in implementation.

**SitAn and planned results:** As a basis for planning a new country programme, offices should perform a situation analysis (SitAn) that presents as accurate as possible a picture of the situation of children and women in the country.

In order to have a sufficiently informed new country programme for 2013-2017, the office recruited an international firm on December 2011 to conduct the SitAn. The country office was not satisfied with the work, as it considered that the firm had just compiled information readily available without any analysis. The office terminated the contract and the SitAn was not completed.

In the absence of a finalized SitAn, the country office relied on the results of individual analyses and studies that were available to each programme section for the development of the new country programme for 2013-2017.

**Modification of programme results:** At the end of the first year of implementation of the new country programme, the country office began an analysis of the causes underlying major issues faced by women and children in the country. This exercise had been driven by the newly appointed Representative, who wished to refine the strategic direction of the programme given the specific challenges of Cameroon. The results of this analysis had led to changes in the programme results. Some were important, for example a shift to services to children with a focus on birth registration, the identification of chronic malnutrition as a priority, and a change from service delivery to upstream interventions in education. However, the analysis and the justification for the changes made were not documented, leaving no written rationale for the revised programme results.

The audit interviewed some implementing partners (the Ministries of Education, Health and Social Affairs), and none of them were fully aware of the reasons of the changes made.

**Programme results indicators:** The country office should establish and use indicators to measure, monitor and assess progress against expected programme results, and ensure that it has the required means of verification to establish the status of the indicators when needed.

At the occasion of the 2013 annual programme reviews, the country office established a new results matrix for 2014-2017 to comply with new guidance on the programme results structures. The audit reviewed the updated results matrix, and found that a number of baseline and target values for the outcome indicators, as well as means of verification, were missing. In addition, some means of verification included in the results matrix were not specific.

The office had not shared the updated results matrix with the Regional Office for quality assurance. It had also not yet updated the integrated monitoring and evaluation plan (IMEP) to include activities needed to collect the missing information, or to plan the surveys quoted in the results matrix as means of verification. (See also observation *Integrated monitoring and evaluation plan*, p20 below.)

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

- i. Document the situation analysis and justify changes in planned results.
- ii. Consult the implementing partners, providing them with information on, and the rationale for, the new programme results structure, and obtain their agreement on the revised programme results.
- iii. Update the integrated monitoring and evaluation plan to include the activities needed to draw up the needed indicators.
- iv. Ensure that the information for missing baselines and targets is collected and that appropriate means of verification are identified for each indicator.
- v. Share the updated programme results matrix with the Regional Office for quality assurance.

Staff responsible for taking action: Deputy Representative, Heads of sections, monitoring & evaluation and chief of PSP

Date by which action will be taken: March 2015

## Preparation and implementation of workplans

A country programme is operationalized through workplans that provide detailed activity planning and set out what will be accomplished during specific time periods. Workplans, which should be formally endorsed by the Government, serve as basis for all the programme disbursements. UNICEF programme officers and their counterparts in the partners should discuss and agree upon the tasks involved in the activities in the workplans. These tasks, once agreed upon, will be used by the partners as the basis for requesting the agreed inputs from UNICEF.

The UNICEF-supported programme was implemented in four priority regions (East, Adamaoua, North and extreme North) and the main partners there were the regional delegates of relevant partner Ministries, who submitted requests for funding of activities directly to UNICEF. However, the audit found that identification of the activities was on an *ad hoc* basis. None of the three regional delegates (Health, Social Affairs and Education) of the East region met by the audit had received a copy of the signed workplans from the government; they generally discussed requests for funding on a case-by-case basis either with relevant UNICEF programme staff or with their line Ministry. They therefore had no overview of the activities to be undertaken, making it harder for them to plan the activities ahead and to gain ownership of the programme.

**Agreed action 7 (medium priority):** The office agrees to support implementing partners in improving their operational planning, and ensure that there is a process for discussion and agreement on the activities for which the implementing partners are responsible.

Staff responsible for taking action: Representative, Heads of section and Chiefs of Sub-Offices

Date by which action will be taken: April 2015

## Planning for emergencies

Since December 2013 there had been an influx of refugees from the Central African Republic (CAR) into the country.

The audit noted that the CAR emergency had had an impact on the functioning of the Cameroon country office, as it diverted a significant part of the office's resources and effort. In addition, staff in Bertoua zone office in the East region, dedicated initially to monitoring education activities of the regular programme, had been reinforced by an additional 10 staff members and consultants and was now involved mostly in the emergency response. Despite this, as of the date of the audit the country office did not have a documented strategy for response to the CAR refugee emergency, and had not prepared an emergency workplan. Instead, its response was operationalized through rapid response plans (RRPs), sectoral concept notes, and proposals submitted to various donors. In the absence of a response strategy, and an emergency workplan with clearly assigned responsibilities and resources, it was not clear how the office managed the additional workload or how it ensured that the regular programme results were not compromised.

The office explained that at the end of 2013, the UN in Cameroon had forecast an influx of 10,000 refugees, and the office had thought that its contribution could be handled within the regular programme framework, as the area concerned was part of the four priority zones of intervention of the programme. In fact, by the end June 2014, the office of the United Nations

High Commissioner for Refugees (UNHCR) had registered over 106,000 CAR refugees in Cameroon, and 57 percent were children, of which about 20 percent were below five years of age. The office now acknowledged the need for more structured management of the CAR emergency and had already requested the support of the Regional Office to prepare a comprehensive emergency action plan that also included the northern part of the country, which is prone to natural disasters and faces a volatile security situation.

**Agreed action 8 (medium priority):** The office agrees to prepare an emergency strategy and action plan that reflects both the influx of refugees from the Central Africa Republic and the requirements of the regular country programme. The strategy should establish an accountability framework for the management of the emergency, and the responsibilities should be included in the performance evaluation reports of relevant staff.

Staff responsible for taking action: Deputy Representative, Emergency Focal Point, head of sections and Chief Sub Offices

Date by which action will be taken: January 2015

## Harmonized Approach to Cash Transfers

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 makes this possible 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 the individual implementing partners, both government entities and NGOs. There should also be audits of implementing partners expected to receive more than US\$ 500,000 during the programme cycle. There should also be a macro-assessment of the country's financial management system. As a further safeguard, the HACT framework requires offices to carry out assurance activities regarding the proper use of cash transfers. Assurance activities should include spot checks, programme monitoring and special audits.

HACT is also required for other UN agencies, and country offices should coordinate with them to ensure best use of resources.

A macro-assessment had been completed in April 2014 and was being reviewed by UNICEF and the other UN agencies present in the country. However, UNICEF and other UN staff had not been trained on HACT, and neither had partners' staff. There was limited staff knowledge of the HACT framework. The FACE form<sup>5</sup> was used but not properly (see observation *Management of cash transfers*, p23 below). Micro-assessments had been conducted, but for only three partners. The audit visited two of these, both NGOs, and was told that there had been no systematic de-briefing; one of the two NGOs had not received a copy of the micro-assessment report and was not aware of the issues raised or the recommendations made. The

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<sup>5</sup> 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.

audit also noted that implementation of recommendations was not followed up by the office staff.

Moreover, the micro-assessments had been completed after the agreement was signed and disbursement made, despite the fact that the objective of HACT is to assess a partner's risk level and manage cash transfers accordingly.

Instead of implementing risk-based assurance activities, as prescribed by the HACT framework, the office had decided to continue to request all partners to submit detailed receipts, bills and invoices, so as to verify that the funds were used for the intended purposes. The huge number of documents received from partners created an enormous workload for both programme and operations staff, who had to review them. It also slowed down the liquidation of cash transfers. The audit reviewed eight sample cases, and found that, with one exception, the time taken from receipt of liquidation documents from partners to verification of liquidation was 40 days or more. Moreover, requesting receipts did not provide reasonable assurance that funding had been used as agreed, since it was not always possible to know whether the receipts were genuine.

**Agreed action 9 (high priority):** The office agrees to, with the support from the Regional Office:

- i. Prepare and implement a comprehensive plan for implementation of the Harmonized Approach to Cash Transfers (HACT).
- ii. Ensure that all staff members and implementing partners are trained on HACT, are aware of HACT guidance and understand the HACT framework.
- iii. Comply with UNICEF policies in respect of cash transfers by ensuring correct use of the Funding Authorization Certificate of Expenditure (FACE) form.
- iv. Use micro-assessments to determine the level of risk and manage cash transfers according to the level of risk identified use assurance activities to mitigate risks identified. The office will use the process suggested by the HACT guidance and procedures and will discontinue the process of collecting invoices and other liquidation documents to support cash transfer liquidations.

Staff responsible for taking action: Deputy Representative, HACT Focal Point, and the Quality Assurance Committee

Date by which action will be taken: March 2015

## Oversight of construction work

In 2013, the office undertook major construction activities through two NGOs, with which it signed project cooperation agreements (PCAs) amounting to US\$ 3.9 million for the construction of schools and latrines, and other related activities. These works were not part of the programme workplan. They were mainly a response, based on a rapid assessment, to a flood emergency that had occurred in the Northern Province and Extreme North. The office obtained short-term emergency funding to support the construction activities. The decision to implement most of the construction projects through NGOs was based on limited office and government staff capacity.

The signed agreement with NGOs included community mobilization activities as well as construction work. One NGO signed an agreement amounting to US\$ 1.7 million for a period

of six months from July to December 2013, covering school construction (which accounted for just over US\$ 1.2 million) and related activities. The other NGO signed an agreement for a period of 18 months for US\$ 2.2 million, of which just over US\$ 1.3 million was for WASH construction and the balance for other related activities.

The audit made observations on the process by which the office had entered into the PCAs concerned, and on disbursements and liquidations related to the work.

**Process for entering into PCAs:** There are challenges in managing construction projects, and UNICEF encourages country offices embarking on such work to approach Supply Division (SD) for support. In addition, a local procurement authorization (LPA) from SD is required for every project above US\$ 100,000, regardless of whether an office is implementing it itself or doing it through an NGO or government partner. The LPA should be obtained before starting the bidding/selection process.

The office had not obtained an LPA prior to formalizing the PCAs (it stated that it was not aware of the LPA requirement). It also did not request technical input or support from SD at the beginning, and missed critical guidance from SD on review of an NGO's capacity to implement construction projects. The office did micro-assess the two partners, but did not make any use of the results of the micro-assessments (see previous observation, *Harmonized Approach to Cash Transfers*.)

The office did seek Regional Office approval before the signing of the two PCAs, although this was not a requirement. Although this approval was obtained, the Regional Office raised concerns related to the construction work and placed conditions on the country-office management. However, the office did not specify how it would meet those conditions, and the Regional Office did not monitor how its concerns were addressed. The audit's review of minutes of the PCA review committee (PCARC) meetings did not show that it had considered the questions raised by the Regional Office, or established any system to ensure they were addressed. Neither did they show that there had been a technical analysis of the planned construction work.

The lack of an effective assessment of the NGO's capacity to undertake the construction projects, plus a lack of analysis of key risks and capacity gaps, had resulted in significant weaknesses in implementation.

**Timeframes and disbursements:** The PCA timeframes were not in line with the construction schedule. In one instance, the duration of the project was six months, from July to December 2013. The PCA stated however that additional monitoring and supervisory activity would take place until February 2014, and that the final inspection was to be carried out one year after issue of the certificate of substantial completion. The certificate of final completion would therefore be issued in December 2014, assuming that any defects that had become apparent during the previous year had been repaired. The PCA should have covered the whole of this period, which was in effect the duration of the project. The second PCA was signed for a period of 18 months from June 2013 to 15 December 2014. In this PCA, the period and the amount paid was also not clearly linked to the construction work schedule. Indeed, the construction schedule was more than a year while the payments were spread over the first period of eight months.

The audit also noted that the PCA agreements defined disbursement in terms of percentage at specific dates that did not correspond with the construction work completion schedule but

were defined in terms of submission of activity reports, i.e. 50 percent at the signing of the agreement, 30 percent at the submission of a report and 20 percent at the submission of the final report. Discussion with office and NGO staff indicated that there had been delays in implementing construction work and confirmed that the agreement, which was still active at the time of the audit, was to be amended to reflect construction delays, as well as the entire duration of the construction work until the certificate of final completion is issued.

Funds were released to the NGOs before the grant expiry dates. The office indicated that this happened because of the short duration of the grant. However, it posed a greater risk of loss of funds and did not reflect good management of financial resources.

The audit also noted that for the six-month PCA, the first disbursement, of US\$ 873,051 (50 percent), was made in July 2013 and a second disbursement, of US\$ 811,313, was made in February 2014 after the expiry of the signed PCA. The second disbursement was not linked to the implementation schedule. As of 8 July 2014, this NGO had an unliquidated balance that had been outstanding for over six months of US\$ 563,818.

For the 18-month PCA, the NGO received the first tranche at contract signature; the second and third transfers were, again, disbursed in February 2014 at the time of grant expiry, although the NGO had faced serious construction challenges that had delayed the construction work, and stated at the time of audit that construction activities were not yet completed. This NGO too had an unliquidated balance outstanding for over six months at the time of audit, in this case amounting to US\$ 1,800,625 as of 8 July 2014. Of this amount, US\$ 1,448,116 in liquidations had been received in the office and were being processed. As noted elsewhere in this report, delays in liquidations were also linked to the office requirement to obtain all original invoices.

Discussion with office and NGO staff confirmed that there had been a bottleneck in reviewing the supporting documents for liquidation. However, the audit was informed that there were also various obstacles to implementation of the construction projects within specified timeframes, including inaccessibility during the rainy season and shortcomings of third-party contractors.

The short duration of grants (six to nine months) was also a primary cause of shortcomings identified, in that it had led to the short duration of the PCAs; because the latter did not cover the whole of the construction period, there was no redress for poor work done outside the periods they covered. The audit noted that these constraints were already known to the office and could have been mitigated through better planning.

Despite the amounts involved, the disbursement of funds not in accordance with the PCAs and construction schedule, and the various delays in completing the activity and submitting liquidation statements, the office had not conducted an audit at the end of the project to confirm that project was conducted, and funds used, as intended. (This audit was in fact specified in the PCAs.) The office had also not asked SD to review progress and make recommendations for the work's completion.

**Agreed action 10 (high priority):** The office agrees to strengthen the oversight structure over construction work by ensuring that:

- i. Local procurement authorization is obtained when required, and before starting the bidding and selection process; and is presented to the relevant committees so that



- they can confirm that it has been obtained.
- ii. A request is submitted to Supply Division to review the overall progress of the construction work and provide recommendations to ensure its satisfactory completion.

Staff responsible for taking action: Supply Specialist, Chairperson of PCARC & CRC and the Supply Specialist

Date by which action will be taken: November 2014

**Agreed action 11 (high priority):** The office agrees to:

- i. Establish a work process for construction work, and, with input from the Regional Office, Supply Division and Public Partnerships Division, define how to handle construction in an emergency situation. More specifically, ensure that all construction projects are part of signed workplans, and that construction and payment procedures defined.
- ii. Conduct, as scheduled, an end-of-project audit as mentioned in the signed programme cooperation agreement (PCAs) and establish a mechanism to implement any recommendation that may be raised before the end of amended PCAs.

Staff responsible for taking action: Quality assurance committee

Date by which action will be taken: March 2015

## Resource mobilization

Country offices are expected to develop and implement a resource mobilization<sup>6</sup> strategy to secure approved Other Resources (OR)<sup>7</sup> in support of the Country Programme. The strategy should set specific targets for the programme period and outline how, where, when and with whom resource mobilization activities will be undertaken.

According to the approved country programme document for 2013-2017, the planned country programme budget amounted to US\$ 79.5 million, of which US\$ 47.7 million was OR – i.e. 60 percent. The country office needs to raise this OR to achieve its planned programme results. Out of the approved OR ceiling of US\$ 47.7 million, US\$ 15.7 million, or 33 percent, had been raised at the time of the audit, which was the second year of the current country programme. In addition, the office received US\$ 20.3 million in other resources emergency funding (ORE) in 2013-2014, mainly for the CAR refugee crisis.

The overall fundraising performance was satisfactory, but there were shortfalls for some specific areas. The country office indicated that it was facing difficulties in raising funding for Monitoring and Evaluation, Communication and Child Protection. In fact, when the audit reviewed the VISION data, it found that the programme components least funded, as of June 2014, were Child Protection and Basic Education, with OR funding of 12 percent and 18 percent respectively. The Young Child Survival programme component seemed to be well funded, with an overall availability of OR of 58 percent; however, there were some outcomes

<sup>6</sup> 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.

<sup>7</sup> For a definition of Other Resources and Regular Resources, see *Summary*, p2 above.

with notable funding gaps, such as outcome 1 of Health (*cadre normatif*) and outcome 3 of Nutrition (*Communautaire*) that were only 12 percent and 8 percent funded respectively. Moreover, as noted earlier in this report (see *Staffing and recruitment*, p5 above), a number of post were vacant for periods varying from three months to four years because of lack of OR funding.

The audit noted that although the office had had a draft resource mobilization strategy since May 2013, it had not yet been finalized. Furthermore, the audit noted that the draft strategy did not meet the guidance on resource mobilization strategies issued by UNICEF's Private Funding and Partnerships office (PFP). The strategy did not indicate critical funding needs by sector, or specify fundraising targets for underfunded outcomes. Moreover the office had planned overall budgets by neither output nor by year; doing so would have provided benchmarks to assess the funding status of the outputs at any given time. Even at the outcome level, the audit did not find evidence of monitoring of the status of OR against the planned amount. The office also lacked a system to allow for systematic monitoring of proposals to donors and proactive follow-up with potential donors.

There was also no resource mobilization accountability framework with clear responsibilities assigned to specific staff members. The audit reviewed a sample of performance evaluation reports (PERs) of programme staff and noted that they were not always specific. For example, the PER of a senior programme staff member stated: "contribute to fundraising and resource mobilization", but without specific indicators.

**Agreed action 12 (medium priority):** The country office agrees to:

- i. Prioritize the finalization of the resource mobilization strategy, including specific objectives for fundraising, and a list of planned activities with assigned responsibilities and timelines; and regularly monitor its implementation at an appropriate level.
- ii. Assign responsibilities for the management and monitoring of resource mobilization activities, and reflect those responsibilities in the performance evaluation reports of relevant staff, using specific indicators.
- iii. Establish a mechanism to monitor, on a regular basis, the funding status of outcomes and outputs against planned amounts, and the status of proposals to donors; and take appropriate action as needed.

Staff responsible for taking action: Representative, Deputy Representative, resource mobilization specialist

Date by which action will be taken: May 2015

## Monitoring of programme implementation

Country offices are expected to establish mechanisms, guidance and standards for on-site monitoring of programme implementation. A good field-monitoring programme requires that an office plan its field monitoring, that it have clear guidelines as to what information should be gathered and how it should be presented, and that it should systematically follow up on the recommendations arising from trip reports. The audit reviewed the office's field monitoring and reporting, and noted the following.

**Field-monitoring tools:** In February 2014, the management had proposed use of two new tools. One was a trip report template, and the other one was a spreadsheet for following up

on the recommendations arising from field visits. Staff were to use both from 1 March 2014. The audit reviewed the new template and noted that it did not provide for the comparison between the expected results of the mission and those actually achieved. There was also confusion between one section of the template that covered recommended-follow up and another on mission recommendations. Also, as of the date of the audit (July 2014), the proposed system for monitoring field-trip recommendations had not yet implemented.

The office lacked a standard operating procedure (SOP) and performance indicators related to field monitoring visits, such as minimum number of field- monitoring missions by category of staff (chief of section, programme officers, etc.).

**Planning:** The planning for field visits was done twice a month, but only to plan driver and car use.

**Quality of reports:** The audit reviewed six reports from field-monitoring trips by the *Young Child Survival and Education* sections – among the most significant programme components. The following was noted:

- Monitoring objectives were not systematically stated.
- Progress noted was not assessed against expected achievements.
- Recommendations were not systematically specific, being formulated in broad terms and omitting responsible staff and timelines.
- In some instances, there were no recommendations even though some important issues were noted.
- Trip reports were not always signed by the respective supervisor. When they were, the supervisor did not comment on the content/follow-up of the report.
- Causes of the issues raised were not mentioned.

The office had not established field-monitoring standards and the quality review of field monitoring reports was not adequate.

**Programme reviews:** Offices are expected to conduct at least one programme review with counterparts to assess progress against planned results, identify constraints and decide on corrective measures for the following workplan.

The office undertook two sectorial programme reviews each year, at the middle and end of the year. The audit reviewed the minutes of 2013 annual review of one of the largest programme components, which encompassed three programmes. A wide range of partners had participated, including the regional delegates, NGOs, and a number of other UN agencies. The minutes showed that the findings and recommendations of the review had been agreed upon and recorded. However, the recommendations from this review were general and not specific. Also, the audit tracked four of these recommendations to the updated workplan but could not find evidence that three of them were taken into consideration.

These shortcomings occurred because there was no quality assurance process over the results of programme reviews.

**Agreed action 13 (medium priority):** The country office agrees to enhance its monitoring of programme implementation by establishing a system that ensures the following:

- i. Inclusion, in all field-monitoring reports, of the results expected from the field visits and an indication as to whether the expected results were achieved or not.
- ii. The framing of all field-trip recommendations so that they are specific, with assigned responsible staff and timelines.
- iii. Implementation of the process for monitoring the status of implementation of recommendations from field visits.
- iv. Exercise by supervisors of their quality assurance oversight responsibility when authorizing travel requests and reviewing trip reports.
- v. Establishment of a process to ensure that programme review recommendations are specific and are taken into consideration in the following workplans.

Staff responsible for taking action: Deputy Representative, Heads of sections, Monitoring & Evaluation and the country management team.

Date by which action will be taken: April 2015

### Integrated monitoring and evaluation plan (IMEP)

Annual IMEPs had been prepared for 2013 and 2014, as well as an overall IMEP for the 2013-2017 country programme.

As of end December 2013, out of 10 surveys, studies and evaluations planned in the IMEP for that year, one had been completed, seven cancelled, and two carried over and included in the 2014 IMEP – a completion rate of 10 percent. None of the five evaluations planned in 2013 had taken place – including evaluation of two education pilots, which meant the office did not have the information needed to decide on their outcome and whether to take them to scale.

According to the office, this was due to ambitious planning, and to inclusion of some activities that had not really been needed and were subsequently cancelled. In some instances, the information sought was found to be available from another source.

The audit noted that there was no formal process for preparation and regular review of the IMEP to ensure that it was focused on the most important activities, and that those planned would be completed. The office stated that the Representative and the monitoring and evaluation (M&E) unit discussed the preparation of 2014 IMEP with each programme section, but these discussions were not documented.

The office had lately started to improve its controls over the IMEP. In 2014, the M&E unit introduced a new procedure for programme sections to justify inclusion of activities in the IMEP, but only two out of six of the sections had complied. In addition, during its meeting of April 2014, the country management team had recommended that the Education, Nutrition and WASH programmes be evaluated before the end of the current country programme in 2017. However, the rationale for this decision was not explained in the minutes and the 2013-2017 IMEP was not updated accordingly. No evaluation was envisaged for the Child and Maternal Health programme, even though it had not been evaluated for the last five years.

For 2014, only one evaluation was planned (related to the WASH programme).

**Agreed action 14 (medium priority):** The office agrees to:

- i. Establish an office-wide process to strengthen oversight over the preparation,

implementation and follow-up of the Integrated Monitoring and Evaluation Plan (IMEP), and ensure a satisfactory implementation rate.

- ii. Define criteria, and document the rationale, for selection of specific programmes to be evaluated, and ensure that pilot programme evaluations are included in the IMEP and implemented.

Staff responsible for taking action: Deputy Representative, Monitoring & Evaluation and the country management team

Date by which action will be taken: February 2015

## Donor reporting

Country offices are expected to produce timely, good-quality donor reports that are acceptable to donors. This includes comparing results achieved, activities implemented and actual expenditures against those planned.

According to VISION data on donor reporting, out of 19 reports due in 2013, nine (47 percent) had been sent on time and 10 (53 percent) were late. In 2014, as of 4 June, out of nine reports due, seven (78 percent) were sent on time and two (22 percent) were late. The programme coordination team (PCT) was closely following up the timely submission of reports and the utilization of non-grant funds before their expiry.

According to the office, this situation was caused by delay in the preparation of some draft donor reports, by the quality assurance process requiring more time than expected in some cases where the reports were of poor quality, and in some instances by non-compliance with the office's review and transmission procedure.

The audit reviewed four donor reports. The following were noted in one or more of them:

- When the funding received was less than the amount requested in the proposal, the latter was not adjusted to indicate what specific results would be achieved and how the grant would be used. There was therefore no benchmark against which to assess reported progress of activities and spending.
- Reported results were expressed in terms of activities and not results, and achievements were not reported against the expected results indicated in the proposal.
- Activities and achievements reported were global and not specific to the contribution subject of the donor report.
- The donor was not asked for feedback on the report.

The office had prepared an SOP for donor reporting that assigned responsibility for quality assurance of all donor reports to the Deputy Representative, with support from social policy and M&E staff. However, this SOP was included in the office resource mobilization strategy that had not yet been finalized as of the date of the audit (see observation *Resource mobilization*, p17 above).

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

- i. Analyze the causes of some donor reports being submitted late and take corrective action.

- ii. Review, reinforce and finalize its quality assurance process over the quality of donor reports, to ensure in particular that achievements reported to donors are expressed in terms of actual against planned results, that proposals are adjusted to funding received and that donors are systematically requested to provide their feedback.

Staff responsible for taking action: Resources mobilization specialist, the Reporting specialist, Monitoring & Evaluation and the Quality Assurance Committee

Date by which action will be taken: March 2015

### **Programme management: Conclusion**

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

### 3 Operations support

In this area the audit reviews the country office's support processes and whether they are in accordance with UNICEF Rules and Regulations and with policies and procedures. The scope of the audit in this area includes the following:

- **Financial management.** This covers budgeting, accounting, bank reconciliations and financial reporting.
- **Procurement and contracting.** This includes the full procurement and supply cycle, including bidding and selection processes, contracting, transport and delivery, warehousing, consultants, contractors and payment.
- **Asset management.** This area covers maintenance, recording and use of property, plant and equipment (PPE). This includes large items such as premises and cars, but also smaller but desirable items such as laptops; and covers identification, security, control, maintenance and disposal.
- **Inventory management.** This includes consumables, including programme supplies, and the way they are warehoused and distributed.
- **Information and communication technology (ICT).** This includes provision of facilities and support, appropriate access and use, security of data and physical equipment, continued availability of systems, and cost-effective delivery of services.

All the areas above were covered in this audit.

#### Management of cash transfers

Cash transfers to implementing partners disbursed in 2013 amounted to US\$ 6.5 million, which was 26 percent of total expenditure. In 2014 as of 16 June, cash transfer disbursed amounted to US\$ 3.5 million, or 35 percent of the total expenditure. On 16 June 2014, the amount of direct cash transfers (DCTs) outstanding for Cameroon amounted to US\$ 7.7 million; of this, US\$ 1.4 million had been outstanding of more than nine months.

The audit noted that the office did not have a clear picture of partners' capacity for planning and managing DCTs at project level, and UNICEF staff were not aware of the financial administration arrangements within its partner organizations. Partners had not been trained on development of acceptable DCT requests, and the office did not have a work-process for the timely release of DCT to partners. Responsible government and non-governmental partners met by the audit stated that they had not been trained in UNICEF procedures, although they had received various forms to be used for requesting cash transfers and submitting invoices for liquidations.

**Cash transfers disbursements to counterparts:** The audit reviewed a sample of cash-transfer disbursements and noted that in 12 out of 18 cash transfers, the amount did not tally with the counterpart requests. For example a government partner received XAF 169,629,600 (US\$ 340,000), against a request of XAF 12,131,000 (US\$ 24,300). It was noted that additional cash was for seven other implementing partners that had long-outstanding cash transfers and which, based on UNICEF procedures, should not have received additional funds unless there was prior approval by the Regional Office or the Comptroller. These indirect transfers also distorted the relevant accounts and the monitoring of outstanding DCT. Moreover, they risked loss of the funds transferred to partners that were unwilling or were unable to account for

prior funds.

The audit review of sampled disbursements also noted that most of the DCT requests were submitted late. Examples included five polio campaign-related DCTs amounting to US\$ 2.9 million. For those cash transfers, requests and disbursement were made late and in some instances approval from the Regional Office had to be obtained in order to release DCT to partners with balances outstanding over six months. In some other instances, the government had to release advance funds at the start of the campaign.

Partners requested disbursements by letter, but the office had no guidelines as to what information should be in that letter. In addition to the request letter, partners submitted FACE forms, but these were not properly completed in any of the 18 cases sampled. The FACE form was not signed by both UNICEF staff and counterpart

In three instances, DCTs were recorded directly as expenses. These DCTs could therefore not be monitored, and the outstanding balance (which was over 10 months) in those instances was not reflected in the DCT monitoring report.

The office systematically notified partners of the cash transfer amount approved for payment and the date of payment; it was however noted that in nine out of 18 transactions reviewed, the partners did not acknowledge receipt of DCT. In another nine transactions, acknowledgements were signed late – up to a year after the disbursement was made.

**Liquidations:** The audit reviewed a sample of cash-transfer liquidations – that is, the process by which partners account for the use of funds, and those funds are then accepted by the office as spent rather than outstanding. The audit noted the following:

- The office did not use FACE form for liquidation. It instead obtained a summary-of-expenditures statement that was not signed by responsible implementing partners who received the funds.
- In 10 out of 16 sampled liquidations, no summary of expenditures was provided for total or partial liquidation; the liquidation required addition of invoices received from partners. In three instances, the summary of expenditures was included but not dated, making it hard to monitor the timeliness of the request.
- In 11 instances, the amount stated in the summary of expenditures differed from the amount that was liquidated in VISION. The differences ranged from US\$ 24 up to US\$ 52,000. The absence of signed statement reduced the accountability of the partners and programme involved in the process.
- In five cases, there were delays of over two months in liquidation.
- Long-outstanding DCT had affected programme implementation. In one case, a partner had had outstanding DCT that had prevented further transfers for over a year; consequently that partner had not implemented any activities in 2014. In another case, US\$ 20,000 had been released wrongly to an implementing partner and the office had not been able to recover the entire amount. A balance of US\$ 10,000 was recovered at the time of audit.

**Agreed action 16 (high priority):** The office agrees to:

- i. Discontinue the system of releasing funds to multiple partners through one account, and comply with UNICEF procedures on releasing cash transfers to partners with long-



- outstanding cash transfers without appropriate authorization.
- ii. Train staff and partners and strengthen their compliance with the correct policies and procedures.

Staff responsible for taking action: Deputy Representative and HACT focal point

Date by which action will be taken: February 2015

## Procurement of goods and services

The audit reviewed the office's procurement of goods and services and noted the following.

**Contracts for services:** As of June 2014, there were more than 150 contracts for services that were open in VISION. The audit reviewed a sample of 14 contract transactions, and noted that in six instances, the contract was signed after the start date of the activities and in one case the contract was not signed by the contractor.

In three instances, consultants were performing staff responsibilities. The audit noted that the signed contracts did not have clear deliverables, and monthly activity reports were not linked to monthly payments. In one instance (logistics officer), the evaluation was not done and a certificate of completion issued before payments were made.

**Supply procurement:** The office procured supplies not only for Cameroon but also for the CAR country programme. The office had signed various long-term agreements (LTAs) with an integrated logistics provider that provided customs clearance, freight, warehousing and transport of goods. The audit noted that there were unpaid invoices from 2010 to 2013 amounting to approximately US\$ 64,000. Discussion with the office and the company indicated that among the various reasons for the delays was the absence of a mechanism for recording invoices; the office and the contractor therefore found it difficult to identify which invoices were accepted and/or rejected. The audit also noted that the office had issued five LTAs to four local suppliers and in one instance procurement was made against an expired LTA.

There were also some delays noted in clearing items received at the port. The freight forwarding company indicated that long delays in clearing food supplies was because it had to obtain customs clearance without the appropriate health certification from the supplier (*attestation phytosanitaire d'origine*, which was to be provided by the office). Examples included three containers of Plumpy'nut that had been kept at the port since June 3, 2014 because of insufficient documentation presented to Cameroon customs for clearance.

The audit also noted that no market survey was conducted during the period under review.

**Agreed action 17 (medium priority):** The office agrees to strengthen its procurement for goods and services by ensuring that:

- i. Staff are trained in monitoring and managing contracts using VISION.
- ii. Payments to contractors are based on specified outputs/deliverables and completed evaluation of performance.
- iii. A market survey is conducted of potential suppliers of goods and services.
- iv. There is a process to monitor unpaid invoices and ensure timely payment of suppliers.

- v. All required documents for clearance of supplies from customs are provided to the clearing agency in a timely manner.

Staff responsible for taking action: Supply Specialist

Date by which action will be taken: February 2015

## Asset management

The office conducted inventory counts of its assets in 2013 and 2014. A physical count was conducted on 30 June 2014 in Yaoundé. A physical count of N'gaoundéré office was conducted on 12 March 2014 before the transfer of assets from N'gaoundéré to Maroua. The physical counts did not however include UNICEF assets in the Bertoua and Douala zone offices.

The review of the inventory sheets noted that they included very limited information about each item, i.e. office location, short description and inventory number. In the last asset count, the office had had 1,035 assets in total, out of which 213 had no asset number assigned. Given the limited information in the physical count reports, it was not possible to reconcile the information in the reports and in VISION. The office had not reconciled physical count reports with the VISION asset inventory report.

The audit also noted that various bits of information related to each asset were not included in VISION, with the field in its inventory report left blank. Missing information included asset master record number, inventory number, room, site and more. Furthermore, the VISION report did not correctly reflect PSB<sup>8</sup> decisions and action taken. PSB status recorded was "pending PSB review", and action taken based on the 2013 PSB meeting was not reflected in the system.

The June 2014 physical count report did not include the count of office vehicles. The office PPE report submitted to DFAM in August 2013 included 19. For the same period, the VISION record showed five office vehicles. The difference involved vehicles purchased prior to VISION implementation that were not recorded in it, including three vehicles that were presented to the PSB for disposal. The audit confirmed that the vehicles were still at the office and still in use.

Some items that were procured prior to VISION migration were not recorded in VISION. Conversely, the office had recorded some low-value items as assets and capitalized them.

The Chief of Operations stated that the June 2014 count was an interim count to validate items in each office. A physical count by an external consultant was planned for later in 2014.

**Agreed action 18 (medium priority):** The office agrees to:

- i. Ensure there is a physical count of all property, plant and equipment (PPE) in the Yaoundé office and in the three zone offices, and that the inventory sheet includes all required information.
- ii. Reconcile information included in the physical count inventory report with that in VISION, investigate discrepancies and ensure that all pre-VISION PPE is correctly recorded and reported.

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<sup>8</sup> The PSB is the property survey board. This is a committee in country and other offices that makes decisions on the disposal of obsolete or damaged assets.

Staff responsible for taking action: Chief of Operations

Date by which action will be taken: November 2014

### **Operations support: Conclusion**

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

## Annex A: Methodology, and definitions of priorities and conclusions

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

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

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

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

### Priorities attached to agreed actions

- High:** Action is considered imperative to ensure that the audited entity is not exposed to high risks. Failure to take action could result in major consequences and issues.
- Medium:** Action is considered necessary to avoid exposure to significant risks. Failure to take action could result in significant consequences.
- Low:** Action is considered desirable and should result in enhanced control or better value for money. Low-priority actions, if any, are agreed with the country-office management but are not included in the final report.

### Conclusions

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

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

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

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

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

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

Based on the audit work performed, 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.

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

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

An ***adverse*** conclusion would be issued where high priority had been accorded to a significant number of the actions agreed. What constitutes “significant” is for the auditor to judge. It may be that there are a large number of high priorities, but that they are concentrated in a particular type of activity, and that controls over other activities in the audit area were generally satisfactory. In that case, the auditor may feel that an adverse conclusion is not justified.