Internal Audit of the East Caribbean Area Office

March 2014

Office of Internal Audit
and Investigations (OIAI)
Report 2014/04

_____

Summary

The Office of Internal Audit and Investigations (OIAI) has conducted an audit of the East Caribbean Area Office. The audit was conducted during the period 30 September to 11 October 2013, and covered governance, programme management, and operations support during the period from 1 January 2012 to 30 September 2013.

The 2012-2016 UNICEF Board-approved, multi-country programme for the East Caribbean Area has a total budget of US$ 32 million for the five-year period. Of this, US$ 16 million is regular resources (RR) and US$ 15 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 UNICEF Eastern Caribbean Area Office covers eight middle- and high-income Caribbean countries (Antigua and Barbuda, Barbados, Dominica, Grenada, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, and Trinidad and Tobago) and four British Overseas Territories (Anguilla, British Virgin Islands, Montserrat and Turks and Caicos Islands). The countries covered by the Area Office operate under three separate United Nations Country Teams (UNCTs). These are the Barbados and Organisation of Eastern Caribbean States (OECS) UNCT, the Trinidad and Tobago UNCT, and the Turks and Caicos UNCT (which is the responsibility of the Jamaica UNCT). This has contributed to challenges in programme management under different United Nations Development Assistance Framework (UNDAF) processes.

The multi-country programme has two main components: *Evidence-based advocacy and capacity building* and *Lifelong learning and protection.* The East Caribbean Area office is based in Bridgetown, Barbados and has a total workforce of 22 approved posts (six international posts, seven national officers and nine general service staff); this includes one out-posted staff member in Trinidad and Tobago.

Action agreed following the audit

In discussion with the audit team, the Area Office has decided to take a number of measures. Three are being implemented as a high priority—that is, they relate to issues that require immediate management attention. These actions concerned the following:

- Some planned results did not have indicators and baselines which impeded performance monitoring and measurement. The Area office was in the process of addressing these gaps.
- Macro- and micro-assessments that are required under the Harmonised Approach to Cash Transfers (HACT) had not been completed. The assurance plan did not include programmatic visits and there were no scheduled audits of eligible implementing partners. The office has agreed to ensure that HACT is properly implemented.
- The office disbursed some cash transfers in excess of implementing partners' capacities to use the funds in a timely manner. Also, some implementing partners had multiple accounts recorded in VISION. The office has agreed to address these concerns.

_____

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 in the East Caribbean Area Office were generally established and functioning during the period under audit.

The East Caribbean Area office has prepared action plans to address the issues raised.

The Area Office, with support from the Latin America and Caribbean Regional Office (LACRO), and OIAI will work together to monitor implementation of these measures.

Office of Internal Audit and Investigations (OIAI)   March 2014

_____

Contents

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.

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, except identification of country priorities and performance measurement, were covered in this audit.

Satisfactory key controls
The audit found that controls were functioning well over a number of areas including (but not necessarily limited to) the following:

The Area Office's priorities had been identified and were regularly discussed in the Area Management Team. Staff generally stated that they were well aware of the priorities.

Organisational structure and staffing
When preparing a new country programme, country offices prepare a country programme management plan (CPMP) to describe, and help budget for, the human and financial resources

_____

that they expect will be needed. A main objective of the CPMP is to establish a match between the total amount of programme funds sought, the activities to be carried out, and the management capacity of the country office.

As set out in the 2012 to 2017 Multi-Country Management Plan (MCPMP),[1] the East Caribbean Area programme is managed by an office staff of 21 posts in Barbados who cover the 12 countries/territories of the Eastern Caribbean area, and one international professional staff member – a Social and Economic Specialist – stationed in Trinidad and Tobago. The latter's mandate also includes the 12 countries/territories, plus coordination of close collaboration with the UN Economic Commission for Latin America and the Caribbean (ECLAC) and centres of excellence. The MCPMP states that "by 2014, or even before, the office will firmly embed the Social and Economic Specialist within ECLAC, close the office in Trinidad and Tobago or alternatively support Government-recruited staff to forward the child rights agenda in Trinidad and Tobago". At the time of the audit, despite the efforts of the office, the specialist had not been embedded in ECLAC and no decision had been made whether to support the Government-recruited staff instead.

As a result of communication difficulties, the staff member in Trinidad and Tobago participated only intermittently in programme management team and staff meetings. In addition, as operational support for this staff member was from Barbados, there were some delays in resolving administrative issues such as work permits, office space, equipment purchase and repair.

The CPMP indicates that national staff not only provide high-quality expertise but also ensure programme continuity and political support. However, although the programme covered 12 countries/territories, there was not much diversity in nationalities of the locally recruited staff, with most of the staff coming from only one of the 12 Caribbean nations.

Agreed action 1 (medium priority): The office agrees to strengthen the alignment of the staffing structure and capacities by:

  i.   Reviewing the role of the staff stationed in Trinidad and Tobago and either support Government-recruited staff (in line with the Multi-Country Management Plan), or present for approval a proposal to the Regional Office for supporting implementation of programme activities in the 12 countries.
  ii. When vacancies arise, consider diversifying the nationalities of local staff by considering staff from the countries/territories served by the Area Office.

Staff responsible for taking action: Deputy Representative and Operations Manager
Date by which action will be taken: August 2014

Basic Cooperation Agreements (BCAs)

The Basic Cooperation Agreement (BCA) constitutes the legal basis for UNICEF's presence in a country. The BCA covers UNICEF's programme cooperation, programming procedures, and

_____

[1] When preparing a new country programme, country offices prepare a country programme management plan (CPMP) to describe, and help budget for, the human and financial resources that they expect will be needed. In this case, it is a multi-country management plan.

_____

UNICEF's rights regarding implementation of the programme. Without the BCA, the obligations of the host nation and those of UNICEF are not formalised, and programmes and UNICEF staff operating in those countries are therefore unprotected.

Two of the 12 countries under the Eastern Caribbean Area office (Trinidad and Tobago and Antigua and Barbuda) had never signed a BCA with UNICEF. The office had informed Headquarters and the Regional Office of this and had actively followed up on the BCAs over the last five years, but without success.

The audit also noted that Trinidad and Tobago was party to the Area country programme action plan (CPAP)[2] but had not signed it.

Agreed action 2 (medium priority): The office agrees to continue to follow up signing of the Basic Cooperation Agreements and of the outstanding country programme action plan. It also agrees to, in the meantime, coordinate closely with the Regional Office and Legal Advisor's office to formally assess the risks of continuing to implement the programme without signed Basic Cooperation Agreements and a country programme action plan, and ensure that there is a process to manage risks identified.

Staff responsible for taking action: Representative
Date by which action will be taken: December 2015

Delegation of authority

The delegation of roles was prepared for 2012 VISION implementation with various staff signing letters that outlined their responsibilities in VISION. On 21 December 2012 the Representative signed a Table of Authority (ToA) that tabulated staff members' VISION roles.

However, the table did not document the assignment of financial limits, including activities outside VISION such as cheque signing or the Officers in Charge (OICs) for the ToA roles, as is required in the UNICEF Financial and Administrative Policy. The audit also noted that staff members had not acknowledged, in writing, the delegation of authorities and responsibilities to them.

Agreed action 3 (medium priority): The office agrees to strengthen the delegation of financial controls by ensuring that:

  i.   The manual table of authority approved by the Representative includes the financial limits, including those for manual processes such as cheque signing and pre-determined officers-in-charge and back-up staff for Table of Authority roles.
  ii.   All delegated authorities and responsibilities, whether manual or in VISION, are acknowledged, in writing, by the staff to whom they have been allocated.

Staff responsible for taking action: Representative and Operations Manager
Date by which action will be taken: April 2014

_____

[2] The country programme action plan (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. In this case the CPAP was an area action plan covering multiple countries.

_____

Office governance

UNICEF expects country offices' management to create a work environment that attracts, keeps, and motivates its workforce. The audit held interviews with about 60 percent of the office staff, and, on request of the office, undertook a staff survey on office governance, morale and ethics to which 81 percent of the staff responded.

Working environment: In 2013, the office undertook team-building exercises during the annual retreat. Action plans from the retreat included the streamlining of meetings of statutory governance committees, such as the Country Management Team (CMT), to make them more effective and improve communication. The staff interviewed indicated that, after preparation of the action plans, staff had felt very positive about the way forward. However at the time of the audit, staff stated that there were recurring issues of concern that remained unaddressed. They also indicated that the working environment was not based on trust and respect, that there was no culture of openness and that differing opinions were not considered in decision-making.

The audit also noted that the last training for staff on ethics was in April 2011. Although the all-staff meeting held in 2012 was said to have included a session on ethics, the majority of respondents to the survey stated that they had not, in the last 12 months, received ethics training, nor had attention been called to various policies on harassment, or to anti-fraud, whistleblowing and conflict-of-interest policies. The office has since informed the audit that additional staff took the integrity awareness training in 2013 and 2014 after the audit fieldwork was completed.

Governance committees: The office had the statutory governance committees, including the CMT, Contract Review Committee (CRC) and Programme Cooperation Agreement Review Committee (PCARC). However, the committees' terms of reference (ToRs) were not kept up-to-date. For example, the ToRs of the CRC, Local Training Committee and Property Survey Board (PSB) had been issued in 2006 whilst those of the PCARC dated from in 2010. The ToRs for the CRC and PSB made reference to policies/instructions, such as those concerning review of PCAs, financial limits and committee compositions that had been superseded by revised policies issued in January 2012.

In addition, the office had not clearly determined which governance committees should review key performance indicators. For example, indicators and baselines were sometimes discussed in detail in both programme meetings and CMT meetings. The office commented that this showed the importance that the office accorded to the review of indicators. However, it was a duplication of effort – and was ineffective, since, as noted in the programme management, there were some missing baselines and a lack of clarity of some indicators (see observation *Programme results*, p10 below).

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

   i.   Coordinate with the Ethics Office and Regional Office as appropriate to reinforce the United Nations code of conduct and ethical behaviour by ensuring that all staff complete the courses on ethics and integrity.
   ii. Strengthen the functioning of the supervisory committees by ensuring that their terms of reference are kept up-to-date and that committees' mandates are clarified to avoid duplication between them and ensure they function effectively.

_____

    iii.   Prepare an action plan to improve team cohesion and communication in the office, including a participatory decision-making process where appropriate.

Staff responsible for taking action: Representative, Deputy Representative and Operations Manager
Date by which action will be taken: May 2014

Governance: Conclusion

Based on the audit work performed, OIA 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 mobilisation 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.

Satisfactory key controls
The audit found that controls were functioning well over a number of areas including (but not necessarily limited to) the following:

The office had introduced a rotating chair for its Programme Management meetings, getting all staff involved and motivated and making the meetings more efficient.

To increase participation from all 12 countries, the 2013 mid-year review was organised using Webex and Skype to involve as many partners as possible. This was well received by the partners, and helped get more common agreement on the programme.

The office ensured all donor reports were sent to the donor in time and that any specific reporting obligations were met.

Programme results
Some of the Programme Component Results (PCRs) and Intermediate Results (IRs)[3] were not

---

[3] A PCR is an outcome of the country programme, against which resources will be allocated. An IR is a description of a change in a defined period that significantly contributes to the achievement of a PCR.

_____

SMART,[4] and it was difficult to differentiate the outputs and the outcomes. An example of this was IR 1.1, which stated: "By 2016, sex and age disaggregated data on children is available, integrated into national monitoring and evaluation systems and the evidence produced is used for policy analysis and decision-making by Governments in Eastern Caribbean countries." This appears to be more of an outcome (PCR) than an output (IR). The office stated that it had agreed with the Regional Office that the Mid-Term Review (MTR) of the 2012-2016 programme would provide an opportunity to revise the PCR/IRs, ensuring they reflected results-based management, and were SMART.

Additionally, at the time of the audit, over one and half years into the programme cycle, a significant number of the indicators had no baselines. From the office's January 2013 list of indicators, it was noted that 23 out of 68 indicators were still to be considered in 2013 or yet to be established (in some cases because of the ambiguity of the IRs). The lack of baselines also impeded performance monitoring and measurement. The office stated that it had adjusted the indicators in the first year of programming, based on programming experience, and to meet the requirements of the Results Assessment Module introduced as part of UNICEF's new management system, VISION. They also stated that a data collection plan was in place and that the majority of baselines had been identified, or would be established by December 2013.

Indicators, baselines and targets that are not clearly defined and SMART could lead to planned results that are not measurable, making it difficult to determine their achievement.

Agreed action 5 (high priority): The office agrees to ensure that the indicators, baselines and targets for all planned results are appropriate and clearly defined for all countries.

Staff responsible for taking action: Deputy Representative
Date by which action is reported by the office as taken: 31 December 2013

Resource mobilisation

The office's planned OR funding for the current programme cycle was US$ 15 million. However, an office is expected to raise the bulk of its OR itself, and as of September 2013, US$ 11.3 million (75 percent) was unfunded. In relation to the PCRs and IRs, the largest PCR – *Evidence Based Advocacy and Capacity Building* – was over 75 percent unfunded, as were five IRs, including early childhood development.

The office's fundraising strategy was written in 2009 for the period 2009 to 2011. The office stated that in January 2013, the strategy had been reviewed and judged still relevant, as the fundraising environment had not changed or improved. The office did however submit a workplan to the Regional Office in May 2013; this outlined key fundraising activities (such as proposals) and the focal points. The workplan included private sector fundraising activities.

The office is two years into a five-year plan and a lack of sufficient OR would be detrimental to the achievement of results. The office has informed audit that its OR ceiling should be revised because the reality is that additional funds may not be raised from donors. However, given that the funding requirements are linked to the planned activities and eventually to the programme results, a revision of the OR ceiling would also affect the planned results.

_____

[4] *S*pecific, *M*easurable, *A*chievable, *R*elevant and *T*ime-bound.

_____

Agreed action 6 (medium priority): The office agrees to, with the input of the Regional Office, review its programme results and planned project activities and develop a strategy that mobilises financial resources linked to the planned results. The office will seek appropriate approvals to adjust the funding ceilings.

Staff responsible for taking action: Representative and Deputy Representative
Date by which action will be taken: August 2014

Harmonised Approach to Cash Transfers

Country offices are required to implement the Harmonised Approach to Cash Transfers (HACT) for cash transfers to implementing partners. HACT is also required for UNDP, UNFPA and WFP in all programme countries. HACT is designed to reduce bureaucracy by exchanging a system of rigid controls for a risk-management approach, reducing transaction costs by simplifying rules and procedures, strengthening partners' capacities and helping to manage risks.

HACT includes risk assessments – a macro-assessment of the country's financial management system, and micro-assessments of the individual implementing partners (both Government entities and NGOs). It also includes assurance activities to ensure that funds are being handled correctly and used as planned. The assurance activities include spot checks of partner implementation, programmatic monitoring, audits of partners receiving a certain level of funds, and (where required) special audits. The risk assessments and assurance activities are supposed to be carried out in cooperation with the three other UN agencies that have also adopted HACT.

The audit reviewed the office's implementation of HACT and made the following observations.

Macro-assessment: The macro-assessment is a desk review of the public finance systems and should be performed at least once every programme cycle. However, although the office stated that a review had been performed in 2007, it did not provide the documentation to support this. A discussion with the Resident Coordinator's office confirmed that although the information necessary for a macro-assessment for Barbados and the nine countries of the Organisation of Eastern Caribbean States (OECS) had been gathered, a formal assessment had yet to be performed. This assessment would exclude two of the countries covered by the Area Office, which were under a separate UNCT and would therefore require separate arrangements.

Micro-assessments: A micro-assessment is made jointly for every implementing partner that is expected to receive more than US$ 100,000 combined from all UN agencies in one calendar year. However, the office had not prepared an estimate of which partners it expected to reach that figure. From the analysis of direct cash transfers (DCTs) for 2012, two partners met the US$ 100,000 criteria but were not micro-assessed by the office as per the HACT Framework. Despite their not having been micro-assessed in the current cycle, the partners retained the medium risk rating of the previous cycle instead of being accorded a high risk rating, as required by the HACT Framework in the absence of a micro-assessment.

Assurance plan: The office prepared an assurance plan that involved performing 46 assessments and a number of follow-up spot checks over a two-year period. Although some of the partners were common to other UN agencies, the lack of trained staff in those offices obliged UNICEF to perform all the checks alone using three staff members.

_____

The office's assurance plan was not comprehensive. It did not include programmatic visits and monitoring. In some cases, the results of assurance activities were not shared with programme staff in a timely manner.

There was also a lack of feedback into the assurance plan. For example, the audit noted one instance where a partner had been subject to a spot check by UNICEF in 2013. During the spot check it was noted that the previous DCT had been incorrectly liquidated and therefore an amount of approximately US$ 91,000 had been outstanding for over 21 months. Despite these issues the partner was still rated as low risk and the plan was not updated.

The audit visited one implementing partner that had received over US$ 100,000 in cash transfers from the beginning of 2012 to September 2013. No spot checks had been performed on this partner in the last five years. The finance manager, who was new, did not know whether the accounts and the bank accounts were regularly reconciled and reviewed.

Scheduled audits: Although HACT requires each implementing partner receiving more than US$ 500,000 over a period of five years to undergo a scheduled audit, there had been no analysis of the partners who had received US$ 500,000 or more over the course of the previous cycle.

Funding assurance activities: Annual workplans (AWPs) should include and provide budgets for all costs of micro-assessments and audits.[5] However, none of the four 2013 workplans reviewed set aside budgets for assessments.

Agreed action 7 (high priority): The office agrees to ensure that the Harmonized Approach to Cash Transfers is properly implemented. This will include:

   i.   Performance of macro- and micro-assessments as set out in the HACT guidelines.
   ii. Preparation and implementation of a comprehensive assurance plan covering programmatic monitoring, spot checks and a feedback process from assurance activities. The plan should also include special and scheduled audits as necessary.
   iii. There should be an immediate audit of the partner that has received over US$ 100,000 in cash transfers since the beginning of 2012 without any spot checks being performed.

Staff responsible for taking action: Operations Manager, Deputy Representative, Chiefs and HACT focal group.
Date by which action will be taken: June 2014

Programme monitoring

Programme monitoring identifies shortcomings before it is too late and provides the opportunity to make adjustments to the country programme. UNICEF's Programme Policy and Procedures Manual (PPPM) emphasises that detailed plans and schedules, field visits, analysis of information, progress reporting and action taken are all essential to an effective monitoring framework. In the Area Office, the section chiefs were responsible for ensuring programme

_____

[5] See UNICEF Programme Directive CF/PD/PRO/05-*011* *Programme Implications of the new Harmonised Approach to Cash Transfers to Implementing Partners*, 16 November 2005.

_____

monitoring was done. Though the workplans had budget allocations for monitoring activities, they did not include the actual activities.

Although the Monitoring and Evaluation (M&E) chief has responsibility for programme monitoring across the programme sections, the chief needs to work with the individual programme section to develop tools for collecting monitoring information. The M&E chief was in the process of developing such a tool in coordination with one section, and intended to pre-test the tool before full adoption. Once in place, such a tool would provide a good base for the other sections to tailor to their own requirements for programme monitoring. Such a tool would also provide valuable information for the refinement of some baselines in the early phases of implementation.

Additionally, as noted in the observation on HACT, the HACT assurance plan was not linked to programme monitoring. This linkage with HACT assurance is an essential aspect of programme monitoring, as it ensures timely and appropriate action on any perceived discrepancy between financial reporting and effective programme progress.

Agreed action 8 (medium priority): The office agrees to strengthen programme monitoring by:

i.   Clearly identifying and managing monitoring activities through the workplans and developing monitoring tools for all programme areas.
ii. Establishing detailed plans for programme monitoring, reporting and feedback, ensuring clear linkages to the HACT assurance plan.

Staff responsible for taking action: Deputy Representative, Chief, Monitoring & Evaluation and Operations Manager
Date by which action will be taken: April 2014

Integrated Monitoring and Evaluation Plan

Country offices are expected to plan and implement evaluations for significant programme/project components in order to determine, as systematically and objectively as possible, the value and effectiveness of programme strategies and activities. M&E activities should be included in the Integrated Monitoring and Evaluation Plans (IMEPs); there should be a multi-year IMEP, covering the whole programme cycle, and a rolling IMEP covering one or more years.

According to the office, in the Eastern Caribbean area there are gaps in the availability of disaggregated sub-national level data and information, and weak national systems for information collection limit the use of data for planning, particularly in areas such as child protection. The PPPM states that, in such cases, knowledge generated through evaluations may address specific information gaps in country development strategies. The audit therefore reviewed whether the office's research and M&E activities were realistically planned and implemented. It noted the following.

• The IMEP in the signed 2012-2016 CPAP was fairly ambitious in the area of building systems for monitoring and evaluation. Some challenges were not fully addressed, such as the complexity of systems to be implemented when compared to the statistical significance of the countries (given the small populations).
• The annual IMEPs omitted a number of the activities outlined in the five-year IMEP,

_____

and the office had had challenges in implementing all the activities as envisioned in the five year IMEP.

- The 2012 IMEP had 57 planned studies, surveys, monitoring activities and evaluations (including 16 considered by the office as "optional"). By the end of the year only 16 (28 percent) of the planned activities had been completed.
- The 2013 IMEP had 59 activities (including 31 considered as "optional"), but by the mid-year review 14 activities had been dropped and five added.
- In 2012 four evaluations were planned, but only two were completed. For 2013, at the time of the audit in October, three evaluations had been planned but only one had been done.

The reasons provided by the office for the low IMEP completion rates included changes made by the office in the programme indicators that were to be monitored, delays in the preparation of terms of reference needed for the hiring of evaluation consultants, and delays in recruitment of those consultants. The office also cited limited levels of local expertise in areas being evaluated, resulting in the office having to perform lengthy reviews of the reports produced. Also challenges were noted in implementing the activities in a multi-country environment. The audit noted that the office's planning of IMEP activities did not adequately assess the capacity to implement these IMEP activities and did not have a process to prioritise their implementation.

Agreed action 9 (medium priority): The office agrees to establish controls to strengthen oversight over the planning, implementation and follow-up of the Integrated Monitoring and Evaluation Plan, taking into consideration the office's and the partners' capacities.

Staff responsible for taking action: Deputy Representative and Chief, Monitoring & Evaluation
Date by which action is reported by the office as taken: 28 February 2014

Programme management: Conclusion
Based on the audit work performed, OIAI concluded at the end of the audit 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 an 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.
- **Human-resources management.** This includes recruitment, training and staff entitlements and performance evaluation (but not the actual staffing structure, which is considered under the Governance area).
- **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 of the above areas were covered in this audit, excluding budgeting, financial reporting, warehousing, and staff entitlements.

Satisfactory key controls
The audit found that controls were functioning well over a number of areas including (but not necessarily limited to) the following:

The office had made appropriate efforts to ensure segregation of duties in VISION, given the size of the office. The Segregation of Duty conflict clean-up report showed that the office had moved from having 13 high-risk, six medium-risk and one low-risk conflict at 31 December 2012, to two high-risk (one of which was temporary) and one medium-risk conflict in June 2013.

Controls over asset and inventory management were also in place and functioning. Asset counts were performed annually and items were tagged. Recommendations of the Property Survey Board were implemented.

Management of cash transfers
The audit reviewed the office's management of cash transfers and made the following observations.

Outstanding DCTs: Cash transfers to implementing partners from January 2012 to September 2013 totalled US$ 2.8 million. The outstanding cash transfer advances at the end of 2012 were US$ 1.2 million; this had been reduced to US$ 400,000 by September 2013. Of that, US$

_____

200,000 was over six months old; of this, US$ 100,000 was outstanding for over nine months. However, the records maintained by the office indicated inadequate management and incorrect reporting of outstanding amounts, as discussed below.

Funding in excess of absorptive capacity: Some cash transfers exceeded requirements for the activities, or were too much for the partners to use promptly. This resulted in late liquidations and/or refund of funds to UNICEF. For example, a cash transfer of approximately US$ 448,000 was made to a government partner in December 2011, and a 48 percent refund (about US$ 213,000) returned to UNICEF at the end of 2012. The office explained that in such cases they had received the Project Budget Allocation (PBA) close to its expiry date. However, the release of the funds to a partner that is not able to make full and timely use of them reflects inadequate planning, and may expose the funds to possible misuse on unplanned activities. Furthermore it leads to incorrect reporting that the funds were fully utilised when substantial amounts are later returned by the implementing partner.

Utilisation of DCTs: Requests for support to cover travel and per diem costs of government officials should normally be approved by the Representative, and must be paid to the government office to which the travelling official is attached; payment should be the responsibility of the government.[6] However, the audit noted that the office regularly paid daily subsistence allowance (DSA) and air-ticket costs direct to government officials and travel agents. UNICEF policy does state that, in very exceptional cases, where there is agreement that the government is not able to arrange and pay for travel and related DSA expenses, and at the discretion of a Representative/Head of Office, UNICEF can pay the government official directly. However, this requires a UNICEF Travel Authorisation to be raised and this had not been done. The office indicated that there were challenges in applying the procedures in a multi-country setting. However, guidance had not been sought from the Regional Office or from DFAM about how to apply the control.

Partner accounts: Two implementing partners had duplicate vendor accounts in VISION. Maintaining duplicate vendor accounts reduces an office's ability to monitor the amount of DCTs and timeliness of liquidations for a single partner.

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

  i.   Ensure cash transfers are released based on agreed timeframes in the workplans and that the amounts released are based on the partner's capacity/ability to implement the agreed activities within the agreed timeframes.
  ii.   Ensure the issue of daily subsistence allowance to government officials and the payment of air tickets are within UNICEF policy guidelines and any exceptions are appropriately approved.
  iii. Provide guidance and processes to prevent multiple vendor accounts and ensure that vendor master records are periodically reviewed for accuracy.

Staff responsible for taking action: Deputy Representative and Operations Manager
Date by which action will be taken: April 2014

_____

[6] See UNICEF Financial and Administrative Policy 5, Supplement 4.

_____

Contract management

Between January 2012 and September 2013, the office issued 85 purchase orders worth US$ 1,124,785.14. Of these, 73 percent were on consultant and individual contracts, and 24 percent were on institutional contracts. The audit reviewed a sample of contracts.

Competitive selection: In respect of individual contracts, a total of 40 contracts were issued. Of these, eight were selected without competition (i.e. were single-sourced), whilst 22 contracts (52 percent) had no indication in VISION as to whether or not they were competitively selected. (In general, information in VISION was incomplete, with a number of fields not filled in and contracts not closed. For example, the evaluation field was not used in most instances.)

The audit reviewed a sample of contracts in detail. It noted that in a number of instances where contracts were stated to have been competitively selected, the selection was based on the provision of three curricula vitae, the source of which was not always clear; or on recommendations from the region. In some cases, curricula vitae had been obtained from adverts placed on limited websites to which the response was sometimes poor. In other cases it was noted that the contractor had been providing services to UNICEF for years and had not been subjected to a competitive process during the period under review.

Final evaluations were not always completed at the end of the contract, for both institutional and individual contracts.

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

i.   Strengthen management of contracts for services, ensuring that consultants, contractors and institutions are hired through a competitive selection process.
ii.   Ensure that a final evaluation of performance precedes final payments to consultants/contractors.

Staff responsible for taking action: Deputy Representative and Chiefs of Units
Date by which action will be taken: June 2014

Business continuity plan

An Executive Directive issued in June 2007 identified business continuity as an organisational priority and stipulated that all UNICEF headquarters locations, regional and country offices should have a business continuity plan (BCP).

In accordance with the directive, the office had prepared and approved a BCP in August 2009, and had updated it in 2011. Since 2011 there had been recorded updates to the plan, dealing mainly with changes in staff and staff structure. In September 2013 further updates were made to the BCP following consultations within a working group consisting of the Area Representative, Deputy Representative, Operations Manager and Information and Communication Technology (ICT) Officer.

The office's Risk Control Self-Assessment (RCSA)[7] rated the risk of natural disasters as high and

_____

[7] 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

_____

testing of the BCP was therefore essential. However, the BCP had not been tested since it was put in place in 2009. The office planned to run a simulation with the assistance of the Regional Office in the later part of October 2013.

The updated BCP identifies two recovery locations. However, the suitability of the locations needed to be assessed.

As business continuity encompasses ICT, the BCP working group should ensure that there is an up-to-date disaster recovery plan, but the office did not have one. In addition, the ICT unit should ensure that all relevant corporate data is backed up and stored safely.

Although restoration checks were said to be performed regularly, no record was kept of when the checks were performed, how long it took, what areas of data were restored (e.g. shared drive, email etc.) and what errors, if any, were experienced.

Agreed action 12 (medium priority): To strengthen the business continuity plan, the office agrees to:

i.   Identify, assess and properly equip appropriate recovery sites.
ii.   Prepare and regularly update an information and communication technology disaster recovery plan.
iii.   Confirm the suitability of offsite locations for backup data and document all data restoration checks.
iv.   Perform a regular business continuity plan simulation or test, and use lessons learned from them to update the plan.

Staff responsible for taking action: Operations Manager and ICT Officer
Date by which action will be taken: May 2014

Operations support: 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 operations support, as defined above, were generally established and functioning during the period under audit.

_____

an office's objectives and planned results, and the incorporation of action to manage those risks into workplans and work processes. The risks and their mitigation measures are recorded in a risk and control library.

_____

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. 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's (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.