Internal Audit of the Hashemite Kingdom of Jordan Country Office

December 2014

Office of Internal Audit
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Summary

The Office of Internal Audit and Investigations (OIAI) has conducted an audit of the Jordan country office. The audit sought to assess the office's governance, programme management and operations support. The audit team visited the office from 28 September to 22 October 2014. The audit covered the period from January 2013 to September 2014.

The original 2013-2017 country programme has four main programme components: *Young child survival and development*; *Child protection; Adolescent development and participation*; and *Social policy and evidence for equity*. The total approved budget for the country programme is US$ 11.75 million, of which US$ 3.75 million is regular resources (RR) and US$ 8 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. They include income from voluntary annual contributions from governments, un-earmarked funds contributed by National Committees and the public, and net income from greeting-card sales. OR are contributions that 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.

In addition to the country programme, the Jordan country office is also managing its part in the Area Programme for Palestinian Children and Women in Jordan, Lebanon, the Syrian Arab Republic and the Occupied Palestinian Territory, catering to approximately two million refugees in Jordan. The area programme has four main programme components that relate to Jordan and an approved budget of US$ 2.55 million.

By January 2013 the Syrian crisis had worsened and the flow of refugees into Jordan had significantly increased. UNICEF therefore activated UNICEF's Corporate Emergency Activation Procedure for L3 emergencies in response to the conflict in Syria and its impact on the region, including refugee operations in parts of Turkey, Jordan, Lebanon and Iraq. The office shifted its focus to respond to the humanitarian crises caused by the war in Syria. It increased its programming from US$ 4 million at the beginning of 2012 to US$ 150 million in 2013. In the latter year it also increased its staff from 40 to 90 to enable it to provide critical emergency assistance in education, health, nutrition, child protection, and water, sanitation and hygiene. As of 1 June 2014, Jordan was host to almost 600,000 refugees from Syria in addition to those from Palestine mentioned above. About 90,000 Syrian refugees were in Za'Atari refugee camp and the rest were living in host communities. In April 2014, the government officially opened Azraq camp to complement Za'Atari camp.

The country office is in the capital, Amman. It has no zone office but it maintains a presence in two refugee camps, Za'Atari and Azraq. At the time of the audit, it had a total workforce of 154 posts of which 93 were temporary assistants. Jordan country office does not have a dedicated operations unit; instead, operations support was provided by the Common Services Unit (CSU) of the Middle East and North Africa Regional Office (MENARO), which is also in Amman. Total expenditure was approximately US$ 163 million during the period 2013 and 2014 to September.

Action agreed following the audit

In discussion with the audit team, the country office has agreed to take a number of measures.

Three are being implemented as high priority – that is, to address issues that require immediate management attention. They are as follows.

- Improve management of the Harmonized Approach to Cash Transfers (HACT) by: strengthening the micro-assessments of implementing partners; completing the assurance plans and continuing to intensify the assurance activities and documenting the results; improving the follow up on the progress of implementation of the recommendations arising from the micro-assessments and assurance activities.
- Ensure that donor reports are submitted on time, that the achievements reported in them are properly supported with sufficient and appropriate documentation, and that the reports include the key attributes required by UNICEF guidance on reporting.
- Through the Regional Office (Common Services Unit), strengthen the processing of transactions by:
  - reminding authorizing, purchase-order releasing, receiving, certifying, approving and paying officers of their respective functions, accountabilities and responsibilities;
  - reviewing and improving the processes related to payment and liquidation of cash transfers, contracts, and supply procurement; and,
  - training staff on the improved work processes.

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 the country office were generally established and functioning during the period under audit.

The Jordan country office, with the Middle East and North Africa Regional Office (MENARO), and OIAI intend to work together to monitor implementation of the measures that have been agreed.

Office of Internal Audit and Investigations (OIAI) December 2014

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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.

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:

- **Identification** of the country office's priorities and expected results and clear communication thereof to staff and the host country.
- **Performance measurement**, including establishment of standards and indicators to which management and staff are held accountable.
- **Risk management,** the office's approach to external and internal risks to achievement of its objectives.
- **Supervisory** structures, including advisory teams and statutory committees.
- **Delegation** of authorities and responsibilities to staff, including the provision of necessary guidance, holding staff accountable, and assessing their performance.
- **Human resources management.** This includes recruitment, training and staff entitlements and performance evaluation and staffing structure and its alignment to the needs of the programme.
- **Ethics**, including encouragement of ethical behaviour, staff awareness of UNICEF's ethical policies and zero tolerance of fraud and corruption, and procedures for reporting and investigating violations of those policies.
- **UN Coherence.** This covers implementation of the Delivering as One activities. It includes development of a strategy and implementing, monitoring and reporting on application and promotion of the key basic UN coherence principles.

All the above areas were covered in this audit.

The audit found that controls were functioning well over a number of areas. The office had defined its management and programme priorities, with specified outputs/targets and assigned responsibilities. Their status was reviewed during country management team meetings. Further, international and national staff were recruited promptly with the support of the Middle East and North Africa Regional Office (MENARO). The office had had a two-day ethics presentation and had discussed the ethics policy with staff members.

However, the audit also noted the following.

Advisory teams

Country offices are expected to maintain appropriate teams and committees to monitor and guide their operations and the implementation of the country programme. They are also expected to minute meetings, and record action points so that they can be followed up.

MENARO and the country office had established several of these committees jointly, including the Property Survey Board (PSB), Contract Review Committee (CRC) and Central Review Board (CRB). Membership to these committees was for two-year terms, and was approved by the Regional Director. The terms of reference (ToRs) of the PSB and CRB were clearly defined, membership was appropriate, and the submissions to PSB and CRB and their meetings were adequately documented and minuted. The office also had a country management team (CMT). However, the audit noted the following.

CRC review threshold: Country offices and regional offices have different thresholds above which proposed contracts should be submitted to the CRC. For regional offices, the organization's financial threshold is US$ 100,000; the organisation's financial threshold for country offices was set at US$ 50,000. (These thresholds are not mandatory, but an office would be expected to change them only after an appropriate risk assessment.)

In this case, there was a joint CRC to review procurement proposals both for MENARO and for several country offices, including Jordan. It was not clear as to the financial threshold at which procurement proposals of the country office had to be submitted; in practice, the audit noted that only procurement proposals of US$ 100,000 and above were submitted.

CMT: The minutes of the CMT meetings were shared with all staff, but there was no evidence that they were approved by the Representative. The approval of the minutes was not documented in the minutes of the following meeting. Further, although the CMT had documented its decisions, it did not systematically review the status of outstanding action points from previous meetings, and there was no system to track their implementation.

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

i. Ensure approval of the CMT minutes by the Representative and record their approval in the minutes of following meeting.
ii. Establish a mechanism to monitor implementation of the action points resulting from CMT meetings.

Staff responsible for taking action: CMT Secretary
Date by which action will be taken: November 2014

Agreed action 2 (medium priority): The Regional Office agrees to, together with the country office, establish an appropriate financial threshold for submission to the CRC of the office's proposed procurement awards, and to include this information in the terms of reference of the CRC.

Staff responsible for taking action: CRC secretariat/Representative
Date by which action will be taken: January 2015

Assignment of authorities

Each office is required to maintain a Table of Authority (ToA), setting out the authorities delegated to each staff member. The Representative should review the ToA periodically (preferably quarterly) to confirm its continued accuracy and appropriateness. The ToA should be reflected in the roles assigned within UNICEF's management system, VISION (from Virtual Integrated System of Information), which was introduced in January 2012. Resource mobilization, budgeting, programming, spending and reporting are all recorded in VISION, along with much else. Representatives approve the provisioning of VISION user IDs and their corresponding roles, using the guidelines in UNICEF Financial and Administrative Policy No. 1: *Internal Controls and its supplements*. An understanding of these roles, and the responsibilities assigned to staff, is essential in approving role assignments. A key requirement is to ensure, as far as possible, adequate segregation of duties, so that no single staff member can carry out a whole process (for example ordering, receiving and payment) without checks and balances.

The office had assigned roles to staff members and mapped these roles in VISION. In addition, the Representative had delegated authorities to staff as authorizing, purchase-order releasing, receiving, certifying, approving and paying officers. Staff were formally notified of the roles/authorities assigned to them and had mostly acknowledged their awareness of the responsibilities and accountabilities associated with exercising these financial authorities. However, the audit noted the following.

Alignment of roles with staff functions. A few role assignments were not aligned with the functional responsibilities of the staff members. For example, the approving officer role was assigned to the chief of WASH,[1] child protection specialist and WASH specialist. As such, non-accounting staff could post invoices in VISION. Programme L2 role was assigned to the operations manager of the CSU, so that a non-programme staff member could perform programme functions – including authorization of direct cash transfer (DCT) payments and DCT liquidation in VISION. Conversely, the Procurement L1-contracts role was assigned to nine programme staff members, and procurement L1-solicitation and procurement L1-logistics roles were assigned to six programme staff members. Hence, individuals who were not procurement staff could perform procurement functions in VISION.

Segregation of duties: In order to prevent errors and fraud, certain roles should be segregated so that no one can have complete control of a transaction. However, a number of roles were not adequately segregated. For example, the approving officer role was assigned to three staff members who were also assigned with the receiving officer role. As such, these staff could post invoices for goods and services received and acknowledged by themselves in VISION. One staff member had been assigned both the Programme L1 and L2 roles and could therefore both create and approve DCT payment requests, and also approve DCT liquidations. A staff member who was assigned to perform bank reconciliation could also adjust reconciling items with the provision of general ledger L2 role in VISION.

One staff member had been assigned authorizing, programme L2, approving and paying officer roles. This individual could therefore have completed the whole payment and DCT liquidation cycles in VISION. Inadequate segregation of these roles increased the risk of inappropriate transactions.

Consistency between ToA and VISION: The manual table of authority (ToA) was accurately

[1] Water, sanitation and health.

registered in VISION, with one exception: A staff member who was not delegated with authorizing, programme L2 and approving officer roles was assigned these roles in VISION. This individual could therefore authorize expenditures, approve DCT payments and liquidations, and post invoices in VISION, even though they did not have the delegated authority from the Representative.

Bank signatories' acknowledgement of accountability: With the exception of one member of the bank signatory panel members, the bank signatories had not acknowledged their awareness of accountability and acceptance of the delegated function.

The above shortcomings were caused by insufficient review of the delegated authorities and their registration in VISION.

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

i. Periodically review the delegated authorities and the mapping of functional roles in VISION to ensure adequate segregation of duties and alignment of roles with staff functions.
ii. Periodically review the registration of the table of authorities and the functional roles in VISION to ensure consistency with the delegated authorities and assigned roles.
iii. Secure acknowledgement by the bank signatory panel members on their awareness of accountability and acceptance of delegation.

Staff responsible for taking action: Operations Manager, CSU
Date by which action will be taken: Nov. 2014

Operational support from Common Services Unit

Unlike other country offices, the Jordan country office had no dedicated operations unit, since it was quite a small country office prior to the Syrian crisis and it had occupied the same building as the regional office. Instead, the Common Services Unit (CSU) in Amman, headed by an operations manager (P4) reporting to the regional chief of operations, provided operational support to both the country office and MENARO.

With the escalation of the Syrian crisis, the Operations Support Centre (OSC) was created as an expansion of CSU to also support the Lebanon, Libya, and Syria country offices. Additional posts of operations manager – emergency (P3) and supply and logistics specialist (P4) were created, reporting to the CSU operations manager.

With this staff increase, the CSU not only provided full operations support to the Jordan country office and MENARO, but also processed payments and DCT liquidations and procured supplies and services for the Syria, Libya and Lebanon country offices. The table on the next page shows the extent of CSU services in the areas of finance and procurement alone, as presented by CSU in its mid-year review.

The audit noted that, while CSU had concluded service level agreements (SLAs) with the Lebanon, Syria and Libya country offices, it had yet to conclude one with Jordan country office. The lack of SLA presented a risk that the desired level of service might not be met.

Table 1: *Common Services Unit Transactions Analysis as of June 2014*

OFFICE	Contracts				Purchase Orders				Financial Transactions	
	No.	%	$ value (million)	%	No.	%	$ value (million)	%	No.	%
JORDAN	92	28	4.5	25	27	14	1.8	15	425	22
LIBYA	27	8	3.0	16	1	1	0	0	144	7
MENARO	73	22	5.2	29	48	25	4.1	34	957	49
SYRIA	44	13	2.1	11	30	15	3.5	29	437	22
LEBANON	94	29	3.4	19	88	45	2.6	22	0	0
TOTAL	330	100	18.2	100	194	100	12	100	1,963	100

In 2014, the country office had established a P4 post for an operations manager (quality assurance). This was in addition to the operations manager (P4) and operations manager - emergency (P3) of CSU, who supported the Jordan country office along with other country offices and the regional office. Review of the job descriptions of the three posts noted overlapping functions in terms of providing technical and strategic advice to the Jordan country office. Also, the job description of the operations manager (P4) of CSU had not been updated since 2010, even though the coverage of CSU had expanded to provide support to the Syria, Libya and Lebanon country offices. The audit also noted that the Syria country office, with a similar level of transactions (see Table 1), had a dedicated operations unit managed by a chief of operations (P5).

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

i. Review the existing structure and functions of the CSU and the job description of the recently established operations manager (quality assurance) in the Jordan country office, and ensure that the office is provided with sufficient operational support, especially in the provision of technical and strategic advice, risk management and capacity building of staff and partners.
ii. Depending on the results of the review, update the job description of the operations manager (P4) of CSU.

Staff responsible for taking action: Regional Chief of Operations/ Representative
Date by which action will be taken: February 2015

Agreed action 5 (medium priority): The country office agrees to, in consultation with the regional office, conclude a service level agreement with the CSU.

Staff responsible for taking action: Operations Manager Emergency
Date by which action will be taken: February 2015

Performance appraisals of staff

The performance of UNICEF staff is managed, measured and reported through a paper-based Performance Appraisal System (PAS) or an electronic PAS (e-PAS), depending on the type of staff. Offices should monitor whether appraisals are up to date.

The status of PAS/e-PAS completion was reported regularly to the CMT. However, as of October 2014, 11 percent of office staff members had yet to have their supervisors complete their performance evaluations for 2013. For 2014, 19 percent of office staff members had still to agree on their annual objectives with their supervisors. Also, only 37 percent of mid-year performance assessments had been done as of October 2014. The office's management indicators only included monitoring of completion of prior year performance evaluations of staff, not annual performance objectives and mid-year performance assessment.

The audit tested nine samples of e-PAS/PAS and noted that in eight of the samples, the ePAS/PAS were either not finalized on time or not finalized at all. In one case, the ePAS was finalized although the objectives (such as indicators and partners) were incomplete. The emergency response to the Syrian crisis meant the e-PAS/PAS was not given priority.

Agreed action 6 (medium priority): The office agrees to:

i. Strengthen oversight by the CMT to ensure staff members' annual performance objectives are established in the first quarter, and that mid- and end-year assessments of staff performance are carried out as required and on time.
ii. Consider including timely completion of PAS/e-PAS as one of the management priorities in the annual management plan to be monitored and reviewed by the Country Management Team.
iii. Give priority to finalization of the PAS/e-PAS for 2013 and 2014.

Staff responsible for taking action: Human Resources Officer
Date by which action will be taken: March 2015

Risk management

UNICEF's enterprise risk management (ERM) policy requires offices to carry out a risk and control self-assessment (RCSA), in which an office or unit reviews risks and the measures that should be used to mitigate them, and records both in a risk and control library.

The office had conducted its first broad and systematic risk assessment in 2011, and developed an action plan to address the risks identified. There was a follow-up exercise in 2012. Due to the Syria crisis, however, the risk assessment was not updated in 2013.

In May 2014, the newly recruited operations manager (quality assurance) performed a risk assessment that identified 13 risks spread across 11 risk categories. Five were assessed as high risk; they were under the risk categories budget and cash management, human resources/unethical behaviour, supply & logistics, and ICT systems and information security. Action plans for mitigation were developed for the 13 risks. However, the office had not identified the staff responsible for the mitigating actions or the target dates for their implementation, and it had not updated its risk and control library with the participation of the country office staff and CSU. The results of the risk analysis had not been entered in the inSight management reporting module.[2]

The country office informed the audit that the work that had just been concluded will be documented in inSight as a next step. However, the lack of office-wide participation in the

[2] inSight *(sic)* is the performance monitoring component in UNICEF's management system. It streamlines programme and operations performance management, increases UNICEF staff access to priority performance information, and exchanges between country offices, regional offices and HQ divisions, as everyone sees the same data/information.

RCSA, the inadequacy of the mitigation plan and the lack of an updated risk and control library may reduce the effectiveness of the ERM in helping the office identify and manage risks to its objectives.

Agreed action 7 (medium priority): The office agrees to conduct, in the context of planning for 2015, an office-wide risk and control self-assessment with participation from all sections of the office; identify the responsible staff and target dates for implementation of the mitigation actions; update its risk and control library; and record the results in inSight.

Staff responsible for taking action: Operations Manager, CSU/HACT Manager
Date by which action will be taken: February 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:

- **Developing work plans and setting expected results**. 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.
- **Mobilizing resources and managing funds**. This refers to all efforts to obtain resources for the implementation of the country programme, including fundraising and management of contributions.
- **Managing partnerships**. This covers forming and managing partnerships with Government, NGOs and other partners. This covers provision of cash transfers to implementing partners.
- **Monitoring results and use of resources**. 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.
- **Evaluating impacts and outcomes**. The office should assess the ultimate outcome and impact of programme interventions and identify lessons learned.
- **Reporting on use of resources and achievement of results.** 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.

All the above areas were covered in this audit.

The audit found that controls were functioning well over a number of areas. For instance, the office had identified and planned four evaluations relating to its significant programmes and had monitored the progress of these evaluations. At the time of audit (October 2014), three evaluations were ongoing and one was postponed to 2015.

Further, the office was involved in leading interagency coordination structures in education, water sanitation and hygiene (WASH) and child protection related to both the Regional Response Plan (RRP) and the National Resilience Plan (NRP).

The office had collaborated with the Government's National Council for Family Affairs when the latter undertook a situation analysis of the children in Jordan in 2006/2007. The situation analysis, which had been done in consultation with stakeholders, was updated in 2010. In addition, the UNCT,[3] including UNICEF, developed the UNDAF[4] for 2013-2017 with the involvement of the government, civil society, private sector and the donor community. Both the situation analysis and UNDAF informed the planning and development of the 2013-2017

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[3] UNCT stands for UN Country Team, and is an internal UN term to refer to the joint meeting of all the UN agencies or bodies active in a given country. The UNCT is convened by the UN Resident Coordinator. Its terms of reference, and division of responsibilities with individual agencies, vary from country to country.

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

regular country programme.

In addition to the regular programme, the office also managed its part in the Area Programme for Palestinian Children and Women in Jordan, Lebanon, the Syrian Arab Republic and the Occupied Palestinian Territory, catering to approximately two million refugees in Jordan. The office had responded to the humanitarian crisis, which had escalated in 2013. In this regard, the latest situation analysis had been conducted in 2013. A number of other assessments had been conducted by UN agencies and their partners to inform emergency response operations.

In addition, to better target its support, the UNICEF office had undertaken an analysis of the challenges and priorities for Syrian children and women to gain a holistic understanding of the situation of Syrian refugees living in Jordan and how their presence affected Jordanians. The assessments and the analysis had guided the office as it helped in the preparation of the Regional Response Plan (RRP) and National Resilience Plan (NRP), under the leadership of the Government of Jordan and coordinated by UNHCR.

The office had conducted staff training on programme, policy and procedures (PPP).

However, the audit also noted the following.

Programme structure

The scale-up of the humanitarian response began shortly after the development of the regular country programme. The office accordingly integrated the humanitarian response into its regular country programme, while maintaining the Area Programme as a separate programme.

However, the intermediate results[5] for the RRP were subsumed in unrelated programme components of the regular country programme. For example, the intermediate result related to 'education response in RRP' (which pertained to access to education) was embedded in the regular programme's component *Adolescent development and participation*. But this component was unrelated to access to education. It was meant to address the lack of data on the situation of adolescents, the limited civic engagement and leadership opportunities for them, and the unequal opportunities for adolescent girls. In some cases, an individual intermediate result/output (such as technical assistance and support) pertained to both the humanitarian response and the regular programme and no distinction was made.

This did not assist monitoring and reporting on the results and the utilization of funds. The office acknowledged the issue and indicated that it was in the process of rationalizing the programme structure for implementation in 2015 as part of a planned Strategic Moment of Review and Reflection.

Agreed action 8 (medium priority): The office agrees to review and rationalize the programme structure for both the regular country programme and the humanitarian

[5] UNICEF programmes plan for results on two levels, the terminology for which changed in 2014. An outcome (until recently known as a programme component result, or PCR) is a planned result of the country programme, against which resources will be allocated. It consists of a change in the situation of children and women. An output (previously known as an intermediate result, or IR) is a description of a change in a defined period that will significantly contribute to the achievement of an outcome. Thus an output might include (say) the construction of a school, but that would not in itself constitute an outcome; however, an improvement in education or health arising from it would.

response, ensuring that the programme component results (outcomes) and intermediate results (outputs) are aligned and coherent and that the pertinent allotments and fund utilisation of both the regular country programme and humanitarian response are distinct.

Staff responsible for taking action: Chief, Planning, Monitoring and Evaluation; and Deputy Representative
Date by which action will be taken: December 2014

Work planning

The office had developed jointly workplans with implementing partners. However, the 2013 and 2014 workplans were not signed with the Ministry of Planning and International Cooperation (MOPIC) until the sixth month of both years. According to the office, this was due to MOPIC's request for clarification. A rolling workplan for 2013-2014 was initially approved but the office submitted a revised annual workplan for 2014, reflecting the significant changes in the humanitarian related results and budgets.

In addition, some intermediate results were not specific and measurable. They included the use of words like "strengthened" and "improved" that would be difficult to measure without quantifiable targets. The signed workplans were also unclear as to the programme input(s), e.g., supplies and cash transfers, required for each activity, or the corresponding resources that each implementing partner was expected to receive.

The audit also noted the following.

Registration in VISION: The country programme and the signed workplans should be accurately and correctly registered in VISION. However, some activities and intermediate results and activity descriptions in VISION did not correspond to the signed workplans, or were not included in them at all. For example, "relevant core commitments" and "core commitments on child protection" were recorded in VISION as intermediate results for the humanitarian response. Similarly, activities such as "miscellaneous", "new element" and "visibility" were registered in VISION as activities.

Furthermore, the planned amounts for each of the PCRs and IRs (now termed outcomes and outputs) did not reflect the amount of funding actually planned and approved. This presented risks, since resources were allocated to unplanned activities, which were then implemented in place of the planned ones – and funding gaps could not be identified. The office had planned to rectify the issue in the context of the planned Strategic Moment of Review and Reflection and in planning for 2015.

Protocol document: In addition to the workplans signed by MOPIC, there were also "protocol" documents developed and signed with the line ministries. These documents specified (among other things) the activities to be implemented and budget. The audit considered these documents redundant, as these matters were already covered by the signed workplans. However, the office stated that the documents were required by the government in order to secure written agreements with the line ministries on activities they were to implement, since these ministries were not signatories to the workplans. Further, MOPIC had told the country office that it had to itself endorse all the protocol documents related to the humanitarian response (though this was not the case with regard to WASH; in this case, the protocol document was endorsed by the line ministry alone).

The endorsement of protocol documents was effectively a duplication of the workplan already signed by MOPIC on behalf of the government. In the case of the education humanitarian programme, the late endorsement of the protocol document by MOPIC caused delays in the implementation of activities from September 2013 to May 2014. But MOPIC had already signed the workplan that it effectively duplicated.

The office stated that, in the context of the development of the 2015 Jordan Response Plan (JRP), it will be reviewing with MOPIC a streamlined mechanism of approval of activities.

Agreed action 9 (medium priority): The office agrees to:

i. Provide guidance and institute an assurance process to ensure that the annual workplans are signed at the beginning of each year; that the expected results are specific, measurable, and describe the change expected to be brought about; and that there is a clear agreement with implementing partners on the necessary inputs for each activity.
ii. Institute an oversight mechanism to ensure that the country programme and the signed workplans are accurately and correctly registered in VISION and that the intermediate results (outputs) and activities are aptly described and registered in VISION.
iii. Clarify with the government through the Ministry of Planning and International Cooperation on the need for the protocol document and advocate that its use be discontinued.

Staff responsible for taking action: Chief, Planning, Monitoring and Evaluation; Deputy Representative; and Representative
Date by which action will be taken: December 2014

Resource mobilization[6]

Country offices are expected to develop a clear and comprehensive fundraising strategy for securing approved Other Resources (OR) in support of the country programme. The audit reviewed the resource mobilization activities and noted the following shortcomings:

Resource mobilization strategy: The office had been successful in fundraising in 2013. It had drawn up a resource mobilization strategy in August 2014. However, it had no action plan for its implementation. At the time of audit (October 2014), the IRs (outputs) related to WASH, education and health and nutrition were underfunded by about US$ 109 million between them, with WASH having the most serious shortfall at US$ 78 million. The office had submitted funding proposals to prospective donors to secure funding, particularly for underfunded IRs.

Donor proposals: The audit reviewed a sample of five proposals submitted to donors in 2013 and 2014. All five sampled proposals listed the key implementing partners for the implementation of proposed project activities. However, the following shortcomings were noted:

- None of the proposals included a brief description of the relevant capacity, experience

[6] 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.

and skills of the proposed implementing partners.

- Four proposals lacked a monitoring and evaluation plan, results-based budget and description of results reporting. The project summary, table of contents and list of acronyms were also missing.
- Three proposals lacked information on the risk assessment and risk-mitigation plan.

According to the office, some donor proposals were tailored to the information requirements of the donors.

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

i. Establish an action plan, including assigned responsibilities and timelines, for the implementation of the resource mobilization strategy. The office will consider whether this action plan should also be incorporated in the annual management plan.
ii. Provide guidance, and establish an oversight mechanism, for the development of funding proposals to ensure compliance with the guidance issued by UNICEF's Public Partnership Division.

Staff responsible for taking action: Reports and Donor Relations Specialist
Date by which action will be taken: January 2015

Harmonized Approach to Cash Transfers (HACT)

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, while maintaining sufficient assurance on the use of funds.

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 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 are expected, at a minimum, to include spot checks, programme monitoring and scheduled audits. Implementing partners that have received more than US$ 500,000 during the programme cycle are subject to at least one scheduled audit during the programme cycle.

HACT is also required for other UN agencies, and offices should cooperate with them where possible when implementing HACT, for example through joint assessments of partners that are common to more than agency.

From the start of the current country programme in 2013 up to September 2014, the office's total cash transfers to implementing partners amounted to about US$ 111 million, representing 68 percent of the office's total expenditure during the period. The audit reviewed the implementation of HACT and noted the following shortcomings:

Macro-assessment: The UNCT had commissioned an accounting firm to conduct a macro-assessment of Jordan's public financial management system in 2011 in time for the development of the UNDAF for the current programme cycle 2013-2017. The macro-assessment report commented that Jordan had "made a strong commitment to the reform of the Public Financial Management System through introducing several reform initiatives in partnership with national and international donors." These initiatives included the Government Financial Management Information System (GFMIS). In a visit to the Ministry of Education, the audit noted that the GFMIS had been implemented and that transactions related to cash transfers released by the Jordan country office had been recorded in it. However, the macro-assessment report had also highlighted the need to improve the transparency of the auditing process.

Micro-assessments: With only a few implementing partners shared with other UN agencies, the office had independently commissioned micro-assessments of a number of its implementing partners. However, it did not have a micro-assessment plan or keep track of those implementing partners that had been already micro-assessed. Consequently, nine of 20 sampled implementing partners had been micro-assessed twice between 2012 and 2014, although a micro-assessment is valid for five years. In four of these nine cases, the implementing partners were assessed in 2013 and again in 2014. By contrast, seven of the 20 implementing partners were not micro-assessed prior to partnership and provision to them of direct cash transfers (DCTs). At the time of audit (October 2014), however, the office had established a micro-assessment plan.

Where implementing partners had been micro-assessed, the office did not systematically use the results of the micro-assessments to decide which method to use for cash transfers. DCTs were provided regardless of the risk ratings. However, the audit noted that the vast majority of partners were assessed as low risk, and therefore DCTs were justified.

Assurance activities: The audit sampled 18 liquidations of DCTs and four requests for reimbursements of cash transfers during the period 2013-2014, pertaining to 16 implementing partners. For nine of the 16 implementing partners sampled, the office had not conducted spot checks.

Of the 16 partners, six had either liquidated DCTs or received reimbursements of cash transfers in 2013. However, the office had not conducted programmatic visits to them during 2013. There were only two partners for which office had conducted both programmatic visits and spot checks during that year. (The office said that there might in fact have been other programmatic visits and spot checks, but there was a lack of documentation.) As such, some liquidations of direct cash transfers and requests for reimbursement of cash transfers were approved without assurance that the funds had been used for their intended purpose and in accordance with the workplan.

At the time of the audit (October 2014), the office was in the process of completing an assurance plan in accordance with the recently revised HACT policy and issuing a related budgeting and DCT guidance note for staff and partners. It had also started to intensify its programmatic visits, spot checks and scheduled audits.

Capacity building: In its micro-assessment reports, the accounting firm had detailed the issues found and noted its recommendations, which were shared with the implementing partners. However, while the office had made an effort to register these recommendations, it had not been following them up. The implementation of recommendations arising from the spot checks and programmatic visits were also not systematically tracked.

Agreed action 11 (high priority): The office agrees to improve the management of the Harmonized Approach to Cash Transfers (HACT). In particular, it agrees to:

i. Strengthen the mechanism for tracking which implementing partners that had been micro-assessed, to avoid redundant micro-assessments and to use the results of the micro-assessments in determining the most appropriate type of cash transfer for each implementing partner. In the absence of a micro-assessment, the office should consider a partner as high risk and increase its level of assurance activities accordingly.
ii. Complete development of the assurance plan, continue to intensify assurance activities and institute a process to ensure that their results are documented.
iii. Improve follow-up of recommendations arising from micro-assessments and assurance activities.
iv. Include HACT implementation and assurance activities as standing agenda items in the country management team meeting.

Staff responsible for taking action: HACT Manager; Deputy Representative; Section Chiefs; Operations Manager, Quality Assurance; Representative; and CMT Secretary
Date by which action will be taken: December 2014

Mapping of potential partners

Country offices should be aware of potential partners for their interventions, and their potential strengths and weaknesses.

Since 2012 the Syria crisis had brought about a switch from an upstream approach to programming to service delivery. However, the office had yet to map and identify potential implementing partners to manage the risk of the office having to rely on partners lacking the required capacity.

Agreed action 12 (medium priority): The country office agrees to conduct a mapping exercise and identify potential implementing partners.

Staff responsible for taking action: HACT Manager and Deputy Representative
Date by which action will be taken: January 2015

Monitoring

Offices should have effective processes for monitoring use of inputs and achievement of results by implementing partners. Such monitoring is expected to include the use of inputs, work schedules and planned outputs, to confirm proper implementation of programme activities and ensure that deficiencies can be promptly detected and addressed.

The monitoring and reporting of humanitarian response was led by the Syria Hub, but the Jordan country office had been provided with indicators to report on, and had developed a process for reporting to the Hub. Moreover, it had established various programme monitoring mechanisms that included, among others, field-monitoring visits by staff and partners, programmatic visits, programme coordination meetings, and CMT meetings. It also conducted annual reviews with implementing partners. The recommendations from the annual reviews were considered in the development of the workplans.

The office had also strengthened internal monitoring capacity through the use of United

Nations Volunteers (UNVs) and staff under United Nations Office for Project Services (UNOPS) contract for Za'atari camp water delivery.

However, the audit noted some opportunities to strengthen effectiveness of the monitoring system.

Field monitoring and programmatic visits: The office had a mechanism for monitoring progress towards PCRs/IRs (outcomes/outputs) against established baselines, with means of verification. It also had templates for field monitoring and programmatic visits. However, there was no systematic mechanism to ensure that the results of all visits were reported, recommendations reviewed, and follow-up actions tracked.

Also, the major findings and recommendations from these visits were not systematically discussed or reviewed in programme meetings (although the office indicated that they had been a standing agenda item at one stage). These reduced the office's awareness of the implementation status of the planned activities and ultimately the achievement of results. At the time of the audit (October 2014), the office was considering adopting an online open source tool used by another country office to track follow-up actions from monitoring visits.

Monitoring of water delivery: The office had partnered with an NGO to provide WASH services to refugee camps in Za'atari, Azraq, King Abdulla Park, and Cyber City, at a cost of over US$ 40 million for the two year period of 2013-2014.

As part of the services, the NGO had to deliver water to all these camps. For Za'atari camp alone, which had a population of approximately 100,000 refugees, it had to deliver about 3,800 m^3 of water a day in order to meet the established standard of 35 litres per day per person (including aid workers). About 45 percent of the water supply was obtained from the two boreholes in Za'atari camp and the rest was from a source outside the camp. The water was trucked from the three water sources and delivered to the public water tanks installed around the camp. In addition to the public water tanks, private tanks had also been installed by the refugees and business establishments in the camp.

The NGO, together with the office, had established a monitoring system to ensure water quality and delivery at destination. However, according to the monitoring system, the destination was the street instead of the water tanks to be filled. There was no inventory of the water tanks and no information as to their water capacity and location. In its visit to Za'atari camp, the audit noted that the water tanks themselves were not marked to assist the identification of the tanks to be filled, periodically inspected and disinfected. As such, there was no assurance that the water tanks in question were filled as intended and that each refugee had access to the established standard quantity of water.

The office stated that it was in the process of marking the water tanks with identification numbers as it disinfected them.

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

i. Review and implement a monitoring process to improve the efficiency and effectiveness of field monitoring and programmatic visits. The process will include, among other things, the review and implementation of recommendations and action points arising from these visits and the tracking of their implementation.
ii. Include the status of implementation of significant findings and recommendations

stemming from field monitoring and programmatic visits as one of the standing agenda items in programme meetings, and submit significant unresolved issues to the Country Management Team for information and action.

iii. Review and improve the monitoring of water delivery not only at street level, but to the specific water tanks that are supposed to be filled.

Staff responsible for taking action: Chief, Planning, Monitoring and Evaluation; Deputy Representative; Chief of WASH
Date by which action will be taken: December 2015

Reporting on results

The office submitted 75 donor reports in 2013 and 2014. A dedicated staff had been assigned to the editing and consolidation of donor reports. The audit reviewed a sample of five donor reports submitted by the office during 2013 -2014 and the 2013 annual report, and noted the following.

Financial utilization reports: Three donor reports submitted by the office did not include the required financial utilization reports, although their submission was specified in the grant agreements. The donors were therefore not able to check that their contributions were used in accordance with the agreed budgets. In its quality assurance review of the donor reports conducted in November 2013, the Regional Office had also highlighted the need for the office to submit a funds utilization report in one of its sampled donor reports.

Corroborating evidence: The audit tested a sample of four reported achievements from among the five donor reports and the 2013 annual report. They included statements such as: *86,992 Syrian and Jordanian children received access to improved WASH facilities in 91 host community schools; estimated 3,575 schools received support through the Child-Friendly School initiative.* It noted that the reported achievements were inadequately corroborated by supporting documentation or programmatic visits. As noted earlier (see *Harmonized Approach to Cash Transfers*, p16 above), there was a lack of documentation of programmatic visits which reduced the office's capacity to obtain reasonable assurance regarding the achievement of results.

Key attributes of donor reports: Four donor reports did not include human-interest stories to highlight the situation of children and the impact of donor funds on changes in their lives. These four reports also lacked a donors' feedback form. Three donor reports did not present UNICEF's comparative advantage for implementing donor funds, or highlight future priorities of the office.

Timeliness in the submission of donor reports: Five of the 31 donor reports due in 2013, and 15 of the 44 donor reports due in 2014 (including one due to the regional office), were submitted late. The delays ranged from four to 14 days in 2013 and from one to 76 days in 2014. According to the office, one of these cases in 2013 and five in 2014 was caused by inaccurate entry of the donor report due dates in VISION by UNICEF's Public Partnerships Division (PPD). However, the office could have checked the accuracy of the entries.

Agreed action 14 (high priority): The office agrees to review the donor and annual reporting processes, including quality assurance, ensuring that:

i. The financial utilization reports are submitted to donors in accordance with the grant agreements.

ii. The achievements reported in the donor and annual reports are properly supported with sufficient and appropriate documentation.
iii. The donor reports cover the key attributes of reporting according to the guidance issued by UNICEF's Public Partnership Division, as and when appropriate.
iv. The donor reports are submitted on time.
v. The donor reporting schedules as entered by Public Partnership Division are verified as to their accuracy.

Staff responsible for taking action: Reports and Donor Relations Specialist
Date by which action will be taken: January 2015

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 the country office's support processes including the involvement of the Common Services Centre (CSU) of the Regional Office and whether they are in accordance with UNICEF Rules, Regulations, 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, consultants, contractors and payment.
- **Logistics and inventory management.** This includes consumables, including programme supplies, and the way they are cleared from port/customs, recorded, warehoused and distributed.
- **Administration and asset management**. This covers management of vehicles, premises, and travel; and cost-sharing with other UN agencies. Included in this area is the maintenance, recording and use of property, plant and equipment (PPE).
- **Safety and security.** This includes implementation of country-specific Minimum Operating Security Standards (MOSS) security measures in accordance with the security accountability framework.
- **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.

The audit found that controls were functioning well over a number of areas. The office had standard operating procedures (SOPs) related to payment of invoices with or without purchase order and of consultant fees, processing of project cooperation agreements (PCAs), and travel, among others. Bank reconciliation statements were prepared and approved on time and reconciling items properly analyzed and cleared.

in 2013, the office had done a physical inventory count of programme supplies maintained in the third-party warehouse. All programme supplies in that warehouse were adequately insured. There were long term arrangements (LTAs) with suppliers to assist procurement of supplies and services.

Property, plant and equipment (PP&E) was adequately managed, tagged and accounted for. All international travel was properly approved by the representative, and blanket travel authorizations were raised for frequent in-country missions. Safety and security of the staff and UNICEF premises was adequately managed. The office complied with the Minimum Operating Security Standards (MOSS), and access to it was adequately controlled through electronic access cards.

However, the audit also noted the following.

Vendor master records

UNICEF's Supply Manual and pertinent VISION guidance notes provide adequate guidance for the creation, maintenance, use and access to vendor records in VISION. The creation of vendor master records should be done centrally by the designated staff member(s). The office is also expected to ensure the completeness of the vendor's details in the master record – especially the payment transaction and the banking details, as this information is required for processing of payments.

It is also important to avoid creation of duplicate vendor master records, as these could provide erroneous information related to disbursements and liquidations of a vendor account, and increase the risk of overpayments or double payments. They may also allow implementing partners to receive DCTs despite having previous cash transfers outstanding for more than six months.

The office had a process for the maintenance of vendor master records in VISION, and had assigned the role to two staff members. However, the process did not systematically require implementing partners and other vendors to submit documentation to the office to confirm their existence and legitimacy. Neither did it include systematic authentication of their bank accounts.

The audit also found that vendor master records were duplicated for 108 vendors, totalling 222 of the 1,333 vendor accounts. Some of the 108 vendors had more than two accounts. The 108 vendors included NGOs that had accounts both as implementing partners and at the same time as field office vendors (e.g. suppliers); and staff members with duplicate accounts as staff members and consultants. The records had been created without ascertaining whether master records for those vendors had previously been created in the system. The duplication had also occurred during the data migration from the legacy system to VISION when it was introduced in 2012, since there was insufficient review of vendor master records before their migration.

Although the audit did not observe any duplicate payment due to the existence of multiple vendor master records, it did note a case where a DCT payment of about US$ 796,000 had been made to an implementing partner using a vendor account when its outstanding DCT balance on its account as an implementing partner exceeded six months. UNICEF policy is that no payment be made to an implementing partner with DCTs outstanding over six months without authorization from the Regional Director; where there are DCTs outstanding for over nine months, agreement should also be sought from the Comptroller.

Prior to the audit, the office had started to identify duplicate vendor master records and marked some of them for deletion. Once the vendor master record is marked for deletion, UNICEF headquarters can delete them centrally. However, the office had not blocked them for posting. Transactions could thus still be posted to these vendor master records.

Agreed action 15 (medium priority): The office agrees to, through the Regional Office (CSU):

i. Revise, and provide guidance on, the process for requesting and creating vendor master records, to ensure that:
   a. Adequate documentation is obtained to establish the legitimacy of the vendors and the validity of their bank accounts.
   b. There are checks to ensure there is no existing master record for a vendor in VISION before another vendor master record is created.

ii. Ascertain validity of vendors with multiple master records, and block from posting and/or mark for deletion the master records that are considered invalid or duplicate.
iii. Assign responsibilities for periodic review of the vendor master records, in order to prevent duplications and ensure completeness and accuracy of records.

Staff responsible for taking action: Vendor Master Maintenance Administrators; Operations Manager, CSU
Date by which action will be taken: February 2015

Financial transaction processing

The office received operational support from the Common Support Unit (CSU) of the Middle East and North Africa regional Office (MENARO). CSU, in addition to providing other operational support, handled the processing of financial transactions and payments thereof, following the authorization of expenditures and confirmation of receipt of goods/services by the Jordan country office.

The audit reviewed whether financial transactions were performed accurately, promptly and completely and in accordance with UNICEF Regulations and Rules. It selected a sample of 87 financial transactions for review, and noted a general weakness in the authorizing, purchase-order releasing, receiving, certifying, approving and paying functions. Specifically, the audit noted the following.

Release of cash transfers: In accordance with UNICEF policy, programme staff are expected to review the FACE[7] forms before certifying and approving the requests for payment processing, and the operations manager/finance officer reviews the accuracy and completeness of the information in the approved request before posting it for payment.

The audit sampled 34 DCT payments (the payment document for one of which was missing). The majority of the FACE forms were not properly filled in by implementing partners: most FACE forms did not indicate the activities being implemented, listing requested budgetary expenditures instead. A number of the FACE forms did not state (or were unclear about) the period of activities for which the DCTs were being requested. Those partners who had already received DCTs should also have entered any outstanding DCT amounts on the FACE form.

Moreover, the office did not maintain a record of the authorized representatives of the implementing partners and their specimen signatures. This presented a risk that the requests for cash transfers might not be in accordance with the signed workplans; and/or that the requests might not in fact have been authorized by that partner; or that payments might not be made to the partner's bank account.

There was limited assurance that requests for DCTs were processed, approved and paid in accordance with the original authorizations — which were the annual workplans (AWPs) and programme cooperation agreements (PCAs). The AWP and the PCAs, or the relevant extracts of them, were not available as part of the supporting documentation. Their presence enables the approving officer (operations manager/finance officer) to ensure that everything agrees

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

with the original authorization (including the budget), to review the completeness and accuracy of information in the approved FACE forms, and to post them for payment. The verification by the approving officer was also hampered by the improper completion of the FACE forms by the implementing partners. The inadequacy in the exercise of the approval function had resulted in payments of DCT to cover expenditures of activities of over the maximum period of three months, and in a payment of over the requested amount.

The audit also noted weak oversight in processing of requests for cash transfers. In one case, a payment request had been approved for payment three months before the receipt of the FACE form from the implementing partner. In two cases, reimbursements of expenses incurred by implementing partners were instead processed and posted as advances.

A number of DCTs to implementing partners were not processed and released on time. The processing of the sampled requests for cash transfers (with an aggregate value of US$ 36 million) took an average of 28 days (ranging from one to 98 days) from the date of receipt of the requests to the release of payments. The protracted processing exacerbated delays caused by late submission of requests by the implementing partners (which was an average of 92 days after the planned start dates of the activities).

According to the office, the delays were in some instances due to activities being approved by MOPIC, which delayed submission of requests by the partners. The office also indicated that it was, with the assistance of CSU, issuing SOPs for DCTs payments and liquidations, and intended to monitor the processing time.

Liquidation of DCTs: Of 22 liquidation transactions sampled, 19 did not include copies of the originally approved FACE forms and the related budget details against which the budget utilization was being reported. Also, 13 of the 22 lacked a detailed statement of expenditures. The office had not obtained the missing documents from the partners and CSU had not required them from the programme staff. This meant there was limited assurance that the reported activities and expenditures were in accordance with those agreed and authorized.

Contracts: The audit reviewed a sample of 11 payments related to contracts for services. It noted that the contracts corresponding to the two payments were signed after the contract start date (in one case, after completion of the services). In another case, payment was processed and approved although the contract had not been signed. There was also a case when payment was made without due regard to the agreed payment terms.

Supplies: The audit reviewed 10 payments related to supply procurement. Two of them had prompt payment discount terms, such as 2/10 net 30.[8] However, CSU did not take advantage of the discounts. In one case, it had paid the supplier within 10 days of the invoice date and had therefore earned a US$ 2,400 discount, but paid the full amount of the invoice anyway. In another case, CSU lost the US$ 2,043 discount since it did not process the invoice within 10 days of the invoice date. Considering that these two payments pertained to purchase orders (POs) raised on the basis of two LTAs, and the POs raised based on these LTAs had an aggregate value of US$ 1.5 million, the office could have potentially earned a total discount of about US$ 26,000.

Also, the delivery receipts were not required as supporting documentation for payments of supplies.

[8] 2/10 net 30 means buyer must pay within 30 days of the invoice date, but will receive a 2 percent discount if paid within 10 days of the invoice date.

Original copies of invoices: CSU had certified and approved payments on the basis of scanned copies instead of the original copies of the invoices (which were available at the country office). It had also stamped the scanned copies instead of the original invoices as paid (to supposedly prevent duplicate payments).

CSU stated that it processed payments based on scanned copies of the invoices to be in line with other country offices it served in payment processing, i.e. Syria and Libya. However, unlike Syria and Libya, the Jordan country office did not have a dedicated operations section and CSU was providing its operation function.

Cash on hand account (COHA): The COHA was established from March to 31 December 2013 to respond to the Syrian Humanitarian Crisis. It was mainly meant for payment of cash to the General Directorate, Jordan Food and Drug Administration for clearing and testing of medical supplies.

In 2013, the total payments from COHA amounted to about US$ 15,500. The audit noted that the COHA was managed like a petty cash fund. However, a COHA should operate similarly to a bank account. The invoices should thus have been processed and approved prior to disbursement from the COHA. However, the custodian had released payments prior to the processing and approval of the invoices. Furthermore, although the authorization for the COHA had expired on 31 December 2013, the account was still open and operational at the time of audit (October 2014).

Agreed action 16 (high priority): The office agrees to, through the Regional Office (Common Services Unit):

i. Remind the authorizing, purchase-order releasing, receiving, certifying, approving and paying officers of their respective functions, accountabilities and responsibilities in accordance with UNICEF Financial and Administrative Policy 1: *Internal Controls* Supplement 1 – *Roles*. If necessary, training and briefing will be given in this regard.
ii. Review and improve the work processes and supervisory mechanisms related to payment and liquidation of cash transfers, contracts, and supply procurement. This will include processing of payments on the basis of original invoices and FACE forms and taking advantage of prompt-payment discounts.
iii. Train the staff of the Common Services Unit of the regional office and the Jordan country office on the improved work processes following the review specified in (ii) above.
iv. Manage the cash on hand account in accordance with UNICEF Financial and Administrative Policy 4: *Cash Management*, Supplement 1 – *Cash Accounts*, following an assessment of the need for the cash on hand account and approval from the Division of Financial and Administrative Management (DFAM) for its extension.
v. Review the payments made to suppliers from whom prompt payment discounts could have been earned, and recover from the suppliers the discounts that were earned but were not claimed at the time of payment.

Staff responsible for taking action: HACT Manager; Operations Manager, CSU; Finance Officer; and Supply and Procurement Specialist
Date by which action will be taken: January 2015

Agreed action 17 (medium priority): The office agrees to:

i. Provide guidance on the submission and processing of requests for cash transfers and the liquidation thereof to both the office and implementing partners' staff.
ii. Continue the training of both the office and implementing partner staff on the Harmonized Approach to Cash Transfers (HACT).

Staff responsible for taking action: HACT Manager; and Operations Manager, CSU
Date by which action will be taken: December 2014

Programme supplies

Country offices are required to establish effective processes so that the procurement of programme supplies and services is properly planned, implemented and monitored. The country office, through the Common Services Unit (CSU) of MENARO, had procured over US$ 10 million of programme supplies locally during the period from January 2013 to September 2014. The programme supplies procured were mainly emergency supplies. The audit reviewed the procurement process as it pertained to the Jordan country office, and noted the following.

Market survey: The CSU had conducted a market survey in 2010 to cater to the supply requirements of the Jordan country programme. The supply requirements at that time were minimal and mainly for advocacy. Since the start of the Syrian crisis in 2012, supply requirements had dramatically increased in support of the humanitarian response; however, the CSU had yet to conduct another market survey. It thus had limited information on the market, including the availability and sources of commodities and the capacities of suppliers.

Procurement of programme supplies: The office had developed supply plans for 2013 and 2014 that were linked to the workplans. Pre-delivery inspection of programme supplies which was outsourced to an independent specialized contractor.

However, the CSU did not adequately manage some aspects of the procurement of programme supplies. In a sample of nine procurement actions, two POs were issued based on LTAs that had not been reviewed by the contract review committee (CRC). In addition, the same LTAs were extended for another year without CRC review. As of the audit (October 2014), the aggregate value of the POs raised based on said LTAs was US$ 1.5 million. Moreover, two (with aggregate value of US$ 106,000) of the nine sampled POs were single-sourced. Although one had a note for the record, the reason for single-sourcing was not sufficiently justified.

Performance evaluation of suppliers: The CSU had not evaluated the performance of all the suppliers involved in the nine sampled POs. These suppliers included those which had LTAs with UNICEF. The LTAs were subsequently extended for another year without the suppliers' performance being evaluated. The performance of institutional contractors had not been evaluated either.

Recording in VISION: The CSU did not sufficiently record procurement actions in VISION. Key information that was missing included the CRC submission, the selection process, and performance evaluation. In addition, CSU had yet to close 188 contracts that had had remained open for more than three months since completion. These 188 contracts included 51 that had been open since 2012 and 89 contracts since 2013. As such, the unspent commitments of these contracts (amounting to US$ 315,000) had not been released and made available to fund other activities.

Agreed action 18 (medium priority): The office agrees to, through the Regional Office Common Services Unit:

i. Conduct a market survey and update the supplier database to identify potential suppliers.
ii. Establish a process to ensure that long-term arrangements that meet the threshold for review by the contract review committee are submitted to it, and that single sourcing is justified and documented.
iii. Institute a process for periodic evaluation of the performance of suppliers and institutional contractors, and for use of the results of the evaluation as basis for subsequent procurement actions.
iv. Provide guidance for the maintenance of procurement action information in VISION and for the closure of completed purchased orders and contracts in VISION.

Staff responsible for taking action: Supply and Procurement Specialist; Regional Logistics Advisor; and Representative
Date by which action will be taken: March 2015

Tax exemption

In June 1999, UNICEF (represented by the Regional Director, MENA) and the government of Jordan (represented by the Minister of Foreign Affairs) signed a Basic Cooperation Agreement (BCA). The BCA provided UNICEF with tax exemption privileges. In particular, paragraph 6 of the BCA stipulated that *"no direct taxes, value-added tax, fees, tolls or duties shall be levied on the supplies, equipment and other materials intended for programmes of cooperation in accordance with the master plan of operations* [now called the CPAP]*"*. It added that *"in respect of supplies and equipment purchased locally for programmes of cooperation, the Government shall, in accordance with section 8 of the Convention, make appropriate administrative arrangements for the remission or return of any excise duty tax or tax payable as part of the price".*

These provisions were reaffirmed in the 2013-2017 Country Programme Action Plan (CPAP),[9] signed by UNICEF and the government of Jordan. The CPAP provided that *"no taxes, fees, tolls or duties shall be levied on supplies, equipment, or services furnished by UNICEF under this Country Programme Action Plan"*. The CPAP also added that *"UNICEF shall also be exempt from Value Added Tax (VAT) in respect of local procurement of supplies or services procured in support of UNICEF-assisted programmes."*

While the tax exemption privilege was afforded only to UNICEF, the office applied to its implementing partners as well. It had certified invoices (with UNICEF and the implementing partners indicated as customers) presented by implementing partners as purchases for UNICEF programmes. With the office's certification, the implementing partners had been able to obtain an exemption from payment of 16 percent tax on their purchases from their suppliers/service providers. While the BCA and the CPAP stipulated that the exemption applied to procurement of supplies and services for UNICEF-assisted programmes, the procurement had in these cases been made by the implementing partners. This arrangement

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

could jeopardize not only the tax-exempt status of UNICEF but also its reputation.

Agreed action 19 (medium priority): The office agrees to secure clarification from the government, in particular from the Ministry of Foreign Affairs (MOFA), on the application of UNICEF's tax-exemption privilege to implementing partners in respect of supplies or services procured by them on behalf of UNICEF. Pending receipt of MOFA's clarification, the office should institute measures to manage the related risks.

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

Warehouse and logistics

Country offices are responsible for establishing effective controls and procedures for warehouse and inventory management. These should include independent physical count of inventory, inventory reporting, recording of receipt of goods, and authorization of dispatches. The office, through the CSU, had contracted a vendor for the warehousing of programme supplies in Amman. It conducted a physical inventory count of the supplies in December 2013. At the time of the audit (October 2014), the total value of inventory in the warehouse was US$ 2 million. In addition, the office, again through the CSU, had concluded an LTA with a contractor for in-country distribution of programme supplies. The audit noted the following.

Inventory management: The audit visited the warehouse managed by a contractor and noted that there were programme supplies missing from the sample counted. The contractor said that these were in fact short deliveries that were reported to the office in November 2013. However, the issue had remained unresolved. Moreover, four of 11 sampled programme supplies in the warehouse contractor's stock report were not recorded in VISION. The office explained that the difference pertained to supplies that were transferred from a camp to the warehouse in July 2013 but had remained unaccounted for in VISION.

There were also several boxes stacked on top of each other in such a way as to squash the boxes below, spoiling the programme supplies.

Delivery of supplies to partners: The delivery receipts showed acknowledgement receipt of the supplies by the recipients. However, these were not necessarily the authorized representatives of the partners (they could for example have been warehouse employees). The office had not secured confirmation from implementing partners themselves for the receipt of the programme supplies. In addition, it did not have the specimen signatures of the authorized representatives of the implementing partners. As such, there was no assurance that the programme supplies were received by the implementing partners to whom they were intended to be delivered.

Timeliness of delivery and recording of goods receipt: A review of six sampled purchase orders (POs) revealed that none of the supplies were delivered on time. Delays ranged from 81 to 377 days, with an average of 162 days. Further, the pertinent goods receipts for four of the six sampled POs were seven to 184 days after the actual receipt of supplies by either by the implementing partners or the warehouse. In one of the six sampled POs, the goods receipt was recorded in VISION 52 days before the receipt of supplies and the related payment to the supplier was processed and effected 13 days before the receipt of supplies. This meant that the receiving officer confirmed receipt of goods in VISION when they could not in fact have been received.

Agreed action 20 (medium priority): The office agrees to:

i. Verify the missing supplies and reconcile the inventory records.
ii. Instruct the warehouse contractor on the proper storage and stacking of programme supplies.
iii. Establish a procedure to ensure that the authorized representatives of the implementing partners confirm receipt of programme supplies.
iv. Institute a monitoring mechanism to ensure timely delivery of programme supplies and recording of these deliveries in VISION.
v. Remind the receiving officers of their responsibility and accountability for ensuring that posting of goods receipts in VISION is based on actual receipt of goods and services; and strengthen oversight in this area.

Staff responsible for taking action: Logistics Specialist; Logistics Assistant; Property Survey Board; Deputy Representative; CSU Supply; Section Chiefs; and Programme Assistants
Date by which action will be taken: March 2015

Access to information and communication technology (ICT) resources

The Regional Office had established a procedure for providing users with access to core UNICEF ICT resources, such as the network, email, Intranet and VISION transaction management system components. It had correctly assigned the human resources unit to initiate the provisioning of access to ICT resources, since it maintained the employment records of staff members and consultants.

However, a review of the access of all 83 ICT users in Jordan country office at the time of the audit noted that eight of them had access to the ICT resources for more than 91 days beyond their contract expiry dates. Of the eight users, two users had access to the ICT resources from 92 to 183 days beyond their contract expiry dates. Six users had access for about a year after their contract expiry dates. On the other hand, three users had their access rights set to expire from 18 to 364 days before their contracts. Finally, the names of 25 staff members registered as system users were not consistent with their names as written in their employment contracts.

These errors were caused by provision of incorrect names and contract expiry dates from the requesting sections, such as from human resources unit of the Regional Office for staff members, and from programme sections of Jordan country office for consultants. This created the risks of unauthorized access and/or inappropriate transactions, resulting in potential loss of resources and data integrity.

The inconsistencies between staff members' names, expiry of access rights and employment contracts could have been avoided through a systematic link between the issue of employment contracts (including amendments) and the provisioning/deprovisioning of ICT access rights. In fact, Information Technology Solutions and Services Division (ITSSD) has already agreed to institute such a linkage in consultation with the Division of Human Resources (this was in response to an audit recommendation in an audit of Mozambique country office in 2013).

Agreed action 21 (medium priority): The Regional Office agrees to:

i. Review the accuracy of the names of users, together with their respective contract expiry dates, and ensure that they are appropriately registered in VISION and in the system for provisioning and de-provisioning of access to ICT resources.
ii. Continue the periodic review of the validity of the users' access rights to ICT resources to ensure that they are consistent with the expiry dates of their contracts.

Staff responsible for taking action: CSU – Human Resources; and ICT unit
Date by which action will be taken: With immediate effect

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.

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'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 of 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.