

Internal Audit of the Liberia Country Office

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Office of Internal Audit
and Investigations (OIAI)
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Summary

The Office of Internal Audit and Investigations (OIAI) has conducted an audit of the Liberia Country Office. The audit was conducted during the period 30 October to 12 November 2013, and covered governance, programme management, and operations support during the period from 1 January 2012 to 30 October 2013.

The UNICEF country office is based in the capital, Monrovia, and has a total workforce of 91 approved posts (26 international posts, 24 national officers and 41 general service staff). There are no zone offices.

The 2013-2017 UNICEF Board-approved country programme has a total budget of US\$ 150 million for the five-year period. Of this, US\$ 23.5 million is regular resources (RR) and US\$ 126.5 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.

Action agreed following the audit

In discussion with the audit team, the country office has decided to take a number of measures. Five are being implemented as high priority—that is, they concern issues that require immediate management attention. These actions were as follows:

- The office did not monitor its performance in mobilizing resources against the budgeted amount. Some programme result areas were underfunded by between 42 percent and 79 percent of their requirements. Also, the office made a commitment to support a social cash transfer in 2011, but had not secured the required funding. The office agreed to establish procedures to address the gaps identified.
- The office did not have an accurate list of its implementing partners. It had not assessed their capacities to implement UNICEF activities, and had not recorded and monitored their past performance. The office has agreed to address the inadequacies noted.
- Micro-assessments of implementing partners required under the Harmonized Approach to Cash Transfers (HACT) did not cover all eligible partners and the basis for their selection was unclear. No assurance plan had been developed and assurance activities had not been budgeted for. The office agreed to take action to fully implement HACT in the country.
- The office had undertaken a schools construction project in 2008 of 90 schools that had experienced significant delays and led to additional costs being incurred. The office agreed to ensure that risk management is embedded at an operational level, so that any large or highly specialized project is accepted only after a detailed risk assessment of available capacity to implement agreed projects. The office has also agreed to prepare a summary of lessons learned and communicate it to the Regional Office and relevant headquarters Divisions.
- Project monitoring visits were not adequately planned, monitoring tools were not fully developed and results of project monitoring visits were not collated and followed up based on monitoring indicators. The office has agreed to take measures to improve programme monitoring.

Conclusion

The audit concluded that the controls and processes over the country office needed improvement to be adequately established and functioning. The measures to address the issues raised are presented with each observation in the body of this report. The Liberia country office has prepared action plans to address the issues raised.

The country office, with support from the West and Central Africa Regional Office (WCARO), and OIAI will work together to monitor implementation of these measures.

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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:

- **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 country office had identified its priorities and they were regularly discussed in the Country Management Team meetings. Staff were well aware of them.

As a result of a staff capacity assessment while drawing up the new (2013-2017) country programme, a Friday learning time had been introduced. The staff reported that they were finding this helpful.

Risk management

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

The Liberia country office had developed its initial risk profile and risk and control library in 2011 and had updated it during a 2012 risk-management review. The risk and control library included an action plan to manage the risks identified. However, the action plan was not followed up rigorously in 2012. Furthermore, the office had not conducted a full Risk and Control Self-Assessment (RCSA) during the preparation of the 2013-2017 new country programme which did not therefore reflect a comprehensive review of the risks to its objectives. This also meant the RCSA did not include risks to the planned results of the new country programme.

The office was aware of the need to review the process for updating the risk and control library. It had formed a team consisting of management representatives and a focal point from each section. The team, which met in October 2013, was also reviewing the office risk management process and allocating responsibilities and deliverables. However, the team did not have clear terms of reference and the expected outcome of their activities had not been defined. The audit also noted that some key members of staff had not had any training on risk management since the ERM policy's implementation.

Agreed action 1 (medium priority): The office agrees to strengthen the risk-management process by:

- i. Ensuring regular review of risks to the planned results of the country programme.
- ii. Systematically monitoring implementation of an action plan to address all significant risks identified.
- iii. Ensuring the office management plans are informed by the most recent risk assessment.
- iv. Formalizing the terms of reference of the team that is reviewing the Enterprise Risk Management.
- v. Providing staff with relevant training.

Staff responsible for taking action: Representative, Chief of Operations, Monitoring & Evaluation Specialist and Supply Specialist

Date by which action will be taken: July 2014

UN Coherence

In 2010, on request of the Government of Liberia, the United Nations in the country implemented Delivering as One (DaO). DaO aims at a more unified and coherent UN structure at the country level, with one leader, one programme, one budget and, where appropriate, one office. The aim is to reduce duplication, competition and transaction costs. Originally launched in 2007 in eight pilot countries,¹ DaO has also been adopted voluntarily by UN

¹ Albania, Cape Verde, Mozambique, Pakistan, Rwanda, Tanzania, Uruguay and Viet Nam.

agencies in a number of others, including Liberia. This is in line with the UN's Quadrennial Comprehensive Policy Review of 2012 which encourages joint programming processes at the country level, as a useful way to promote greater coherence.

The programme agreed between a government and the UN agencies in a country is called the UN Development Assistance Framework (UNDAF). In the case of Liberia, there was a UN in Liberia Costed Action Plan (UNCAP), which operationalized the UNDAF, defining UN management and coordination arrangements in greater detail, and serving as the main legal document for multi-year programming. The UNCAP states that each UN system agency that is signatory to the One Programme will align their country office annual workplan to it. The UNCAP also anticipated development of a number of joint programmes involving two or more UN agencies, on the premise that such programming would add value to the DaO process. To this end, the UNCAP is organized around a number of "pillars" around which the agencies can work together.

UNICEF was the convener for pillar 3 – Human Development. However, in 2013 UNICEF Liberia had no joint programmes with any of the other agencies working on pillar 3, and had signed its sectional annual workplans with the various implementing Ministries independent of the other UN agencies' plans. Although the section chiefs participated in sectoral working groups, there was no record that, as part of its planning process, the office had identified opportunities for collaboration that would enable comprehensive interventions and reduce transaction costs to both participating UN agencies and government partners.

It should be noted that UNICEF was not alone in this. One Ministry that dealt with multiple UN agencies informed the audit that they saw no cohesion at an operational level, as agencies signed their detailed workplans, and dealt with the line Ministries, separately. In addition the Ministry felt that there was some competition amongst the agencies to protect their various mandates.

Lack of coherence can also reduce results. For example, if schools are built without trained teachers and a curriculum, their impact will be negligible. The audit, on their visit to a project, noted an instance where a school had been built but the majority of teachers were volunteers from the village and had had no formal training or curriculum to follow.

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

- i. As part of the annual work-planning processes, identify and assess potential areas for joint programmes with other UN agencies.
- ii. Based on the assessment, hold discussion with relevant agencies to put in place joint programming where possible.

Staff responsible for taking action: Deputy Representative

Date by which the office indicated it had taken action: January 2014

Governance: Conclusion

Based on the audit work performed, OIA concluded that the controls and processes over governance, as defined above, were generally established and functioning during the period under audit.

2 Programme management

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

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

All the areas above were covered in this audit.

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 developed additional procedures for the Project Cooperation Agreement (PCA) review process, to ensure there were checks on the budget and supply plan prior to its being presented to the PCA review committee. There was also a checklist to provide a summary of partner performance against the PCA.

There were timely scheduled audits of nine partners who had received over US\$ 500,000 during the previous country programme.

Programme coordination

Programme implementation was not adequately coordinated between various programmes. Individual programmes followed their specific intervention criteria for each activity, which may not have lent itself to collaboration. More focused intervention would have assisted the leveraging of resources for maximum impact. Examples of synergies that could have been explored are checking birth registration alongside school registration, school rehabilitation/construction and WASH, and schools and health volunteer outreach. Regarding the latter, the audit visited a school with approximately 600 students that was approximately

two hours' walk from a health clinic, but had received no visits from outreach teams. This was of great concern to the school.

The heads of sections stated that they did consult and coordinate when relevant. However, this was based on individual interactions and did not always occur below the chiefs' level. It was also noted that the approaches of the individual sections were not necessarily focused and linked even where a single PCA had been signed with a "common" partner. In discussions with the audit, UNICEF staff, and two international NGOs, also noted the lack of joint activities.

Agreed action 3 (medium priority): The office agrees to formally identify synergies between activities and locations, to provide coordinated and comprehensive interventions.

Staff responsible for taking action: Deputy Representative

Date by which the office indicated it had taken action: January 2014

Programme funding and resource mobilization²

The previous country programme (2008-2012) had had a total approved budget of US\$ 56.4 million. This consisted of US\$ 18.9 million of regular resources (RR), and other resources (OR) of US\$ 37.5 million. The 2013-2017 country programme has a total Board-approved budget of US\$ 150 million US\$ 23.5 million in RR and OR of US\$ 126.5 million. An office is expected to mobilize and leverage the required OR resources itself, and in Liberia they had increased by over US\$ 89 million over the previous country programme.

The audit noted the following risks.

Monitoring resource mobilization: The office did not monitor its performance in mobilizing resources for the budgeted amount against individual intermediate result areas. Moreover the office had not determined how much it had raised against the budgeted OR funds for the 2008-2012 country programme as a whole.

In general, the office had no process to monitor availability of funds against budgeted amounts (the budget information can be obtained in the programme workplans). Overall summary financial performance reports were available to each section, but this could not be used effectively in determining result areas that lacked funding and required attention. The office could not, therefore, devise a strategy that focused on the most needy areas of its country programme—that is, programme areas that are not necessarily attractive for funding by donors, such as the Advocacy and Child Protection areas.

Funding imbalances: Some programme areas were overfunded while others were underfunded. The unfunded programmes were masked by the overall funding situation. In 2012, the total programme budget was US\$ 41.3 million against which the office allocated US\$ 62.6 million, which suggested that the programme was over-funded by about US\$ 21.3 million.

However, in the Child Protection and Child Survival and Development programme result areas,

² 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.

seven intermediate results (IRs)³ were underfunded. Of these seven, five were under-funded by between 42 percent and 79 percent of their requirements, reducing the likelihood that those requirements would be met. As of November 2013, the office indicated that it had allocated US\$ 35.8 million against a budget of US\$ 25.8 million, which again suggests the office is over-funded. The office indicated that it monitored funding by programme component result (PCR), but this monitoring was at a higher level and could therefore not identify funding gaps, especially where a programme was over-funded or in case of restricted contributions that supported only specified activities.

The country management team (CMT) monitored funding status, but it did so on funds allocations, commitments and financial utilization, and did not focus on funding gaps. Furthermore the CMT meeting agendas allocated less than five minutes to discussions on financial performance in these meetings.

Change of donor emphasis: During the previous country programme, the office was able to attract donor resources partly because Liberia was in transition from violent conflict towards political stability and sustainable recovery. There was a significant interest by international development partners in programmes for children, which resulted in a substantial increase in OR contributions. In the previous country programme, the office was able to attract funding even without a resource mobilization strategy. In the period of the new country programme, however, the office is likely to be faced with a decline in humanitarian funding in favour of development funding. Funding challenges will also be exacerbated by the commitment to implement the programme under DaO, where UNICEF has made financial commitments.

Moreover the office had made commitments during the previous country programme that were not funded. This included a cash social transfer programme that was signed in November 2011. The office had committed itself to raising US\$ 1.6 million for this programme but, as of November 2013, the funds had not been secured.

Resource mobilization strategy: In February 2013, the office had developed a resource mobilization strategy. It included the establishment of a fundraising task force, defining the role of the resource-mobilization specialist, assigning responsibility for proactive engagement with the donors and other functions. However, it had not been fully implemented.

Things that had not been done, even though they were included in the strategy, included monitoring of key funding gaps, follow-up on funding opportunities, and monitoring of donor visibility issues. There were no established quality review processes for proposals development. Furthermore consideration had not been given to the preparation of proposals that addressed cross-sectoral issues—especially for programme areas that were consistently underfunded.

The office monitored the timely issue of donor reports. However, there were no standards for the quality review process. These are needed to ensure that donor reports include appropriate information that would be useful to donors (including for example timelines).

Agreed action 4 (high priority): The country office agrees to:

³ UNICEF programmes plan for results on two levels. A programme component result (PCR) is an output of the country programme, against which resources will be allocated. An intermediate result (IR) is a description of a change in a defined period that will significantly contribute to the achievement of a PCR.

- i. Monitor its performance in mobilizing financial resources against the budgeted amounts for each programme result area.
- ii. Implement its strategy for mobilizing financial resources for all the programme result areas, including those that are not attractive to the donors.
- iii. Ensure that its strategy for funds mobilization includes the preparation of proposals for thematic funding.
- iv. Review its quality review processes for the preparation and issue of project proposals and donor reports, and issue specific standards/indicators for their submission and release to donors.

Staff responsible for taking action: Deputy Representative and Resource Mobilization Specialist

Date by which action will be taken: June 2014

Partnerships

The office did not have an accurate list of active partners available. For the period 2012 to 2013, it provided the audit with a list of 46 programme partners, of which eight were government and the remainder NGOs. In 2013, only 18 of these NGOs had signed PCAs and were on the PCA tracking list maintained by the office. The rest were said to be inactive partners. Thirteen NGO partners received direct cash transfers (DCTs) in 2013 but it was also noted that there were two additional partners that received DCTs that were not on the tracking sheet. In the course of the audit, the office also provided lists of partners that gave a different number of NGO partners. The PCA tracking sheet was not being reconciled with the number of partners entered into UNICEF's management system, VISION; the accuracy and completeness of the sheet, and number of partners entered in the system, were therefore not checked.

The office said it was working with partners from the last country programme, with the exception of those who had been dropped either for poor performance, or (in a few cases) because the partners felt they no longer had the capacity or UNICEF had noted that key personnel had left. Although the office had a system of PCA completion certification that reviewed a partner's performance against the PCA, this was not consolidated on an annual or programme cycle basis, and there was no readily-available list of partners who had been dropped for non-performance or other reasons. In addition, where partners had multiple concurrent PCAs, their overall performance was not looked at.

The 2007 audit raised the issue of the lack of systematic operational and financial capacity reviews of partners when they were brought on board. From 2008 to 2010, the office did undertake comprehensive reviews of these partners to address this concern. From 2010, however, other than 21 NGOs who were re-assessed in 2011, no assessments were performed, although there was a significantly different country programme that would make different demands on partners. The current country programme had therefore begun without a comprehensive reassessment of the partners' capacities. The office now intended to use the information requested in the assessments that were being performed in 2013 to update the active partner's profile data.

Agreed action 5 (high priority): The office should enhance its management of implementing partners' performance by:

- i. Maintaining a portfolio of partners who have been identified as suitable for partnership, and an active partner list (using programme cooperation agreements and other agreements); and regularly reconciling the active partner list to partners recorded in VISION to confirm its accuracy.
- ii. Putting in place procedures that guarantee an overall performance review of each partner and ensuring their prior performance and the relevance of their capabilities is reviewed prior to the commencement of a country programme.
- iii. Ensuring that implementing partners' profiles are regularly updated, and that there is a separate record of partners assessed as non-performing or no longer suitable for partnership, indicating the reasons why they have been so listed.

Staff responsible for taking action: Deputy Representative and Monitoring & Evaluation Specialist

Date by which action will be taken: June 2014

Harmonized Approach to Cash Transfers

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

HACT makes this possible by requiring offices to systematically assess the level of risk before making cash transfers to a given partner, and to adjust their method of funding and assurance practices accordingly. HACT therefore includes micro-assessments of the individual implementing partners, both government entities and NGOs. There should also be audits of implementing partners expected to receive more than US\$ 500,000 during the programme cycle. There should also be a macro-assessment of the country's financial management system. As a further safeguard, the HACT framework requires offices to carry out assurance activities regarding the proper use of cash transfers. Assurance activities should include spot checks, programme monitoring and special audits.

HACT is required for three other UN agencies (UNDP, UNFPA and WFP), and country offices should coordinate with them to ensure best use of resources. In Liberia, the UN agencies had not as yet fully implemented HACT, although a number of key elements have been put in place. The audit made the following observations.

Macro-assessment: The UN had performed a macro-assessment of the public financial management systems in January 2013, at the beginning of the programme cycle. The macro-assessment rated those systems as high risk. Some of the reasons given were weaknesses in the Supreme Audit Institution, poor banking systems, infrastructure, weak controls, and a lack of capacity that slowed transfer of cash to the counties.

Micro-assessments: The HACT framework recommends detailed micro-assessments of implementing partners that are expected to receive more than US\$ 100,000 in a year. The UNCT performed micro-assessments of certain government ministries and institutions; of the eight ministries with which UNICEF worked, six were micro-assessed. The remaining two were not, by either the UNCT or by UNICEF, although as of November 2013 one had received cash transfers exceeding US\$ 100,000.

For NGOs, the country office outsourced 38 micro-assessments to an accounting firm, and

began to receive the draft assessments in November 2013. The list of 38 was based on all potential partners identified by the office during the planning process. Of the 38, 17 had not received cash transfers in the prior programme cycle or in the current period, and should not therefore have been priority partners for assessment. As noted in the observation on partnerships, the process by which these partners were identified for assessment was unclear; the 38 chosen did not appear to match an active partner list or the partners entered into VISION.

Assurance activities: The office had no assurance plan in place as they had been awaiting the HACT assurance plan from the UN country team. However, a UNICEF-specific assurance plan is still necessary as it helps provide a clearer linkage with programme monitoring, which is an essential part of any cash transfer approach. This linkage ensures any perceived discrepancy between financial reporting and programme progress is dealt with promptly and appropriately. The office's own assurance activities should be supplemented by the UN country team's HACT assurance activities.

Scheduled audits: The office had commissioned audits of Government and some NGO implementing partners. The programme monitoring and evaluation section maintained a database of the audits commissioned as part of its IMEP (see also p15, below). The completed audits included key observations and recommendations relevant to the management of cash transfers. However, it was unclear how the office used the information in the reports. Neither was it clear whether the country office had any responsibility in respect of the follow-up of key observations such as the ones included in the audit of the Education Pooled Fund, which is funded by UNICEF and managed by the Ministry of Education.

Annual workplan: Programme directive CF/PD/PRO/05-011 states that an office's annual workplan should include budgets for all costs of micro-assessments and audits. However, in the plans reviewed, there was nothing set aside for any assurance activities other than programme monitoring. The office wanted to combine and share costs with other UN agencies under HACT implementation, but it would still have to provide for assessments for specifically UNICEF partners and UNICEF assurance activities.

Agreed action 6 (high priority): The country office has agreed, where appropriate together with the UN country team, to fully implement the Harmonized Approach to Cash Transfers (HACT) by:

- i. Ensuring all implementing partners eligible for micro-assessments are identified, and prioritizing their micro-assessments.
- ii. Putting in place a risk-based assurance plan with clear linkages to programmatic monitoring.
- iii. Making budgetary provision for the implementation of the assurance plan, covering all necessary activities including audits and spot checks in the annual workplans.
- iv. Determining how to use the information and recommendations arising from scheduled and special audits of key partners, and ensuring a process to report on implementation of agreed action plans.

Staff responsible for taking action: Deputy Representative, Monitoring & Evaluation Specialist and Finance Officer

Date by which action will be taken: June 2014

Construction

In 2008 the office undertook a schools construction project funded by a donor. Under the agreement with the donor, UNICEF was to perform construction work in 90 schools (60 school rehabilitations, 24 primary schools and six LAB4LAB⁴), with all to be completed by 2012. In consultation with the UNICEF's Supply Division, the office formed a construction unit to oversee the process.

There had been significant delays to the construction works. As of January 2013 only seven had been substantially completed. By November 2013, 53 were complete. The construction of the schools has been delayed because the office did not have the capacity to manage the construction adequately. In 2012 the donor granted a no-cost extension of one year following UNICEF's assessment that it would be able to complete the construction within the extended period. However, this had not been the case and an additional two year extension had been obtained from the donor.

At the request of the office an assessment of the status of the construction was completed by Supply Division in November 2013. Supply Division prepared a detailed report (which was in draft at the time of the audit) that included various observations and suggestions over how the management of the construction work should be improved.

The audit noted reputational risk for UNICEF because the office had committed itself to the construction work without ascertaining its capacity to do it. In discussions with the audit, the donor expressed a view that the office had not performed an adequate assessment of the project risks and had not been realistic in its assurances given to the donor.

Agreed action 7 (high priority): The country office agrees to:

- i. Ensure the risks of a project are assessed at sectional level and at the proposal stage, so that any large or highly specialized project is only accepted after a detailed risk assessment, particularly where UNICEF may not have the expertise/capacity in-house.
- ii. Agree a plan of action with the Supply Division in order to implement agreed recommendations and suggestions arising from its review of the construction project.
- iii. Prepare lessons learned from the schools construction process, make suggestions for improvement and communicate both of them to the Regional Office and to relevant HQ Divisions.

Staff responsible for taking action: Deputy Representative, Chief of Education, Supply Specialist and Construction Officer

Date by which action will be taken: December 2014

Programme monitoring

Field-monitoring visits are meant to provide feedback on programme indicators, and are an important tool for an office to keep track of programme implementation. A robust monitoring plan should clearly outline who requires the information, how frequently and in what form. Monitoring visits were included on the programmes' Leave and Travel plans, which are prepared by each section individually. However, they were not clearly indicated on these

⁴ The LAB4LAB (*Learning Along Borders for Living Across Boundaries*) initiative aims to promote interaction and interdependence across borders through the creation of shared places of education.

plans.

The audit also noted that tools for field-monitoring follow-up of findings differed from section to section. Although the audit was shown a monitoring follow-up template, this was not used by all the sections at the time of the audit. In addition, cross-sectional issues arising from the visits were dealt with informally. There was no process to provide the office with a valuable overview of the issues identified, cross-sectional issues and resolutions, as well as the state of implementation progress from the monitoring of programme indicators.

The United Nations Quadrennial Comprehensive Policy Review of 2012 emphasises that countries adopting the Delivering as One approach need to establish common monitoring, evaluation and reporting mechanisms. However, as with joint programmes, the CO had not undertaken joint monitoring. The sections prepared their plans separately and did not as a matter of procedure look at synergies that might be gained by having combined monitoring visits.

Agreed action 8 (high priority): The office agrees to:

- i. Enhance its monitoring system by ensuring clear identification of the information to be gathered (particularly with respect to indicators), its frequency, and the standards for reporting it and for resolving cross-sectional issues.
- ii. As part of work planning, consider where there might be benefits from a more integrated in-house monitoring approach and joint visits with other UN agencies.

Staff responsible for taking action: Representative, Deputy Representative and Monitoring & Evaluation Specialist
Date by which action will be taken: June 2014

Monitoring and evaluation

Country offices should have programme monitoring, evaluation and research activities in order to assess the country programme's impact on children and women, and incorporate lessons learned into future programme design.

There was an established planning, monitoring and evaluation (PM&E) section and the office was in the process of boosting the section further with a new post. Major evaluations were implemented with input from, and coordination with, appropriate stakeholders such as the government and donors.

The audit reviewed this area and made the following observations.

Planning and implementation: Offices are expected to manage these activities through an integrated monitoring and evaluation plan (IMEP). However, the implementation of the major evaluations was not adequately planned to ensure that they were completed in a timely manner, with some being postponed from one year to next. For example, the 2013 evaluation plan included five evaluations carried over from the previous country programme. Some of these had been planned for 2011. Delays to major evaluations and studies reduce their effectiveness in providing strategically relevant evidence to inform decision making. The evaluations that were postponed included end-of-programme evaluations that would have been useful in informing the design of the Country Programme that started in 2013. Major studies and research activities that would also have informed the design of the new country

programme had also been delayed.

The audit noted that implementation of the IMEP was overseen by the CMT, and that the latter had done too little to establish whether the activities could be implemented as planned with the available capacity (internal and external) and resources. The audit considered that the CMT was not well-positioned to review in detail the planning for and implementation of IMEP activities. This could have been better done through a small task force consisting of staff from PM&E and programme sections (albeit with a reporting line to the CMT).

Thematic evaluations: These are evaluations that are designed to draw lessons that can be generalized beyond the context of a single project or programme. However, the office did not plan or implement thematic evaluations. Rather, IMEP activities were sourced from programme sections, which planned only sector-specific evaluations. The CMT, which reviewed and approved IMEP activities, did not mandate thematic evaluations.

Implementation of recommendations: There was no office-wide system for monitoring the implementation of agreed recommendations arising from evaluations, monitoring activities and research activities. There was evidence that management responses were given, and appropriate action plans established, for key evaluations, such as the evaluation of the social cash transfer programme. However, there was no process for monitoring and reporting to senior management or the CMT the status of implementation of agreed actions. Also, management responses did not include completion dates, making implementation of recommendations harder to monitor.

Delivering as One: Because the UN in Liberia was implementing DaO, individual CPAPs⁵ and agreements were superseded by the joint UNDAF document signed with the Government. However, the UNDAF document did not include a detailed monitoring and evaluation plan. It was not clear how the country office's own five-year IMEP related to the UNDAF.

Reporting structure: The CPMP⁶ indicated that the Planning, Monitoring and Evaluation (PME) section would have responsibility for programme planning and co-ordination, including emergencies, quality assurance, knowledge management, budget allocation and monitoring. The CPMP also stated that the PME section would report to the Representative for the current programme cycle. However, the office was in the process of changing this structure so that the section would report to the Deputy Representative. It was very early in the country programme for such a change, which would have an impact on PME's oversight role in planning and monitoring programme activities – a role that is strengthened by reporting directly to the Representative. It is the view of audit that the approved structure in this section should be implemented without change until the mid-term review.

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

⁵ The country programme action plan (CPAP) is a formal agreement between an 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.

⁶ 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.

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- i. Assign responsibilities for planning, reviewing and approving evaluation and monitoring activities, taking into account available capacities and resources. At the same time, review the effectiveness of the reporting structure in the planning, monitoring and evaluation section.
 - ii. Monitor the status of key actions and recommendations arising from evaluations, and periodically report that status to management and/or the country management team.
 - iii. Ensure that the integrated monitoring and evaluation plan for the 2013-2017 country programme is included in the UNDAF's monitoring and evaluation plan.

Staff responsible for taking action: Representative, Deputy Representative and Monitoring & Evaluation Specialist

Date by which action will be taken: July 2014

Programme management: Conclusion

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

3 Operations support

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

- **Financial management.** This covers budgeting, accounting, bank reconciliations and financial reporting.
- **Procurement and contracting.** This includes the full procurement and supply cycle, including bidding and selection processes, contracting, transport and delivery, warehousing, consultants, contractors and payment.
- **Asset management.** This area covers maintenance, recording and use of property, plant and equipment (PPE). This includes large items such as premises and cars, but also smaller but desirable items such as laptops; and covers identification, security, control, maintenance and disposal.
- **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.

Cash transfer management

The total expenses on direct cash transfers (DCTs) from January 2012 to October 2013 were US\$ 19.8 million; this was 35 percent of the office's total expenses for that period. The office monitored its DCTs regularly and only one percent of the total amount transferred through DCTs during the period were older than nine months. The following issues were noted in the management of cash transfers.

Multiple implementing partners' accounts: Multiple accounts were created for single implementing partners. A summary provided by the office indicated that one Ministry had at least 29 different accounts. As noted earlier (see observation *Partnerships* on p11, above), the number of active partners had not been established.

The multiple accounts were set up to allow for the transfer of cash to different counties even if other counties or units in the Ministry had not as yet liquidated their previous amounts. As stated in the observation on HACT (p12, above), the macro-assessment had noted the slow disbursement of monies to counties; this slowness, and the consequent delays in liquidations, was one of the factors in the macro-assessment's high risk rating. However, the office had no process to monitor the number of partner accounts with each Ministry. This created a risk of funds being transferred to the wrong account, and/or disbursement of funds to implementing partners with long-outstanding cash transfer balances. It also made it difficult for the office to monitor the accuracy of the total amounts given to one partner.

The Coordinating Ministry told the audit that the use of multiple accounts was a concern to

the government, as the Ministry was unable to properly track all the amounts given to the Ministries by the UN.

Liquidation of cash transfers: As a consequence of the macro-assessment's high risk rating and the as yet unfinished micro-assessments the CO required all partners, including international NGOs, to submit their supporting documents to the office; moreover the process was duplicated in order to provide a secondary independent check. This resulted in a lot of staff time being spent verifying receipts and invoices. Despite this, the checks were not thorough. For example, the audit found instances where the client had submitted receipts for end-of-year office parties, which could not be considered eligible programme expenses.

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

- i. Immediately begin to track all the accounts assigned to a partner, and regularly report on and review the overall advances and outstanding direct cash transfers for that partner.
- ii. Work with the government to ensure comprehensive recording and reporting of cash transfers whilst managing the efficient transfer of funds to counties.
- iii. Urgently review its cash transfer processes, and use the available micro-assessments to decide how implementing partners will be managed; and streamline the liquidation process, taking into consideration the resources available to the office.

Staff responsible for taking action: Chief of Operations

Date by which action will be taken: June 2014

Contract management

The audit reviewed the contract monitoring report in VISION and noted the following.

Completed contracts: Contracts were not systematically closed in VISION. A total of 181 consultant, institutional and Long Term Agreement (LTA) contracts with a validity end date of on or before 30 September 2013 were still shown as open in VISION at the time of audit (November 2013).

Final evaluations: Out of 127 institutional contracts, only 10 were indicated as having had a final evaluation. None of the 30 LTAs had been evaluated. UNICEF's Supply Manual requires the preparation of an evaluation report as to the performance of the contractor to be used as a future reference. Best practice is to review performance against the key performance indicators (KPIs) and key deliverables, and use that review to prepare a report and that will be kept on file for future reference. For 82 consultant contracts (91 percent), there was no indication that formal output evaluations had been done, although UNICEF policy requires that these be prepared against the terms of reference used for the assignment.

Competitive sourcing: Only 134 (54 percent) of the 247 contracts in the monitoring analysis were recorded as having been competitively sourced. It was also noted that for three contracts that were above US\$ 50,000, the date of review by the Contracts Review Committee was not indicated in VISION.

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

- i. Prepare performance evaluations prior to final payments, use them to update the

- rosters of service providers and ensure that this information is reflected in VISION.
- ii. Regularly review and validate the contract information in VISION, ensuring that it accurately reflects the contract position, the necessary documents are attached and the information from the monitoring report is used to monitor and manage contracts.

Staff responsible for taking action: Chief of Operations and Supply Specialist

Date by which action will be taken: April 2014

Warehouse management

The audit visited the office's warehouse, and noted the following.

Two assembled motorcycles and 18 motorcycle kits had been received in the warehouse in September 2013. However, as the items had been purchased for direct delivery to implementing partners, they were not recorded as inventory in VISION – meaning that the warehouse staff had effective control over the assets.

A burglary had taken place at the UNICEF warehouse in December 2012 and items worth approximately US\$ 4,144 were stolen or damaged. The office had recovered most of the value through insurance claims. The stolen or damaged items were written off from inventory using the documents sent to the UN Department of Safety and Security and to the insurance company. However, there had been no recommendation from the Property Survey Board (PSB) for the write-off. The audit also noted that among the items claimed as damaged, there were eight "Basic Family Water Kits" that were still in the warehouse. It was unclear whether they should be destroyed or could still be used.

Since 2010 several damaged tents had been stored in the warehouse. The tents were not listed as inventory in VISION. However, the office had not presented them to the PSB for recommended action in compliance with UNICEF policies and procedures. There were also items in the inventory report in VISION that were listed as expired but had not been presented to the PSB for review and recommendation for disposal.

The warehouse drainage was blocked by a neighbouring business. This increased the risk of flooding, dirt and contamination. This issue had not been dealt with, though the lease for the warehouse had been renewed for another year in August 2013.

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

- i. All items in the warehouse are recorded in VISION and the general ledger inventory account is regularly reconciled with warehouse records and physical counts.
- ii. All items requiring the attention of the property survey board are presented to it for appropriate recommendations on their disposal.
- iii. The warehouse is maintained in a sanitary condition and issues relating to health and safety are dealt with promptly.

Staff responsible for taking action: Supply Specialist

Date by which action will be taken: May 2014

Vehicle administration

Based on UNICEF guidelines, the Head of the Office, or the designated officer in charge, is the

only staff member to whom an official UNICEF vehicle can be individually assigned for official purposes. Additionally, when not in use by the Head of Office, the vehicle is to be made available for other official duties. The guidelines do allow for the Head of Office or the designated official to authorize and assign UNICEF vehicles for non-official use in exceptional situations, such as in emergency duty stations, when local circumstances so warrant, and in the best interest of the organization. In addition, depending on local circumstances and availability of vehicles, the Head of Office may also authorize the use of a vehicle, for the first three months, to new international staff members. However, such exceptions must be documented with proper justification.

The audit noted that all international staff members were entitled to use a vehicle after business hours and during weekends, for their personal transportation. This was agreed in a CMT meeting in July in 2010, where it was also established that each International Professional (IP) should pay US\$ 100 monthly. This amount included the cost of Third Party Liability insurance policy. In 2012, this amount was reviewed and increased to US\$ 200. However, the audit was not provided with appropriately justified approval of this exception by the Representative, the justification for the continuation of the benefit or the rationale for the amount to be reimbursed to UNICEF.

Due to limited safe public transportation in the city, UNICEF provides a bus and two minibuses for the transportation of local staff members to and from the office. National staff who use this service paid US\$ 40 monthly. There was no documented and approved basis for the amount charged.

All staff members using UNICEF vehicles were required to record the name of the individual driving the vehicle, their section, the vehicle registration number, and the time of departure from, and arrival at, the office. The staff member had to sign for these details in a book kept by office security at the reception desk. However, staff regularly omitted recording actual time of departure or arrival.

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

- i. Comply with UNICEF guidelines with respect to the personal use of UNICEF official vehicles. The review process, and appropriate approvals where relevant, must be recorded.
- ii. Fully document the basis of any amounts being reimbursed to UNICEF for services provided and obtain the appropriate approval for the reimbursement scheme.
- iii. Put in place appropriate controls for the management and custody of UNICEF vehicles.

Staff responsible for taking action: Chief of Operations and Human Resources Specialist

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.

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.