

Internal Audit of the Mali Country Office

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Summary

The Office of Internal Audit and Investigations (OIAI) has conducted an audit of the Mali country office. The audit sought to assess the office's governance, programme management and operations support. The audit team visited the office from 4-28 March 2014. The audit covered the period from January 2013 to March 2014.

The 2008-2012 country programme, extended to 2014, has four main programme components: *Child Survival, Basic Education and Equity, Child Protection, and Promotion of rights and partnership*. There is also a cross-sectoral component. The total approved budget for the country programme is US\$ 264.5 million, of which US\$ 88.7 million is regular resources (RR) and US\$ 175.8 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. 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), up to the approved ceiling. Besides the approved country-programme budget, the Mali office had an additional total budget for OR Emergency (ORE) for the period 2008-2014 of US\$ 224.6 million.

The country office is in the capital, Bamako and there are four zone offices (Kayes, Mopti, Gao and Sikasso). As of December 2013, the country office had a total of 156 approved posts, of which 44 were for international professionals, 51 for national officers and 61 for general service staff. As of December 2013, 12 of the 156 established posts were vacant. Total expenditure for 2012 was US\$ 39.6 million, and US\$ 84.2 million for 2013. For 2014, it was US\$ 13 million as of March.

UNICEF management declared a level 2 emergency for Mali in 2012, and this was maintained until September 2013. This was mostly because of the nutrition crisis that affected most of the countries in the Sahel Region, which in the case of Mali was further aggravated by the political turmoil when a military coup overthrew the President and the Government in March 2012. As a result, the 2008-2012 country programme had twice been extended and now ran to 2014; it had also shifted since 2012 from a development-oriented programme to a humanitarian emergency response.

Action agreed following the audit

In discussion with the audit team, the country office has agreed to take a number of measures. Fourteen are being implemented as high priority – that is, to address issues that require immediate management attention. The issues were as follows:

Control environment

- The working environment in the office had been difficult during 2012 and 2013 and some relationships had been strained. The office has agreed to make use of the resources that are available within UNICEF to improve working environments in offices.

Office management

- The office did not prepare management plans for the years 2011 to 2014, and thus

did not systematically define and monitor management priorities and objectives. The office has agreed to prepare a management plan for 2014.

Partnership management

- The office had not formalized strategic mapping of its partners in order to select those that were relevant to the country programme. It has agreed to assess the capacities of potential partners authorized to operate in the country.
- There were weaknesses in the functioning of the Programme Cooperation Agreement Review Committee (PCARC), which led to sub-optimal decisions on programme activities. The office will take a number of steps to strengthen the PCARC's functioning.
- Implementation of the Harmonized Approach to Cash Transfers (HACT) was not effective. The office has agreed to implement it in full, preferably in coordination with other UN agencies.
- Shortcomings were found in the monitoring of programme activities in the field, including inadequate utilization of third party monitoring and lack of a system to capture and follow up on recommendations of field missions. The office has agreed to take several steps to strengthen this area.
- There were deficiencies in the processing of cash transfers to implementing partners, and weak monitoring of the timely liquidation of cash advances. The office has agreed to more clearly assign responsibilities for cash transfers and liquidations.

Procurement

- There were weaknesses in the functioning of the Contract Review Committee (CRC) that led to inappropriate recommendations of contracts. The office has agreed that members of the CRC will be made fully aware of their responsibilities, and that the CRC will consider all cases that reach the threshold for its review.
- Shortcomings were found in local procurement processes, including inadequate sourcing and evaluation of suppliers as well as bidding and award processes. The office has agreed to implement an updated market survey and to follow procedures for solicitation and processing of bids.

Supply and warehouse management

- There were significant deficiencies in the management of programme supplies, including: weak supply planning leading to procurement of supplies not supported by work plans; significant delays in receiving ordered supplies; and weak monitoring of the status of supplies throughout the whole supply chain. The office has agreed to assign accountability for the management of programme supplies and to draw up a supply plan that is incorporated in workplans.
- Significant deficiencies were also found in the management of the warehouse, including discrepancies between physical counts and data in VISION, long storage of supplies due to lack of supplies distribution plans, and deliveries of supplies to partners not justified by a workplan or a request. The office has agreed to take a number of steps, including an independent stocktaking of the warehouse.

Management of physical assets

- There were weaknesses in the management of Property, Plant and Equipment (PP&E), including discrepancies between physical count and records in VISION, and non-application of recommendations made by the Property Survey Board (PSB). The office will make a physical count of PP&E and reconcile it with the records in UNICEF's

management system, VISION. It will also reassess allocation of vehicles and their loan to partners.

The Regional Office has agreed to take a further two actions that are high priority. They are as follows:

- The Regional Office will provide effective oversight to ensure that management plans and annual reviews are implemented for the Mali country office. The Regional Office will also take the action necessary to stabilize the management positions of the office.
- The Regional Office will assign additional resources to monitor and guide the country office's performance to improve its work environment and governance.

Conclusion

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

The Mali country office, the Regional Office and OIAI intend to work together to monitor implementation of the measures that have been agreed.

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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 above areas were covered in this audit.

Office working environment

In interviews with the auditors, office staff commented that the working environment in the office had been challenging in 2012 and 2013. They described the environment as characterized by mistrust among staff members, with rumours affecting working relationships and efficiency. Relationships with some government bodies had also been strained.

The office management at the time of the audit had taken steps to improve the working environment. However, the situation appeared to still be fragile.

Agreed action 1 (high priority): The office agrees to, with support from the Regional Office, identify all appropriate resources of UNICEF, and seek their assistance in improving both internal and external office communication and working relations. These resources will

include, but not necessarily be limited to, the following: Ethics Office; Ombudsperson; and Division of Human Resources.

Responsible staff members: Representative and senior management committee
Date by which action will be taken: December 2014

Management of the country office

An office's Annual Management Plan (AMP) defines management priorities¹ based on identified risks, and the related staff accountabilities. The Annual Management Review (AMR) conducted by the office should review progress and performance against the planned results and indicators described in the AMP. Further, the regional office should oversee a country office's performance based on those indicators.

The latest available AMP for the country office was dated 2010. The audit noted that the Regional Office did not follow through on its oversight responsibility to ensure that AMPs were prepared. The Regional Office informed the audit that it had flagged the lack of management plans but that it lacked the resources to follow it up.

The lack of comprehensive management plans was aggravated by instability in the office senior management. From 2012 to March 2014, the office had five Representatives or Acting Representatives. There had also been four Deputy Representatives or Acting Deputy Representatives over the same period.

Mali is a category C duty station, which means that staff are due for rotation after three years (and may apply for rotation after two). The emergency and humanitarian crisis in 2012 and 2013, with concomitant increased funding and programme activities, had led the office to hire temporary staff and consultants (at one point reaching a peak of 39 temporary staff). In this context, institutional knowledge must rely primarily on properly documented processes and records, rather than on the memory of staff. It was not helpful that office priorities were not defined and followed up on, and that there was no formal hand-over process to both help assess the performance of departing managers and assist the induction of new ones.

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

- i. Develop an Annual Management Plan (AMP) for 2014, and conduct an annual management review at the end of the year. AMPs and annual reviews should be embedded in work processes.
- ii. Develop a formal hand-over process to help assess the performance of departing managers and facilitate incoming manager induction.

Responsible staff members: Representative, Deputy Representative, Chief of Operations, Human Resources Specialist

Date by which action will be taken: January 2015

Agreed action 3 (high priority): The Regional Office agrees to:

- i. Strengthen its oversight of the Mali country office to ensure that key management

¹ The office priorities defined in the AMP concern the internal management of UNICEF in a country, not the outcomes sought for children and women.

controls are implemented without delay, to mitigate all significant risks to achieving results.

- ii. In cooperation with the Division of Human Resources, take any action needed to reduce or eliminate high turnover in Representative and other senior posts.

Responsible staff members: Regional Director, Regional Chief Operations, Regional Chief PME, Regional Chief HR

Date by which action will be taken: December 2014

Agreed action 4 (high priority): The Regional Office agrees to assign additional resources to monitor and guide the country office's improvement of its working environment, internal control environment and office governance.

Responsible staff members: Regional Chiefs Operations, PME & HR, Change Management Specialist and Communications

Date by which action will be taken: November 2014

Programme Cooperation Agreement Review Committee

All offices are required to establish a Programme Cooperation Agreement Review Committee (PCARC). This reviews, among other things: whether a partner has been adequately assessed; whether the selection for a particular collaboration is justified, based on its expected role; the assessed level of risk; the programmatic justification and design of the PCA; cost/cost-effectiveness implications; mutual accountability provisions; the budget proposal; and the proposed PCA document and supporting documents themselves.

The audit found that the PCARC did not function effectively. There was no detailed workflow for submissions of proposed programme activities and related matters to the PCARC. In particular, there was no effective mechanism to ensure that recommendations and comments made by the PCARC were addressed before the PCAs were signed.

In three cases reviewed by the audit, the PCARC endorsed three significant multi-sectoral PCAs, worth a total of US\$ 12 million, with international NGOs without adequate documented evidence that the office had assessed their capacity. Neither did the PCARC ask to see the office's proposed coordination mechanism between participating programme sections.

Further, these PCAs included construction work, the costs of which were not clearly assessed and presented to the PCARC – which could not therefore assess whether the NGOs in question were capable of such work, or whether it would have been more cost-effective to contract construction companies. In fact the audit noted that the NGOs actually sub-contracted the construction portions of the PCAs to local firms.

According to the PCA guidelines, the chairperson will be the most senior official responsible for Programmes. In one case involving a PCA of US\$ 3.4 million, it was found that to avoid a conflict of interest, one session was chaired not by the Chair of the PCARC but by the acting Chief of Operations. However, this individual was not a member of the Committee and had not been officially designated by the Representative to chair the PCARC session. Furthermore, in the spirit of the guidance, audit concluded that the appropriate person to chair the committee should have been a programme staff member.

Finally, the terms of reference (ToRs) for the PCARC specified that it would review not only PCAs but also Small Scale Funding Agreements² (SSFAs); it did not do so.

Agreed action 5 (high priority): The office should strengthen functioning of the Project Cooperation Agreement Review Committee (PCARC), taking steps including but not necessarily limited to the following:

- i. Establish a detailed workflow for programme cooperation agreements (PCAs) that clarifies their review process, including a mechanism to ensure that recommendations and comments made by the PCARC are addressed before PCA signature.
- ii. Document PCARC review of partners' capacity assessment.
- iii. Document the PCARC's review of the programmatic justification and cost-effectiveness of programme activities for which partnership is proposed. In particular, when proposed PCAs include construction activities, the PCARC should review their cost-effectiveness. It should also review justification for multi-sectoral PCAs, and recommend a monitoring mechanism that is coordinated between the sectors when relevant.
- iv. Ensure that the PCARC is chaired by a staff member designated by the Representative as required in UNICEF Guidelines.
- v. Ensure that the PCARC also reviews the Small Scale Funding Agreements in accordance with the terms of reference.

Responsible staff members: Chief of Monitoring and Evaluation, Deputy Representative, Supply Manager

Date by which action will be taken: September 2014

Contract Review Committee

Offices are required to have a Contract Review Committee (CRC) to review contracts worth more than a certain threshold. For the Mali office, the threshold was set at US\$ 30,000. In a country office, the CRC renders written advice to the Representative regarding award of the proposed contract. The CRC should provide a competent, independent and unbiased review of the proposed contract award and the process leading to it.

In two instances, the CRC had recommended contracts of about US\$ 4.3 million despite clearly being informed of facts that should have led it to reject them. The first case, for a total of US\$ 2.1 million, included doubling of quantities, leading to doubling of the contract amount – without re-solicitation of all bidders and without sufficient evidence that the supplier could satisfactorily deliver the increased quantity. In the second case, worth US\$ 2.2 million, negotiations were made with some but not all bidders, so that they could align their prices with the best offer.

In 42 cases, documents were submitted to the CRC by the same staff members that cleared the submissions as Secretary of the CRC. This did not reflect appropriate segregation of duties in the procurement process. Further, in seven cases, CRC minutes were not signed by either the submitting officer or the Secretary of the CRC, which called into question their agreement with the decisions reached on awarding of the contracts.

² SSFAs are similar to PCAs but have a cumulative value less than US\$ 20,000 in terms of funding and/or the equivalent value of supplies in a calendar year. An office's SSFAs cannot exceed 10 percent of the total funded country programme budget in a given year.

One contract for US\$ 37,000 was not submitted to the CRC although it exceeded the threshold for submission. Another contract for US\$ 84,400 was submitted to the CRC only after its execution had begun, and there was no evidence that this had been reported to the Regional Office as specified by UNICEF procedures in such cases.

Agreed action 6 (high priority): The office should strengthen functioning of the Contract Review Committee (CRC), taking steps including, but not necessarily limited to, ensuring the following:

- i. Contract Review Committee (CRC) members are made fully aware of their role and responsibilities in the provision of independent assurance over the office's procurement process and practices, and are held accountable for their assigned responsibilities.
- ii. Appropriate segregation of duties in submitting and clearing cases submitted to the CRC. In particular, the Secretary of the CRC should not both submit documents to the CRC and clear them for completeness.
- iii. Systematic clearance of CRC minutes by all parties involved, including the submitting officer and the Secretary of the CRC.
- iv. The CRC reviews all contracts that meet the established threshold for its review, without exception; and *post-facto* CRC submissions are reported to the Regional Office, as per existing procedure.

Responsible staff members: Chief of Operations

Date by which action was reported as taken: July 2014

Delegation of authorities and segregation of duties

UNICEF's resource mobilization, budgeting, programming, spending and reporting activities are recorded in UNICEF's management system, VISION.

Access to VISION is given through the provisioning of a user identification (ID) that has "roles" assigned to it. Heads of Offices, and their delegates, 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*. Each office is also required to maintain a manual Table of Authorities (ToA); the Head of the Office should review the ToA periodically (preferably quarterly) to confirm its continued accuracy and appropriateness. An understanding of these roles, and the responsibilities assigned to staff, is essential in approving role assignments.

The office should adhere to the rules on delegation of authorities and segregation of duties. The latter is important to minimize the risk of inappropriate transactions by ensuring that, where possible, a staff member cannot carry out an entire process without checks and balances (for example, issue of a purchase order plus the receiving and certifying function). Where segregation of duties is not possible, appropriate mitigation measures should be taken.

The audit reviewed the VISION role-mapping table and the segregation of duties. It found that, in 32 instances, roles assigned to staff members in VISION were not reflected in the ToA signed by the Representative. The office stated that this was due to technical problems in the system and that it was looking for a resolution in coordination with the Regional Office and NYHQ. The audit also noted that roles assigned to staff as alternates were potentially sources of

segregation-of-duties conflicts. There was no evidence of relevant mitigation measures.

The audit also noted the following.

Travel roles: The “Travel on Behalf” role should be assigned to those that create trips on behalf of someone else (typically assistants). The audit noted that this role had instead been assigned to 17 staff members who did not have the profile for the role, including operations and programme officers and specialists.

The “Travel Administrator” role should only be assigned to staff in the Travel Administration team who approve Travel Authorizations and Travel Claims on behalf of the office. They post trips, change trip details, and close trips where changes have occurred, and delete incorrectly posted trips. Typically, they would be Travel Unit staff or operations officers. The audit noted that this role had instead been assigned to six staff members who did not have the profile for the role, including programme section chiefs.

Parking and posting: According to the internal control policy, the creation (parking) and approval (posting) of an invoice must be done by separate staff members, to minimize the risk of inappropriate payments that have not gone through the appropriate control processes. Generally, programme, administrative and budget assistants will create (park) an invoice, and those delegated with finance functions will approve (post) the transactions.

The audit noted that approving roles (posting of transactions) were assigned to section chiefs and the Deputy Representative; they should have been assigned to those delegated finance functions. In addition to not being a proper segregation of duties between programme and operations sections, this increases the risk that, for example, section chiefs create (park) and approve (post) the same transaction. The audit noted one case where an invoice was parked and approved by the same section chief, and later paid while the invoice was part of an unresolved disagreement with the supplier.

Agreed action 7 (medium priority): The office agrees to ensure that the delegation of responsibilities and authorities is in accordance with UNICEF internal control framework. Specifically, the office agrees to:

- i. Ensure all roles assigned in VISION are reflected in the signed table of authority.
- ii. Review the alternate roles to avoid potential risks, and document mitigation measures.
- iii. Ensure “Travel on Behalf” and “Travel Administrator” roles are assigned to staff with the appropriate profiles and responsibilities.
- iv. Ensure that transactions-approving (posting) roles are assigned to staff in the finance sections that have been delegated finance functions.
- v. Provide staff with appropriate training on the assigned roles and related accountabilities.

Responsible staff members: Chief of Operations

Date by which action will be taken: September 2014

Risk management in the humanitarian emergency

Documentation of management decision-taking during the emergency was generally weak. For instance, the office management had decided to work mostly with international NGOs to

implement the humanitarian emergency programmes, but had not recorded its reasons or the way it had weighed the risks involved. Further, the office had signed high-value PCAs with international NGOs that had only established themselves in Mali in 2012, and had given these NGOs advances that were processed in questionable conditions. (See observations *Programme Cooperation Agreement Review Committee*, p8 above; and *Management of Implementing Partners*, p16 below).

There are coordination risks that are typical in an emergency, but it was not clear that these had been identified and addressed so that the emergency response would be adequately coordinated on the ground. For instance, staff in the country office reported that coordination between the logistics section (which was part of the emergency response team) and the supply section did not work as expected. As a result, there had been major issues in the management of programme supplies. Some of these, such as the manual release of supplies, persisted at the time of audit. Also, meetings with Government partners indicated that communication about programmes and operations, particularly in the North of the country, had not been effective.

Significant amounts of programme supplies were procured without being included in a supply plan, and without distribution plans, mostly based on availability of funds, rather than being triggered by a demonstrated need. As a result, large amounts of programme supplies, some bought for emergency activities, were being stored for long periods or distributed to partners without being requested by them. This had also led to the rental of additional warehouse spaces at high cost. (See observations *Programme supplies*, p20 below; and *Warehouse management*, p28 below).

Although third parties were recruited for monitoring of programme activities in the North of the country, where access was difficult, there was no evidence that the results and recommendations of the third-party monitoring reports were being systematically acted upon.

In June 2013, a Regional Office-mandated Real-Time Evaluation was carried out by a consultant in order to provide recommendations to enhance the scale-up of UNICEF planning and response for the Mali humanitarian crisis. It covered the period from January to May 2013, and aimed at assessing the emergency response in the whole of Mali. It focused on both the programme and operations areas of UNICEF's intervention. A report was issued in July 2013, and included 60 recommendations. The office, in collaboration with the Regional Office, clustered the recommendations in 24 groups, in four categories: Short-Term High Priority; Medium-Term Low Priority; Long-Term High Priority; and Long Term Medium-Low priority. The audit noted that the latest implementation update was from October 2013, and the monitoring sheet still included the names of the former Representative and acting Deputy Representative, although both had been replaced. In fact, the new management had yet to follow up on the document.

At the time of the audit, the country office was preparing a new, regular country programme. There was a sense that while there were still humanitarian challenges, there was no longer an emergency, as the level 2 emergency was discontinued in September 2013. However, the audit noted that there was confusion, as until at least February 2014 emergency procedures for human resources were still being referred to as a justification for single-sourcing of consultants and temporary staff.

Agreed action 8 (medium priority): The office, in coordination with the Regional Office, agrees

to:

- i. Identify and manage the risks arising from the change from humanitarian emergency to regular operations, and ensure compliance with the set of UNICEF rules currently applicable to the country office.
- ii. Follow-up on recommendations of the Real-Time Evaluation, addressing those that are relevant.

Responsible staff members: Chief of Operations, Chief of Field Operations and Emergency, Chief of Monitoring and Evaluation

Date by which action will be taken: July 2014

Governance: Conclusion

Based on the audit work performed, OIA concluded that the control processes over governance, as defined above, needed significant improvement to be adequately established and functioning.

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, except for review of the quality and accuracy of donor reports, Evaluation and the Annual Report.

Planning of the 2015-2019 country programme

UNICEF offices plan their country programmes around five-year cycles. The planning process leads to the production of a country programme document (CPD), which will be submitted to UNICEF's Executive Board for approval before the new country-programme cycle begins. The CPD sets out what UNICEF will do in the country during the next five-year period, and how much it proposes to spend.

There should be sufficient data to suggest that the planned interventions on behalf of children and women would be effective; to this end, a new or updated Situation Analysis of Children and Women (SitAn) document should be prepared at least once in the course of a country programme in order to inform the one that follows it. It is also important that the new programme be a "fit" with national priorities, and where possible the planning process should be aligned with the host government's own planning cycle.

In November 2013, the office held a strategic moment of reflection in collaboration with the Regional Office to reflect on the timeline, possible contents and structure of the new (2015-2019) country programme. As a result, the Regional Office had made a number of recommendations, including updating of the SitAn by systematically collecting existing data, alignment and harmonization with national plans and priorities, and stronger mapping of potential strategic partners.

The audit made several observations on the ongoing planning process.

Situation Analysis (SitAn): At the time of the audit, no formal SitAn had yet been completed. The office stated that it would be able to outline the major issues and challenges facing children in Mali using existing analyses, studies and data generated from the 2010 MICS³ and the 2013 DHS⁴ survey. The office thought it would be able to cover 80 percent of the CPD benchmarks using these, plus further analysis using MODA.⁵

UNDAF: UNICEF country programmes should be aligned with the United Nations Development Assistance Framework (UNDAF) for the country. The 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.

At the time of the audit, there was no formal UNDAF with which the office could align a new country programme, and continuing instability meant that it had so far not been practical to draw one up. However, according to the office, the UN stabilization mission, MINUSMA,⁶ and the rest of the UN in Mali had now agreed to produce an UNDAF document at the end of April 2014. To this end, a common country assessment (CCA)⁷ was being completed at the time of the audit.

Alignment with government partners and their planning cycle: Sectoral discussions with Government partners on the new country programme were still on-going. The audit noted that the central planning document for the Government of Mali was the 2012-2017 Strategic Framework for Growth and Poverty Reduction Strategy, which had been supplemented by an Emergency Priority Action Plan (PAPU 2013-2014). Further, the Government of Mali had also developed a Government Action Plan for the period 2013-2018. The office had not recorded its assessment of the potential impact of the difference between the periods covered by the main Government planning documents and the proposed 2015-2019 country programme. However, the office confirmed that would be alignment with the main Government strategies.

Implementing partners: The strategic mapping of implementing partners had yet to be completed at the time of the audit.

Risk assessment: The process for preparing the 2015-2019 country programme did not include an update of the Risk and Control Self-Assessment (RCSA).⁸ The latest update of the

³ MICS = Multiple Indicator Cluster Survey, a tool developed by UNICEF through which it helps countries to produce statistically sound and internationally comparable estimates of a range of indicators on the situation of children and women.

⁴ DHS: Demographic and Health Surveys.

⁵ MODA: Multiple Overlapping Deprivation Analysis, a UNICEF methodology for analysis of multidimensional child poverty and deprivation.

⁶ The United Nations Multidimensional Integrated Mission for the Stabilization of Mali, known by its French acronym, MINUSMA (*Mission multidimensionnelle intégrée des Nations unies pour la stabilisation au Mali*).

⁷ The CCA is an independent assessment by the UN system of the development situation and critical issues facing a country. It provides a basis for the UNDAF, and is prepared in collaboration with national governments, civil society, other development partners and the private sector.

⁸ The RCSA is required by UNICEF's Enterprise Risk Management (ERM) policy. 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.

RCSA had been done in March 2013, but there was no evidence that the risks that were identified (11 high risk and 11 medium risk) had been followed up on and updated.

Office and staffing structure: A management review was held in February-March 2014 to evaluate whether the current office structure was the best for the new country programme. The final report had not been issued yet at the time of the audit, but the draft report included a proposal for a new programme and staffing structure with a net reduction of the workforce by 20 positions and an average of US\$ 1.6 million per year in savings for staff cost. The review also recommended a reinforcement of the roles of the zone offices in terms of office representation, programme planning and implementation, monitoring and evaluation, and operations management. Accordingly, it was proposed that 12 posts would be relocated from Bamako to the zone offices.

The office had not set out the fundraising assumptions associated with the cost of the new country programme and staffing structure.

There was also no clear definition of the roles and accountabilities of zone offices under the draft new structure. The basis for the increase in the number of positions in zone offices was not sufficiently documented.

Agreed action 9 (medium priority): The Regional Office should closely monitor the development of the new country programme by the office. It should particularly make sure that the new country programme is informed by:

- i. An updated SitAn and/or reliable sources of data.
- ii. The priorities included in the UN Development Assistance Framework and the completed common country assessment (CCA).
- iii. A written assessment of the impact of the timing difference between the Government main planning documents and the 2015-2019 country programme, including mitigation measures.
- iv. An updated Risk and Control Self-Assessment (RCSA).
- v. Strategic mapping of implementation partners.
- vi. Fundraising assumptions associated with the new country programme and staffing requirements.
- vii. Expected roles and accountabilities for Zone Offices.

Target date for completion: November 2014

Responsible staff members: Regional Chiefs Planning, Monitoring and Evaluation and Social Policy

Management of implementing partners

The country office worked mainly with Government partners until 2011 (they accounted for 68 percent of cash transfers in that year). As the 2012 crisis weakened the Government's capacities, the office increased its partnership with NGOs, giving preference to international NGOs for significant emergency programmes. In 2012 and 2013, 84 percent of the PCAs by value were with international NGOs. In 2012, they received 46 percent of total cash transfers while local NGOs received 15 percent. In 2013, the figures were 56 percent and 13 percent respectively.

The audit noted that the emergency response plans and rolling workplans did not identify the

partners for each programme activity. As a result, partnerships between UNICEF and NGOs were not strategically identified but instead defined on an *ad hoc* basis, based on activity-level proposals submitted by these organizations. Also, there was no monitoring and evaluation of partnerships in order to maintain a partner database with relevant information on their past performance and lessons learned.

The audit reviewed the office's process of entering into partnerships with three international NGOs. In all three cases, documentation was weak, resulting in an unsatisfactory audit trail for approvals and amendments, and related payment of advances and liquidations. The audit itself attempted to reconstruct the process, as follows.

Case 1: This concerned a US\$ 3.4 million multi-sectoral PCA covering Nutrition, WASH, Child Protection and Education. A "fast track pre-approval" agreement was signed in June 2012, and served as the basis for two initial payments amounting to about US\$ 130,000. Two other cash transfers were created, authorized and posted and paid in VISION in late August 2012 for about US\$ 1.3 million. All of this was done before the PCA was signed on 17 September 2012 (the PCARC had met on 17 August), and before the partner was visited by the micro-assessment team⁹ on 19 September 2012. Also, the micro-assessment showed significant weaknesses. (The audit visited facilities supported under this PCA and made further observations; see p22 below under *Monitoring of programme activities*.)

Case 2: This PCA was worth US\$ 960,000 (cash transfers for US\$ 780,000 and US\$ 180,000 for supplies). Upon recommendation from the PCARC, the PCA was extended three times, for a total of seven additional months, and beyond the official end of the level 2 emergency.

Case 3: A "fast track pre-approval" for this PCA was signed on 4 May 2012, and supplies worth US\$ 14,219 were transferred to the partner on that basis. The PCA was signed later, on 22 June 2012, for US\$ 7.8 million (US\$ 2.6 million of supplies and US\$ 5.2 million of cash transfers). Of seven months' initial duration, this PCA was amended seven times for a total of 16 additional months, and ran beyond the official end of the level 2 emergency, with an additional cost amounting to US\$ 5.8 million (the initial value of the PCA had been US\$ 2 million). As in the other cases, the partner, an international NGO, had been newly established in Mali at the time the original PCA was signed, suggesting that there should have been some form of assessment of its capacity. (This is in fact required under UNICEF guidance on partnerships: see CF/EXD/2009-011 *UNICEF Programme Cooperation Agreements and Small Scale Funding Agreements with Civil Society Organisations*).

In general, there was no documented capacity assessment of the partners before PCAs were signed. Micro-assessments of the NGOs took place after PCAs were signed, and the NGOs were not considered as high risk partners pending micro-assessment, as recommended under the HACT framework. The multiple and significant amendments made to the PCAs suggest weak design of programme activities as reflected in PCAs, and/or weak capacity of partners to meet PCA obligations. The audit also noted that the concept of "fast-track pre-approval" is not part of UNICEF emergency procedures.

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

⁹ Micro-assessment of prospective partners is part of the Harmonized Approach to Cash Transfers (HACT), a multi-agency UN framework that governs cash transfer to implementing partners. It is discussed in the following observation.

- i. Draw up an inventory of partners authorized to operate in the country, assess their relevance to UNICEF programme in the country, assess their capacities and use the results of these assessments as the basis for strategic partnerships.
- ii. Implement a process for monitoring and evaluating partners' performance and use the results of that process to guide future partnerships with the office.
- iii. Ensure that the release of inputs, including cash transfers and supplies, to implementing partners is based on, and preceded by:
 - a. Signed programme cooperation agreements (PCAs).
 - b. An assessment of the capacity of the partners to implement planned activities in a timely manner, and within the agreed implementation periods.
- iv. Ensure that amendments to the PCAs are limited to a reasonable number, and are based on a reassessment of the partners' capacities to meet their objectives under the agreement in a timely manner.

Responsible staff members: Representative, Deputy Representative, Chiefs of sections and units, Chief of Monitoring and Evaluation, Partnership and Resource Mobilization Specialist
Date by which action will be taken: October 2014

Harmonized Approach to Cash Transfers

Offices are required to implement the Harmonized Approach to Cash Transfers (HACT) policy. Under HACT, the office relies on implementing partners to manage and report on use of funds provided for agreed activities. This reduces the amount of 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 adjust their method of funding and assurance practices accordingly. This assessment includes a macro-assessment of the country's financial management system, and micro-assessments of the individual implementing partners. There should also be audits of implementing partners expected to receive more than US\$ 500,000 during a programme cycle. Offices should also have an assurance plan regarding proper use of cash transfers. Assurance activities should include spot checks, programme monitoring and scheduled or special audits.

For the two years 2012 and 2013, cash transfers made to 60 implementing partners (Government and NGO) amounted to US\$ 35 million (US\$ 11 million for 2012 and US\$ 24 million for 2013). The audit noted the following.

HACT governance structure: The office had no HACT governance structure to oversee HACT implementation, which was managed on *ad hoc* basis without an official allocation of roles and responsibilities.

HACT had not really been implemented in Mali, despite being adopted by the UN country team and the Government in 2008. At the time of the audit, the Resident Coordinator, in coordination with the UN agencies, had re-launched the process and a letter to this effect had been sent to the Government. It had been decided that a HACT implementation committee would be created and that UNICEF would be the lead agency.

Macro-assessments: A macro-assessment was conducted in 2008 but was never finalized and therefore not shared with the Government. A new macro-assessment was under discussion.

Micro-assessments: During the first quarter of 2012, the office drew up a list of NGO partners to be micro-assessed. Government partners were not considered for micro-assessment because of the need to coordinate with other relevant United Nations agencies. The audit noted that at least five partners were not considered for micro-assessment although they were expected to receive more than US\$ 100,000 annually over the period 2012-2013 (partners expected to receive US\$ 100,000 during a programme cycle should be micro-assessed). The audit also noted that there was no comprehensive analysis to support the list of NGOs proposed for micro-assessment.

In June 2012, the office launched an open tender for the micro-assessments of its NGO partners. Two firms were awarded contracts, and 75 NGO partners were micro-assessed between September and October 2012. The vast majority of NGO partners assessed were rated low risk. However, the office thought this was questionable in light of its staff's own knowledge of each partner assessed. An internal validation process was begun of the micro-assessed partners, but had not been completed as of the end of the audit. Of the 22 validated assessments, the office disagreed with the assessment in 15 cases, always with a higher risk level. Despite this, no final decision was made on the consolidated risk level to be applied, and in August 2013 the partners assessed were informed of their risk profile and of the cash transfer method to be used on the basis of the ratings assigned by the external firms. The external firms briefed the partners directly on the weaknesses found in their internal control systems right after the micro-assessments. However, there was no discussion between the UNICEF office and the partners on capacity building in light of the weaknesses reported.

Training activities: According to the office, partners and staff were trained on HACT in 2009 and received further training in November 2013. However, partners the audit met had limited knowledge of HACT.

Assurance plan: The office did not have an assurance plan that included key assurance steps, assigned responsibilities and deadlines. This was due to uncertainty as to who was supposed to lead it. The planning, monitoring & evaluation (PME) section had led the preparation of an assurance plan in early 2014, but it had not been completed. As part of the assurance plan, the HACT guideline requires that there be scheduled audits for partners that are expected to receive over US\$ 500,000. The audit noted that in 2012, PCAs with a value above US\$ 500,000 were signed with 13 partners, while in 2013, 23 PCAs of over US\$ 500,000 were signed; there had been no scheduled audits of the partners concerned, and none were planned.

Submission of supporting documents: Following micro-assessment and training, partners (including government partners) were asked to use the FACE form.¹⁰ However, although partners were using FACE forms, they were still being asked to provide supporting documents for the liquidation of the cash transfers. The idea of HACT is that it is risk-based, and where the risk has been deemed acceptable, self-certification with the FACE form should replace provision of supporting documents, saving both the office and the partner time.

The halt in the transition towards HACT had created a lot of confusion among partners. At

¹⁰ 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.

first, in July and August 2013, they were all informed that they should not submit invoices and receipts along with FACE forms. Then later they were told they should still do so.

Agreed action 11 (high priority): The office agrees to fully implement the Harmonized Approach to Cash Transfers (HACT), preferably in coordination with the other UN agencies. Specific actions that will be taken will include the following:

- i. Establish a HACT governance structure to oversee HACT implementation in the office and to coordinate that implementation with the UN agencies. This governance process will include specific responsibilities and accountabilities.
- ii. Conduct the new macro-assessment of the Government financial management system.
- iii. Finalize partner micro-assessments, including finalization of the internal validation of the risk ratings for implementing partners that have been already micro-assessed by the external firms.
- iv. Develop and implement a HACT assurance plan including audits, spot checks, programmatic reviews and capacity-building activities.

Responsible staff members: Chief of Operations, Monitoring and Evaluation Specialist, Chief of sections

Date by which action will be taken: November 2014

Programme supplies

The programme supply assistance provided by Mali CO during the period 2012-2013 represented 32 percent of total programme expenditure. The audit reviewed the process of managing supplies essential to the implementation of the country programme, and noted the following.

Supply planning: At the time of the audit in March 2014, the supply plan for 2014 was still under development. For the 2013 plan, there was no evidence that it had been approved by the office management, or that it had been applied effectively during the year 2013. For instance, supplies were transferred to implementing partners in November 2013 and February 2014 for US\$ 145,000 and US\$ 624,000 respectively without being requested by the partners, and the audit could not reconcile their procurement and distribution with any supply plan.

Delays in delivering programme supplies: The audit reviewed a total of 91 deliveries, for both local and offshore procurement, and noted that the delivery dates as per the purchase orders were not respected. In four cases, delays exceeded over a year. In 12 cases, the delays ranged between 6 and 12 months. No explanations were provided for delays prior to August 2013. For the delays experienced after August 2013, the supply section stated that they were mostly due to partial deliveries agreed with the supplier but not taken into account when monitoring the delivery dates of supplies.

Monitoring the status of supply: The office used an inadequate system to monitor procurement. To monitor the status of supply transactions, the programme sections were using a manual system that was not consistent with the supply records in VISION. The release of goods from the warehouse for distribution were not systematically monitored and the supporting documents for the deliveries were not systematically requested from implementing partners. In many instances, goods were released manually for distribution (i.e. outside VISION). Further, the receipt of goods by the implementing partner was recorded in

VISION without any evidence (such as a Government receipt or waybill signed by consignee). Manual release of goods outside VISION carries significant risks regarding the use and monitoring of supplies, as well as to the accuracy of financial, programmatic and operational information.

There was also some confusion about the respective roles of the programme sections and the supply section in the management of programme supplies; this exacerbated the weaknesses noted above.

Agreed action 12 (high priority): The office agrees to strengthen management of programme supplies. Specific measures will include (but not necessarily be limited to) ensuring the following:

- i. Accountabilities for the management of programme supplies are assigned, and roles clearly defined, between the supply section and different programme areas regarding planning, procurement, monitoring and distribution.
- ii. A supply plan is prepared (and approved by the office management) based on the consolidated supply requisition list, and incorporated as an essential part of the rolling, multi-year and annual workplans.
- iii. Supplies are procured and transferred to intended recipients within the agreed timeframe and based on the Country Office Supply Plan.
- iv. The supporting documentation related to handover of programme supplies to the implementing partners is obtained, reconciled and properly recorded in VISION.
- v. Manual monitoring of supply actions away from VISION is discontinued, and programme staff are trained in using data available in VISION for supplies monitoring.

Responsible staff members: Deputy Representative, Chiefs of Operations, Chiefs of sections, Supply and Logistic Manager

Date by which action will be taken: September 2014

Monitoring of programme activities

A number of elements are essential for an effective monitoring framework. They include detailed plans and schedules, field visits, analysis of information, progress reporting and action taken.

Third-party monitoring: The security situation in Mali, especially in the North, led to the contracting of third-party monitoring companies to cover the regions of Tombouctou, Gao, Kidal and Mopti. The companies were expected to monitor UNICEF-supported activities against the results specified in the Programme Cooperation Agreements (PCAs) signed with the implementing partners. They were also expected to seek the views of the intended end-users as to whether the interventions were reaching the targeted population. Two companies were selected through an open tender, for a total amount of US\$ 600,000 from October 2012 to March 2014.

The audit noted that, except in one section, there was no system to ascertain whether the results of third-party monitoring were being used in certifying liquidation documents and assessing programme activities.

Monitoring missions by UNICEF staff: The audit noted the following with regard to monitoring carried out by UNICEF's own staff from the country office and field offices.

- A visit to one zone office indicated that more field visits could be made if additional vehicles were allocated to the zone. Of the 36 vehicles in the country office, 27 were in Bamako while nine vehicles were shared among four zone offices. (See also observation *Property, Plant and Equipment*, p29 below).
- There was no system to ascertain whether planned monitoring missions had taken place.
- There was no coordination between the Bamako office and the zone offices in planning joint monitoring missions.
- The review of the missions' reports by the Chiefs of sections was neither systematic nor documented.
- There was no comprehensive system to capture the recommendations made in field missions' reports and follow-up on their actual implementation.
- The mission reports were not systematically used to monitor the implementation of activities by the partners and were not consistently used in certifying completion of programme activities.

Overall, the audit could not ascertain that the monitoring system in place could effectively support certification of activities and liquidation of cash advances, or assurance that programme supplies were being delivered to end-users, and in a timely manner.

The audit visited one zone office to verify implementation of programme activities, and noted that monitoring of construction activities was outsourced, and programme staff were not sufficiently involved in the monitoring, particularly when provisionally accepting the work from the contractors. In fact, the zone office staff's involvement in programme monitoring was limited; it was sometimes not even aware of activities managed from Bamako and conducted in the locality.

The audit also visited four local medical centres supported by the office through multi-sectoral PCAs signed with an international NGO (see also "Case 1" on p17 above, under *Management of implementing partners*). The support provided by UNICEF included construction and equipment of "mother-child centres" within the medical centres, where mothers would receive advice regarding their malnourished children, and where there were also playgrounds. In one centre, there was no "mother-child" centre, although this was supposed to be a standard requirement for all the 15 centres supported by UNICEF. In another centre, the "mother-child" centre was used as storage. In two centres, there was no sign that the "mother-child" centres were being used for the intended purpose. There was no explanation given to the audit as to why the centres were not being used.

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

- i. Develop an overall activities-monitoring mechanism for the office and make it specific to each programme section as needed. The mechanism should include tools to: capture and follow up on recommendations and results of field visits by staff and third parties; assign responsibilities between third-party monitoring, staff in Bamako and staff in zone offices; and use activity monitoring for certification purposes.
- ii. Develop an end-user monitoring mechanism involving both programme and operations staff, to confirm prompt delivery of programme supplies to final beneficiaries and establish that facilities supported are being used for the intended purposes.
- iii. Clearly define the zone offices' role in programme activity monitoring, and ensure a process for coordinating the country office's activities with those of the zone offices.

Responsible staff members: Chief of Monitoring and Evaluation, Chiefs of sections
Date by which action will be taken: September 2014

Donor reporting

Offices should ensure timely and good-quality reports to donors, to account for the resources entrusted to the organization and to help raise future resources. A Representative, or Head of Office, has primary accountability for timeliness and quality of reporting to donors. Further, an adequate donor reporting process should include taking stock of donor feedback on the timeliness and quality of reports.

Donor reporting process: In June 2013, a consultant had developed a workflow for the preparation and review of donor reports. The workflow covered resource mobilization and reporting, and defined the main steps for both processes. As far as reporting was concerned, 12 different steps were defined but there was no detailed description of each step, and timeframes were defined for only two of the 12 steps. The workflow did not refer to the donor reporting requirements that should be adhered to. Further, the donor reporting checklist suggested by the UNICEF Public Sector Alliance and Resource Mobilization Office (PARMO) was not referred to in the workflow, and therefore not used by the reports officer. The office did not get formal feedback from donors on either the quality of reports submitted or their conformity to their needs and expectations.

Timeliness of donor reports submission: For the years 2012 and 2013, 69 percent and 53 percent of reports respectively were sent on time (there was an increase of 50 percent in the number of reports due between 2012 and 2013 due to the humanitarian emergency). According to the information available in VISION, timeliness had improved a lot during the first quarter of 2014; all donor reports were submitted on time for that period.

Agreed action 14 (medium priority): The office agrees to further strengthen the existing workflow for donor reporting by detailing the process, including:

- i. The roles and responsibilities for each step of the process.
- ii. The timing for each step.
- iii. The donor reporting requirements to be adhered to.
- iv. The quality-check tool to be used (for example the checklist issued by the Public Sector Alliance and Resource Mobilization Office), and the corresponding documentation to provide evidence of the verification process, including verification of report due date entered into VISION.
- v. Ensuring formal feedback is obtained from donors about the quality and conformity to agreed formats.

Responsible staff members: Deputy Representative, Reports Specialist
Date by which action will be taken: December 2014

Programme management: Conclusion

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

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 the areas above were covered in this audit.

Cash transfer management

Cash transfers should be processed and managed as per established procedures, including those specific to emergencies. Cash transfers to implementing partners are made for periods of up to three months at a time. In a level 2 emergency, however, the Head of Office is authorized to release a second three-month cash transfer towards the end of the first implementation period, even if no financial reporting has been provided to UNICEF for the first three-month transfer, provided that monitoring and assurance activities have been undertaken on the activities for which that first transfer was made.

The audit reviewed the payments of cash advances and liquidations related to three international NGOs over the period from mid-June 2012 to March 2014. The documents to support the request and the liquidation of cash transfers were inadequate. Partners did not always submit the FACE form, and in some cases where they did, it was not being properly completed. The audit could not obtain all the FACE forms to support all the advances and liquidations in VISION; it did tell the office which ones were missing, but did not receive any additional documents. It was also noted that assignment of roles and responsibilities between programme and operations in processing cash transfers payments and liquidations was not clear to some staff.

The audit also noted several specific weaknesses related to the cash transfers made to the

three partners. For one NGO, two advances were made on 26 September 2012, one for XOF¹¹ 328,209,940 (about US\$ 680,000) and the other for XOF 332,894,389 (about US\$ 690,000). Another advance was made on 12 December 2012 for XOF 160,061,860 (about US\$ 332,000). Subsequent cash transfers were made although the first and second advances made in September 2012 and December 2012 had not been liquidated, and there was no evidence that appropriate monitoring and assurance activities had been undertaken on the prior cash transfers.

There were other delays in liquidating cash transfers. Out of the total disbursements made to the three sampled NGOs and already liquidated, 27 percent had been outstanding for three to six months, 33 percent for six to nine months and 40 percent for more than nine months. In total, all the advances to the three NGOs had taken more than three months to liquidate, and there had been no assurance activities on the work funded by these transfers. At the time of the audit, 33 percent of the advances paid to the three sampled NGOs remained unliquidated (US\$ 2.2 million out of US\$ 6.8 million).

At the time of the audit in March 2014, one of the NGOs was claiming reimbursement for XOF 238,549,427 (approximately US\$ 470,000) in connection with a PCA that had ended in August 2013. In fact, the office had started by making cash advances to the partner at the beginning of the implementation of the PCA, but because the PCA was not clear on the cash-transfer method to be used, the NGO had subsequently turned to reimbursement. It was also noted that one NGO, which had a multi-sectoral PCA, was sending a single FACE form, with one amount for a number of activities related to different programme sections. This caused confusion between sections, and was risky since the same supporting documents served as a basis for several commitments. (This particular weakness was addressed in 2013.)

Overall, it was not possible to properly reconcile cash transfers and liquidations recorded in VISION and supporting FACE forms and PCA amounts, and the audit could not satisfy itself that the office had adequate process in place to monitor effective and efficient use of cash transfers to implementing partners.

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

- i. Reconcile cash transfers and liquidation data in VISION with those appearing on FACE forms for PCAs of significant value – a threshold of US\$ 100,000 could be considered – and investigate any differences before making any new payments to the partners in question.
- ii. Assign responsibilities for processing and managing cash transfers payments and liquidations between operations and programmes, and for timely liquidation of cash transfers.

Responsible staff members: Deputy Representative, Chief of Operations, Chiefs of sections
Date by which action will be taken: December 2014

Local procurement process

Offices are expected to have a good picture of what is available locally, and from which

¹¹ XOF is the abbreviation used for the West African CFA franc, the currency Mali shares with seven other West African states (Benin, Burkina Faso, Côte d'Ivoire, Guinea-Bissau, Niger, Sénégal and Togo).

suppliers; to this end, they should carry out a market survey from time to time. They should also operate a bidding process in accordance with UNICEF guidelines.

Sourcing and evaluation of suppliers: The last market survey had taken place in 2011, but the emergency situation since 2012 could have created new needs. Despite that, there had not been a comprehensive effort to identify new suppliers and update the supplier database.

Also, there was no effective process for identification of potential suppliers and evaluation of their capacities. For example, five printing companies were identified and requested to submit bids in 2012 for the procurement of education manuals (see also the observation *Contract Review Committee*, p9 above). However, there had not been a comprehensive financial and production capacity assessment done for any of the five suppliers before they were considered. Moreover, when the office conducted an inspection of the two suppliers that had ranked first and second, the inspection team did not include any senior staff from programme or operations. It was later found that the quality of the education manuals produced by the selected firm was not good.

Bidding process: The procurement procedure is established in the Supply Manual to meet the requirements of with Financial Regulations and Rules. The office did not follow an effective, standard process to comply with these requirements with regard to the issue of solicitations, receipt of bids, handling and tabulation of offers or making of awards.

The audit noted two instances where the principles of fairness and transparency in procurement were not applied. Both concerned procurement of education manuals for teachers and students, in 2012 and 2013, for US\$ 2,053,822 and US\$ 2,163,809 respectively. In one case, there had been a doubling of quantities, leading to doubling of contract amount – but without re-solicitation of all bidders, and without making sure that the selected firm had the capacity to deliver the increased quantity. In the other case, there had been negotiations with some but not all bidders, enabling some but not all bidders to align their prices with the best offer.

The audit also noted that bidding documents were being sold to interested bidders. Recorded proceeds from the sale of bidding documents were US\$ 20,647 between May 2012 and November 2013. The office stated that this practice was discontinued in September 2013 but could not provide written evidence of its discontinuation. The audit raised the matter with Supply Division, which confirmed that the practice of selling bidding documents was not appropriate – but could not provide any specific guidance or policy prohibiting such practice.

Agreed action 16 (high priority): The office agrees to strengthen its local procurement process, taking steps that will include, but not necessarily be limited to, the following:

- i. Update the local supplier database through a renewed market survey.
- ii. Establish a supplier-evaluation mechanism, including financial and operational capacity assessment before any sourcing from a supplier.
- iii. Ensure that senior staff from relevant programme sections and from operations are part of the teams inspecting suppliers.
- iv. Establish procedures for solicitation, receipt and tabulation of offers and award of contracts.
- v. Consistently apply principles of fairness and transparency when procuring locally.

Responsible staff members: Supply and Logistics Manager

Date by which action will be taken: August 2014

Agreed action 17 (medium priority): Supply Division agrees to clarify the regularity or otherwise of charging fees for bids issued by UNICEF for procurement of goods and services.

Responsible staff members: Chief, Contracting

Date by which action will be taken: December 2014

Warehouse management

The main objective of monitoring and controlling the movement of goods is to ensure that they are not held up unnecessarily. Delay in distribution can mean that goods are not getting to the final beneficiaries when they are needed. Uncontrolled storage can also lead to theft, loss and damage. Also, accurate inventory information at the country level is required to enable UNICEF to prepare correct annual accounts.

According to the information retrieved from VISION at the time of the audit, the total value of goods stored in the office's facilities was US\$ 6.5 million as of 24 March 2014.

The audit visited the warehouse, reviewed data in VISION and noted the following discrepancies:

- The audit made an inventory count of a sample of 23 items with a total value of US\$ 439,697.75. The sample count showed discrepancies, amounting to US\$ 110,000 in value, in relation to 15 of the 23 items. Seven out of 23 items were found in storage bins different from those where the items were supposed to be as per VISION.
- A number of items were stored outside the warehouse with no protection other than the original package. These items included (among others) 90 solar refrigerators, 20 freezers and 26 motorcycles, with a total value of US\$ 522,000.
- The 90 solar refrigerators mentioned above were not recorded as part of the inventory in VISION. When asked about this, the office stated that they were recorded in VISION as delivered to the implementing partner and were therefore not included in the inventory. According to the office, the goods could not be handed over due to the implementing partner's lack of storage capacity, so were transferred to the office's warehouse. The audit did not see any document that confirmed this explanation.
- Supplies purchased in 2012 with a total value of US\$ 270,000 were still included in the inventory in March 2014. There was no evidence that there was a distribution plan for them.
- The agreement signed with a third party for the rental of the warehouse included a fixed monthly payment of US\$ 18,000/month irrespective of the space used. At the time of the visit, the audit noted that there was significant free space in one part of the warehouse occupied by UNICEF, while some supplies were outside the warehouse as described above.
- A sample review of warehouse release orders for distribution, and their respective waybills, showed the following deficiencies in the monitoring and control of goods:
 - A total of 127 out of 240 release orders in VISION for items worth US\$ 2.5 million were posted without any supporting documentation after the physical count had taken place. Release orders are orders given by programme sections to the supply

section to deliver supplies to implementing partners, but the lack of documentation meant the audit could not confirm that the programme sections had issued the release orders or that the deliveries had been made. It was therefore also impossible to establish whether the release orders referred to genuine releases of items, or were issued only to cover for differences between the inventory and the physical count.

- Thirty-one release orders in the amount of US\$ 1.3 million were done manually.
- Fifty-six out of 88 deliveries to implementing partners, with a total value of US\$ 3.4 million, were recorded in VISION without the respective supporting documentation (there should have been a waybill signed by the partners).

The office could not provide evidence that there were always approved distribution plans for the transfer of programme supplies to partners or beneficiaries. Two deliveries of supplies, for goods worth US\$ 145,000 and US\$ 624,000 in November 2013 and February 2014 respectively, were manually approved. The office could produce neither the distribution plans for these deliveries, nor the corresponding requests from the partners. The Country Management Team had discussed the need for a distribution plan in a meeting held on 4 December 2013, and there were internal email exchanges on the need to address the high value of supplies in stock (US\$ 7 million as of December 2013), but there had been no progress on the issue.

Agreed action 18 (high priority): The office, with support from the Regional Office, should undertake a management review of the warehouse and supplies management from 2012 to date. This review should include, but not necessarily be limited to, the following:

- i. Conduct an independent stock-taking of the warehouse, and reconcile the results with supplies records in VISION. All differences must be systematically investigated, accountabilities assigned and adjustments made as appropriate.
- ii. Manual release of supplies should be inventoried, investigated for appropriateness and recorded in VISION as relevant.
- iii. Releases of supplies without proof of delivery to partners should be inventoried, and accountabilities assigned. Any suspicion of fraudulent activity should be reported to OIAI.
- iv. The office should review all releases of supplies that took place after the physical count, to ensure that they did not serve as a means to account for reconciliation differences. Any suspicion of fraudulent activity should be reported to OIAI.
- v. Take appropriate measures to ensure that supplies are physically located as per information in VISION.
- vi. Discontinue manual release of supplies.
- vii. Ensure that all future releases of supplies are supported with appropriate documentation.
- viii. Ensure distribution plans are made available as needed.

Responsible staff members: Representative, Deputy Representative, Chief of Operations, Supply and Logistics Manager

Date by which action will be taken: September 2014

Property, Plant and Equipment (PP&E)

According to information retrieved from VISION, the office managed a total number of 4,300 PP&E items with a total value of US\$ 2.6 million as at 4 March 2014. However, validity,

accuracy and completeness of this record could not be established. The audit made the following observations.

Asset master data in VISION: For 1,578 items valued at US\$ 1.9 million, no inventory number was assigned; 44 items with a value of US\$ 83,000 were indicated as not found; and 38 items marked as scrapped or sold in VISION were still included as part of the PPE inventory. Items included in the PP&E database were all referenced as being located in Bamako office, and staff could not say for certain whether or not they included assets in zone offices.

Verification of physical existence: The office stated that a physical count of PP&E had been started in December 2013. However, the audit did not obtain evidence that a comprehensive physical count had occurred. According to the office, it had attempted to reconcile the count with the PP&E records, but had not completed the exercise because 981 items out of 1,296 could not be found. Therefore, at the time of audit in March 2014, the office had not completed reconciliation of the count with the inventory records and no adjustment had been processed in VISION.

Tagging: Assets were not systematically tagged prior to issue/use. A sample review showed that nine out of 10 items had no tags.

Property survey board (PSB) records: The 2013 Property Survey Board (PSB) meetings had recommended disposal of some assets, but at the time of audit, these decisions had not been acted upon and items were still in the PP&E database in VISION. Further, the audit observed that a significant amount of goods were located in containers and open spaces in the back yard of the Bamako office. These items included medicines. A review of the PSB minutes showed that some of the medicines expired on 31 December 2013 and had been recommended for disposal on 13 November 2013.

Vehicles: At the time of the audit, the office had 23 drivers and 36 vehicles; 27 vehicles were allocated to Bamako office, only 12 of which had been clearly assigned to specific staff or sections by the former Representative. In visiting one zone office, the audit noted that programme monitoring was limited due to the limited number of vehicles.

Assets on loan: The audit noted that eight vehicles and 77 motorcycles were on loan to implementing partners. The audit could not satisfy itself that there was monitoring of the use of the vehicles on loan by the partners. This carried risks, as these assets officially belonged to UNICEF.

Agreed action 19 (high priority): The office agrees to strengthen management of Property, Plant and Equipment (PP&E), taking actions that include but are not necessarily limited to the following:

- i. Conduct a physical count of PP&E, reconcile the results of the physical count with the VISION records, investigate any differences, and adjust VISION records as appropriate.
- ii. Strengthen controls related to maintenance of the asset master data in VISION, tagging of PP&E, and implementation of Property Survey Board recommendations.
- iii. Reassess vehicle allocation between Bamako and the zone offices, and make changes accordingly.
- iv. Reassess the need for lending vehicles to partners, and establish a process to monitor assets kept on loan.

Responsible staff members: Chief of Operations and Administrative Specialist
Date by which action will be taken: August 2014

Property and premises in Mopti

In 1993 the Government of Mali sold a piece of land in Mopti to UNICEF for XOF 1,069,000 (approximately US\$ 2,000). UNICEF constructed an office and used it until 2006, when it was decided to close the office in Mopti. In 2010, it was decided to re-open an office in Mopti but although UNICEF still owned the site, for security reasons it was not used. Since there was no more room in the UN compound in Mopti, it was decided to rent a building and share the premises with the World Food Programme (WFP). Meanwhile, during the period 2006-2013, the United Nations Development Programme (UNDP) occupied the UNICEF's land for free and without any agreement. In 2013, UNDP gave the land back to UNICEF, with basic unusable metal structures on it. At the time of the audit, the office was still paying for the services of three security guards for the site (one during the day and two during the night).

Also, there had been no analysis as to whether it was more cost-effective to rent the current premises in Mopti, or rehabilitate the site owned by UNICEF in compliance with security requirements. The office was paying rent of US\$ 1,200 per month for the premises, which were shared with WFP. Article 4 of the Memorandum of Understanding (MoU) signed between UNICEF and the WFP stipulated that each agency was to pay its proportionate share of Common Building Services "and that such proportionate share shall be equivalent to the percentage that the total area of Offices allocated to each Agency bears to the total area of all Offices in the Common Premises".

The UNICEF country office had signed another lease agreement with the same landlord for a second building, for about US\$ 1,700/month; WFP would move there, leaving the entire first building to UNICEF staff. However, the audit noted that there was no plan to substantially increase UNICEF staff in Mopti that would justify the occupation of the two floors of the current building. The additional operational costs (not including rent) of taking the office space had not been established.

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

- i. Consider options for using the available land in Mopti, including conduct of a cost analysis for constructing its own office rather continuing to rent office space. This analysis will be informed by the long-term needs of the country programme and by inputs on the matter from the Regional Office and the Division of Financial and Administrative Management.
- ii. Reassess the need to rent a second building and ensure that office space is commensurate with staffing requirements.

Responsible staff members: Chief of Field Operations
Date by which action will be taken: November 2014

Financial management

The audit reviewed the financial management of the office, and noted the following.

Travel management: The office mostly used two travel agents also used by other

organizations of the UN system present in Mali for making travel arrangements. However, there were no LTAs with the two travel agents, who handled about US\$ 600,000-worth of travel for UNICEF from 1 January 2012 to 28 February 2014. In the absence of an LTA, there was no evidence that favourable conditions were being applied to UNICEF.

Official telephone: Monthly telephone bills were submitted to staff members, but there was no monitoring of payment. As a result, no statement could be generated of unpaid personal costs, and no update was being given to the Country Management Team. Further, the accounting scheme for recording personal usage of official mobile phones meant there was no corresponding receivable to make it possible to monitor the amount due by each staff member. The amount of phone expenditure (mobile and landline) was US\$ 260,175 between January 2012 and February 2014.

Payments for overtime: In the interests of health, safety and efficiency, supervisors and staff, including drivers, should limit overtime to 40 hours per month, unless there are very exceptional circumstances.

However, the Mali country office was paying for overtime exceeding the limit. Between December 2013 and February 2014, 12 drivers were paid for over 40 hours' overtime a month – exceeding 100 hours a month in one case. After discussions with the office, a note was sent to all staff re-confirming the need to limit overtime to 40 hours per month. It was too early to assess whether management of overtime would be satisfactorily improved.

Also, as the position of travel assistant had been vacant since November 2013, overtime was recorded by the human resources assistant who was also in charge of creating new staff in the system. This was a segregation-of-duties violation; in theory, a fictitious new member of staff could be created and then paid overtime.

Agreed action 21 (medium priority): The office agrees to:

- i. Conduct a market survey for travel agents, and implement long-term agreements, preferably jointly with other agencies of the UN system.
- ii. Record personal usage of official mobile phones correctly to reflect the amount due from the staff, monitor recovery of these amounts, and present a regular statement of the balances to the Country Management Team.
- iii. Establish a system to monitor overtime, and limit overtime payment to 40 hours per month per staff member.

Responsible staff members: Chief of Operations, Human Resources Specialist

Date by which action will be taken: December 2014

Recruitment of personnel

The office is expected to comply with UNICEF procedures on recruitment, including in emergency situations. The audit made the following observations in this area.

Fixed-term staff: The audit tested a sample of nine recruitments of fixed-term staff from the beginning of 2012 to the first quarter of 2014, out of a total of 48 recruitments done during that period. It noted that in three instances, the reference checks for external candidates were not documented. The audit could not therefore ascertain that reference checks had been made.

Staff on temporary appointments: The audit reviewed a sample of eight recruitment of staff under temporary appointments from the beginning of 2012 to the first quarter of 2014, out of a total of such 40 recruitments done during that period. It noted the following:

- As per the Executive Directive CF/EXD/2010-005 *Recruitment and staffing in emergency situations*, selection decisions should be taken by the responsible Regional Director for posts in the National Professional Officer category. The audit noted that in four cases, the Representative had approved the recruitment of national officers on a temporary appointment.
- In five cases, temporary staff were said to have been selected from a pool of candidates, but the pool of candidates was not an established roster (global, regional or local) as recommended by the policy on recruitment in emergency situations.
- A temporary operations advisor was recruited during the emergency period, but his job description was a generic one in operations, which did not clarify the specific responsibilities expected in an emergency situation.

Standby personnel: UNICEF's Office of Emergency Programmes (EMOPS) has signed Standby Arrangements (SbA) with several external partners. These can be deployed upon request to enhance UNICEF's response to humanitarian crises. The group of standby partners comprises NGOs, governmental agencies and private companies.

As set out in CF/EXD/2010-005 *Recruitment and staffing in emergency situations*, the main purpose of an SbA is to ensure rapid and flexible additional temporary support to UNICEF. For an SbA to be appropriate, UNICEF should have insufficient technical capacity on its own, and the standby staff should only be required for three to six months (occasionally a year). The basic principle of these arrangements is that the additional resources provided should complement UNICEF's, not replace them. The standby partners meet the cost of providing these staff, although the UNICEF host office will be expected to meet some associated costs, such as in-country travel and facilities.

Since April 2012, the office had requested, and EMOPS had arranged, 11 SbAs with several partners in order to support it during the emergency period (2012 to 1 September 2013). Expiry dates for all the SbAs were in 2013.

The office did not maintain any supporting documentation related to these SbAs, including Terms of Reference and personnel under each SbA. It could not therefore adequately monitor these arrangements.

Further, three of the 11 contracts were extended to 2014, after the emergency period – not therefore respecting the purpose of these arrangements. At the time of the audit, out of the three extended contracts, one had expired in February 2014 and the other two were to expire in April and June 2014. Since the standby partners could not continue funding the totality of the costs as they had hitherto, the office had agreed to take over the financing of 50 percent of the costs through its own resources.

While it is understood that UNICEF may contribute to some costs, SbA staff are mostly regarded as gratis personnel as per CF/EXD/2010-005. Overall, the rationale of having standby partners while there is no more an emergency situation was unclear.

Agreed action 22 (medium priority): The office should strengthen recruitment by ensuring

that:

- i. Reference checks are systematically conducted and documented.
- ii. Temporary appointments are approved at the appropriate levels.
- iii. When competition is not mandatory (for example, in an emergency), shortlists are prepared based on established rosters.
- iv. Job descriptions for temporary staff are specific.
- v. The rationale is reassessed of having staff under standby partnerships while there is no officially declared emergency, and standby personnel are limited to emergency situations.

Responsible staff members: Representative and Human Resources Specialist

Date by which action was reported as taken: July 2014

Individual consultants

According to UNICEF's Administrative Instruction CF/AI/2013-001, the engagement of all consultants should be based on competitive selection, and a minimum of three qualified candidates should be considered for each assignment.

A formal output evaluation should be conducted at the time of completion of assignment. This should measure the achievement of goals, quality of work and timeliness, as stipulated in the ToRs. In term of final payments/instalments, the Administrative Instruction states that the final instalment may not be less than 10 percent of the total value of the contract, and will only be payable upon satisfactory completion of the services and the manager's certification thereof. The payment instalments should be directly linked with satisfactory deliverables at specific time intervals, as certified by the manager.

The Mali office awarded 68 consultants' contracts during the period 2012-2013. The audit reviewed the data for the contracts in VISION and made the following observations:

- Thirty-nine were awarded based on a single-source selection. The audit was informed that the actual number might be lower as staff had been entering wrong information in the Vision HR module, but the audit could not confirm this. The audit selected three cases of retired staff hired by the office and in all cases it was noted that consultants were single-sourced. For two of the three cases, the recruitment was in 2014 after the official emergency period. One case did occur during the emergency period, but there was no Note to File to justify the single-sourcing.
- An evaluation report was prepared, as required by the guidelines, in only six cases. In the sample cases reviewed by audit, one consultant was paid in full although the deliverables defined in the ToRs had not been provided to the office.
- In 34 cases, no updated CV nor P-11 form was provided.
- Thirty-six contracts were signed after the assignment had started.
- Sixty-one contracts, worth US\$ 94,310 in total, were still open in VISION although they had already expired. This meant that unused funds from the original commitments could not be reallocated.

Inadequate management of contracts of services can affect the transparency of the selection process and can compromise the cost-effectiveness and efficiency of the service received.

Agreed action 23 (medium priority): In managing the consultants' contracts, the office agrees to ensure that:

- Contracts are awarded based on a competitive process, and single-sourced contracts are exceptional and are documented and approved following established procedures.
- Contracts are signed before the work or assignment starts.
- Human Resources files are complete, including P11 and CVs.
- Division of Human Resources clearance is sought when former staff are recruited, even in emergencies.
- Payments are made only when services are satisfactorily delivered, and consultants' performances are systematically assessed.
- Performance evaluations are prepared prior to final payments.
- Staff in charge of updating contracts information in VISION are trained on entering the appropriate selection method for each individual contract.

Responsible staff members: Representative and Human Resources Specialist

Date by which action was reported as taken: July 2014

Advance payments made to suppliers

If the amount of the advance given to a supplier is greater than US\$ 10,000, the authorizing officer should ask for an unconditional guarantee issued by a bank on behalf of the supplier and in favour of UNICEF to guarantee either delivery according to the contract, or to refund the advance to UNICEF in case of default by the supplier. Any charges for this guarantee must be borne by the supplier. Further, for advance payments equal to or greater than US\$ 70,000, approval should be obtained from the Comptroller.

The audit reviewed advance payments and noted that there was no established system to monitor compliance with bank guarantee and approval requirements. There was no assurance that bank guarantees had been requested and received for all advance payments greater than US\$ 10,000. There was also no assurance that all original bank guarantees received were kept in the safe, or that bank guarantees with an expiry date were monitored so that the guarantee was still valid until the actual delivery of services/goods was confirmed. The audit did note one case where the bank guarantee expired before the supplier's delivery.

At the time of the audit, for the 12 WASH¹² suppliers that had received advance payments since 2012, only four bank guarantees were found in the safe, and as there was no monitoring, it was unclear whether the missing bank guarantees had been received or not. Further, the audit noted that in five cases out of six reviewed, the office had not sought approval of the Comptroller for advance payments above US\$ 70,000.

Agreed action 24 (medium priority): The office agrees to:

- i. Establish a procedure for the management and monitoring of bank guarantees to ensure their completeness, and the storage of original documents in the safe.
- ii. Request only bank guarantees without an expiry date. If this is not possible, the office should ensure that the expiry dates are closely monitored.
- iii. Ensure that prior approval from the Comptroller is obtained before advance payments

¹² Water, sanitation and health.

of amounts greater than US\$ 70,000 are made.

Responsible staff members: Chief of Operations

Date by which action was reported as taken: July 2014

Operations support Conclusion

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

Annex A: Methodology, and definitions of priorities and conclusions

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

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