Internal Audit of the Morocco Country Office

December 2014

Office of Internal Audit
and Investigations (OIAI)
Report 2014/39

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Summary

The Office of Internal Audit and Investigations (OIAI) has conducted an audit of the Morocco country office. The audit sought to assess the governance, risk management, and control processes over the country office's activities, and covered the period from January 2013 to the time of the audit. The audit was conducted from 1-23 September 2014.

The 2012-2016 country programme consists of five main programme components: *Child survival*; *Basic education and adolescent development*; *Child protection*; *Local development and child and youth rights*; and *Social policy, monitoring and evaluation*. There is also a cross-sectoral component.

The programme has a budget ceiling of US$ 32 million, of which US$ 26 million was expected to be from Other Resources (OR), while the Regular Resources (RR) component was US$ 6 million. RR are core resources that are not earmarked for a specific purpose, and can be used by UNICEF wherever they are needed. They include income from voluntary annual contributions from Governments, un-earmarked funds contributed by National Committees and the public, and net income from greeting-card sales. OR are contributions that have been made for a specific purpose such as a particular programme, strategic priority or emergency response, and may not always be used for other purposes without the donor's agreement. An office is expected to raise the bulk of the resources it needs for the country programme itself, as OR.

The office has a total of 24 approved posts, of which six posts were vacant at the time of the audit.

Action agreed following the audit
As a result of the audit, and in discussion with the audit team, the country office has decided to take a number of measures. Four are being implemented as a high priority – that is, to address issues requiring immediate management attention. They are as follows:

- The office had not implemented the staffing structure that was approved at the beginning of the country programme. At the time of the audit six out of 24 approved posts had been vacant for a long period. The office has agreed to fill all vacant positions and ensure that there is adequate funding for key posts.
- There were improvements required in the functioning of the contract review committee. The office often used notes for the record to explain the non-compliance with policy, and there were *post-facto* presentations to the committee that were not adequately handled. The office has agreed to adhere to UNICEF policy on contract review committees, and to train staff on preparation and review of submissions.
- There were inadequacies in results-based programming. Workplans were signed late and there was unclear linkage between activities and the results. There was also no record of agreement on the targets and indicators. There were delays in the implementation of planned programme activities due to weak planning and delays in releasing agreed funds. The office has agreed to ensure that results are specific, measurable, achievable, relevant and time-bound, with defined baselines and targets, and to take other relevant steps.
- There were improvements required in the management of cash transfers. The office often released funds that were not based on the partner's capacity/ability to implement the

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agreed activities within three months, funds were refunded fully and/or reprogrammed for different activities. The office has agreed to release cash transfer based on the partner's capacity to implement the agreed activities within three months, in order to avoid full refunds and/or reprogramming for different activities.

Conclusion

Based on the audit work performed, OIAI concluded that the controls and processes over the country office during the period under audit needed improvement to be adequately established and functioning. The measures to address the issues raised are presented with each observation in the body of this report. The Morocco country office has prepared action plans to address the issues raised.

The Morocco country office, with support from the Middle East and North Africa Regional Office (MENARO), and OIAI will work together to monitor implementation of these measures.

Office of Internal Audit and Investigations (OIAI)   December 2014

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Objectives

The objective of the country office audit is to provide assurance as to whether there are adequate and effective controls, risk-management and governance processes over a number of key areas in the office.

The audit observations are reported 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

Governance processes are established to support the country programme and operational activities. 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.

The audit made the following observations.

Office priorities

An office's annual management plan (AMP) ensures that an office's human, financial and other resources remain focused on the country programme and its hoped-for outcomes for children and women. To this end, it defines key annual management priorities and results, management mechanisms and the related staff accountabilities, so that everyone understands their roles and responsibilities.

The Representative is accountable for the preparation or updating of the AMP by 15 February, with the support of the country management team (CMT). This should be reflected as a key assignment in the Representative's performance evaluation report (PER) for the year. As part

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of the oversight function of the Regional Office, a copy of the AMP should be shared with the Regional Director.

Assignment of priorities: The office had drawn up an AMP in February 2013 that included eight priorities. However, the audit noted that they did not define deliverables expected from staff, and staff were not assigned responsibilities and accountabilities for implementing identified priorities.

Updating of priorities: The AMP is designed as a rolling plan that requires annual priorities to be updated and to reflect incremental changes to the office structure and management processes during the annual management review (AMR). AMRs had been conducted at the end of 2012 and at the beginning of 2014; the minutes of these reviews showed that a number of issues included in the AMP had been considered, including key programme results, ERM and the Table of Authority (ToA). However, the AMRs were not used as mechanism to review and update identified priorities, and there were no assessments of progress achieved or constraints met in addressing identified priorities.

Except for resource mobilization, which had remained a priority in from 2013 to 2014, there was no clear indication that 2013 priorities not included in the draft 2014 AMP had been fully achieved.

At the time of audit (September 2014), the 2014 AMP had yet to be finalized or shared with the regional office. The current Representative, who had joined the office in October 2013, told the audit that she had decided to update the office priorities after the completion of key reviews planned in 2014 (such as the mid-term review of the country programme in July 2014, and the audit itself, in September 2014). In the meantime, some aspects of the draft 2014 AMP were being implemented, such as the revised terms of reference of office governance committees.

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

   i.   Prepare an annual management plan (AMP) that includes priorities with defined deliverables expected from relevant staff.
   ii. Monitor progress achieved in addressing priorities identified in the AMP, and record reasons for dropping identified priorities as part of the annual management review.
   iii. Udpdate the AMP at the beginning of the year and share it with the Regional Office as required.

Target date for completion: April 2015
Responsible staff members: Represenattive, Operations manager and the CMT

Risk assessment

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

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Of the priorities in the AMP, one – resource mobilization – had been identified as a high risk in the office risk and control self-assessment (RCSA).[1] For the other priorities identified in the AMP, there were no related high risks in the RCSA. Those included in it at all were rated as low risk. For example, improving the office environment, although specified as an office priority in 2013, had been rated low risk in the 2013 RCSA. However, the latter's action plan had indicated that ethics in interpersonal relations might need continued attention, and the audit was told by staff that although there had been some improvement in in 2013, the work environment had deteriorated in 2014.

Where priorities set in an AMP do not reflect the RCSA, one of the two is wrong.

Agreed action 2 (medium priority): The office agrees to ensure that the priorities included in the annual management plan are linked to the risk assessments in the risk and control self-assessment.

Target date for completion: Deputy Representative and CMT
Responsible staff members: January 2015

Office structure and staffing requirement

The staff structure required by the country programme was reflected in the 2012-2016 country programme management plan (CPMP).[2] However, the audit noted that the CPMP was not fully implemented and six out of 24 approved positions were vacant in September 2014, including the following long vacancies:

- Although the country programme document identified monitoring and evaluation (M&E) as critical aspect of the country programme, the M&E post was frozen at the beginning of the programme due to funding constraints.
- The post of Child Survival Chief was vacant for more than a year. The office stated that there had been consideration of a joint position to be shared between WHO and UNICEF, but this was not created. During the 2014 mid-term reviwew (MTR) of the country programme, the profile of the position was reviewed and the post was downgraded from national officer (NO)C to NOB.
- There was also a driver position that had remained vacant for more than 12 months due to weaknesses in the recruitment process. This vacancy had increased the workload of the other office drivers, leading to accumulation of excessive number of annual leave balances (over 60 days).

During the July 2014 MTR there was an analysis of programme staffing needs. Support was received from the regional office to analyse the staffing requirements in view of the MTR results and the office's funding situation. The revised CPMP was submitted to the regional office and approved by the programme budget review in September 2014.

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[2] When preparing a new country programme, country offices prepare a CPMP to describe, and help budget for, the human and financial resources that they expect will be needed.

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Agreed action 3 (high priority): The office agrees to fill all the vacant posts in timely manner, by ensuring that there is adequate funding for key positions identified in the country programme management plan, and ensure adequate functioning of the recruitment process.

Target date for completion: Operations Manager, Deputy Representative and CMT
Responsible staff members: March 2015

Staff management
The audit noted the following with reference to staff management.

Annual leave and sick leave: The audit noted that most leave requests for staff in the Operations section had not been approved, with requests rejected for at least three staff members in the section. There was also an approved leave during which a staff member was asked to resume duty. The three staff members whose annual leave requests had been rejected went on sick leave immediately after the requests were rejected.

The operations manager said that, in July 2014, requests for annual leave of staff in Operations had been rejected due to a heavy workload in the section. The audit however noted that the office had not developed a leave plan for the section which could have been used to schedule staff leave days.

The office statistics on sick leave showed that three out of 24 staff went on sick leave in 2013 and the number increased to eight out of 24 staff taking sick leave in 2014 (as of September). The number of sick leave days taken by those 11 staff varied between eight and 57 days. Based on interviews with seven staff members and review of correspondence received, the audit found that the administration of annual and sick leave had contributed to tensions in the office.

Performance appraisal system (PAS): In 2013, performance appraisals were completed late; instead of being completed in the first quarter according to organizational policy, the majority of those reviewed were signed by staff and supervisor in July 2014; six out of 24 had not been completed at the time of the audit.

Besides the end-of-year appraisals, other aspects of the PAS were also delayed. The performance planning phase should take place during the first three months of the year, but in 2014, only three out 24 staff had completed this during the first three months; a further 15 did so later, but at the time of the audit in September, six had still not done so.

Late identification of key priorities and assignments for the year, combined with late completion of appraisals, risked non-assignment of key office priorities to staff and also denied supervisors and staff opportunity to discuss areas for staff development. It could also create tension between staff and their supervisors when performance is assessed against priorities that have not been discussed or agreed.

Agreed action 4 (medium priority): The office agrees to ensure compliance with UNICEF human resources policy by establishing a mechanism to monitor that:

  i.   An office leave plan is drawn up, planned leave is approved, and reasons for not approving or for interrupting staff leave are justified and documented.

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> ii. Staff priorities for the year are identified, discussed and agreed early in the year, and all stages of the performance appraisal system, including but not limited to staff performance appraisals, are completed on schedule as per Division of Human Resources standards.

Target date for completion: January 2015
Responsible staff members: Representative, operations manager and CMT

Office environment

In 2012, the office identified poor office working environment and attempted to address it with the support of the regional office through a team-building exercise. The documentation related to this exercise indicated that it had addressed issues related to: staff understanding of governance mechanisms and regulations; conflicts within the office; management style; and trust between staff members that had affected the office environment.

Discussions with staff counsellors and the executive committee of the Staff Association suggested that the working environment had not improved. Seven staff members who had raised the issue with the audit were interviewed by it, in order to analyze situations that affected staff morale. Examples of such situations mentioned included the following.

Governance committees: A review of the minutes of various committees (the LCRB,[3] contract review committee, the Staff Association executive committee) showed that a number of meetings failed to reach agreement over a variety of matters. It was also noted that committees sometimes made decisions, but acknowledged in a note for the record that UNICEF procedures had not been adequately followed in reaching those decisions. In another case, a recruitment process initiated in October 2013 was stopped by the local central review board (LCRB) due to non-compliance with rules and regulations. The office took more than two months to investigate the anomalies noted by the LCRB and agree to cancel the recruitment process.

The above issues showed a limited understanding of governance mechanisms and of UNICEF rules and regulations. They also showed that problems identified related to management style had not been resolved by the team-building exercise or the change in senior management.

The Middle East and North Africa Regional Office (MENARO) informed the audit that the regional Staff Association and JCC[4] had reviewed the work environment of each office in the region. However, nobody in the Morocco office had brought the concerns related to the poor working environment to the attention of the Regional Office JCC – although the office management, the Staff Association or the JCC could all have done so. A poor office environment could affect office work and reduce the office support to the implementation of the programme.

Agreed action 5 (medium priority): The office agrees to, with the support from the regional

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[3] The central review board (CRB) is an independent body in UNICEF HQ that reviews international professional appointments and ensures that the recruitment process has been in accordance with UNICEF guidelines. The LCRB is the equivalent in a country office, and reviews local appointments. Members are drawn from the staff and are appointed by the Representative.
[4] The joint consultative committee (JCC) is a body composed of management and Staff Association Representatives that meets to discuss mutual concerns.

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Joint Consultative Committee (JCC):

    i.   Define indicators for strengthening the office working environment, and monitor with regional JCC progress achieved in strengthening it and in improving communication among staff.
   ii.   Strengthen staff knowledge of the functioning of office governance mechanisms and UNICEF rules and regulations.

Target date for completion: April 2015
Responsible staff members: Representative, Operations manager and the CMT

Country management team (CMT)

UNICEF's *Programme Policy and Procedure Manual* states that the CMT is the central management body for advising the Representative on procedures, strategies, programme implementation, management and performance, and on how to keep human and financial resources focused on the planned results of the country programme. The manual indicates that CMT should meet once a month, or more often if required; and that minutes of CMT meetings should indicate the decisions and actions taken, particularly in areas of low performance.

The office had a CMT with adequate membership. However, a review of the CMT files showed that it had met only six times in 2013, and five times in 2014 (as of September). The office indicated that the frequency of meetings had been reduced in 2014 (in the draft 2014 AMP) to every two months.

A review of CMT minutes noted that, in five of the six minutes reviewed, they did not indicate the decisions and actions taken. Consequently, actions agreed at the meetings were not monitored, and the staff responsible for them were not recorded.

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

    i.   Review the terms of reference (ToRs) for the country management team (CMT), ensure meetings are held as per the revised ToRs.
   ii.   Ensure that the minutes of CMT meetings clearly state actions decided upon, staff responsible, and follow-up actions taken and progress made.

Target date for completion: Immediate
Responsible staff members: Representative, Deputy Representaive and the CMT

Contract review committee (CRC)

Under UNICEF's Financial Rules, CRCs are established to render written advice to the relevant UNICEF official (in the case of a country office, the Repsesentative) on proposed contracts that exceed a financial threshold. The threshold varies between offices; in this case it was US$ 50,000. The CRC should provide provide a competent, independent and unbiased review of the process leading to proposed contract award recommendations.

The audit reviewed the CRC minutes regarding a sample of eight contracts that exceeded the threshold for CRC review. The following was noted.

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Post-facto *submission to the CRC:* The CRC review is clearly meant to take place *before* a contract is awarded. In certain circumstances (such as a humanitarian emergency), UNICEF policy does permit an authorizing officer to enter into a financial commitment exceeding the threshold prior to review of the CRC. In such cases, however, there should be a *post-facto* notification to the CRC that includes all the information that would ordinarily have been submitted to the CRC, plus a justification by the authorizing officer responsible for the non-compliant process. Offices should also report *post-facto* notifications quarterly to their Regional Director, again including the reasons for non-compliance with the CRC policy.

The audit's review of sample CRC minutes of contracts found that in four out of the eight cases reviewed, the authorizing officer had entered into a financial commitment without prior review by the CRC. Instead of a proper *post facto* submission to the CRC, including the documents that would normally be presented, the justification alone was submitted to the CRC for review.

Moreover, in reviewing these submissions, the CRC itself did not comply with CRC policy. In one case, a contract was US$ 44,000 below the CRC limit – but the cost of the work increased by 83 percent to US$ 73,000. From the documents presented to the CRC, it was mentioned that the additional work was conducted in September and October 2013, prior to the submission to the CRC in December 2013. The CRC did not consider the case as *a post-facto* notification but simply reviewed the justification and recommended that the Representative approve the amendment. In so doing, the committee took responsibility for the non-compliant process of awarding a contract price increase prior to the CRC review.

In another case of *post-facto* submission, the CRC review was recorded in a note for the record (NFR), prepared and signed by the CRC members, indicating that in addition to *post-facto* submission, the company proposed was single-sourced (e.g. no alternative bids were sought), and that the financial proposals included high-cost items that needed review. The NFR was sent to the Representative for decision. The committee had not provided a competent review of the process leading up to the award of the contract before it gave advice to the Representative, and did not therefore fulfill its mandate as required by UNICEF policy. The Representative accepted the justification provided and approved the suggested contractor, which was awarded a contract amounting to US$ $ 281,320. In this case, in taking the decision to approve the selected company, the Representative took responsibility for non-compliance with mandatory CRC policies.

In a third case of *post-facto* submission, the minutes of the CRC meeting signed on 8 October 2013 indicated that there had been two prior meetings, on 18 and 19 September 2013, to review the submission in question. The September meetings were not recorded in CRC minutes. There were however various NFRs mentioning various anomalies noted by the committee, including the fact that the company was suggested by a donor, and that the sourcing and the technical evaluation were not adequately conducted. Those NFRs did not provide any recommendation. The minutes of CRC meeting signed in October 2013 highlighted the anomalies identified in the previous meetings, but indicated that the majority of the CRC members recommended approval of the submission. The Representative approved the recommendation and a contract worth US$ 240,550 was signed with the contractor.

By not documenting the review process through CRC minutes, the committee did not provide evidence of a competent, independent and unbiased review of the process leading to proposed contract award recommendations.

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The audit also noted that the majority of the CRC meetings were attended by operations staff and programme assistants, rather than higher-level programme staff who were also CRC members. The attendance of programme staff was important as the majority of submissions were programme-related.

The above cases were *post-facto* submissions, did not comply with CRC review procedure, were not adequately recorded, and were not reported to the Regional Director as required by the CRC policy. Limited knowledge and limited appreciation of the CRC as a control mechanism explained the above weaknesses.

Weaknesses in the functioning of the CRC are risks to effective review prior to commitment of UNICEF resources, and to fair and transparent selection of the most suitable providers of goods and services.

Agreed action 7 (high priority): The office agrees to strengthen the functioning of the contract review committee (CRC) by:

  i.   Ensuring adherence to UNICEF Financial and Administrative Policy 6, supplement 6 on the CRC with respect to quality of submissions, attendance, review, and recording of discussions, and reporting of cases of non-compliance with the CRC policy.
  ii. Training staff to ensure that complete and well-prepared submissions are made to the CRC for review, and that the CRC conducts a competent, independent and unbiased review of any contracting process before making any recommendation to the Representative.

Target date for completion: February 2015
Responsible staff members: Operations manager and section chiefs

UN Coherence

The Delivering as One (DaO) approach aims at a more unified and coherent UN structure at the country level, with one leader, one programme, one budget and, where appropriate, one office. The aim is to reduce duplication, competition and transaction costs. Originally launched in 2007 in eight pilot countries, DaO has also been adopted voluntarily in a number of others.

The UN agencies in the country had signed a United Nations Development Assistance Framework (UNDAF) and an associated joint action plan. An 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. The action plan described what all UN entities sought to achieve, and how, for the period 2012-2016.

The UNDAF action plan had replaced the country programme action plan (CPAP) signed between UNICEF and the Government.[5] This is line with the UNICEF Programme Policy and Procedure Mannual, and one of the aims of DaO, which is to simplify the UN's work with partners. However, the UNICEF CPAP had been a formal agreement between UNICEF and the Government that set out the expected results, programme structure, distribution of resources,

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

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multi-year integrated monitoring and evaluation plan (IMEP) and the respective commitments of both parties. The UNDAF action plan, by contrast, did not contain sufficient details on strategy to guide UNICEF's programming; neither did it define the Government's own commitment. The UNICEF office had not addressed the gaps created by replacing the CPAP with the UNDAF action plan, or consulted the Regional Office as to how to address these gaps.

Agreed action 8 (medium priority): The office agrees to, in consultation with the Regional Office, ensure that areas of agreement normally covered in a country programme action plan, but not covered by the UN Development Framework action plan, are covered through other arrangements and additional reviews or mechanisms, as required.

Target date for completion: Immediate
Responsible staff members: Deputy Representative, section chiefs and M&E focal point

Governance: Conclusion
Based on the audit work performed, OIAI concluded at the end of the audit that the controls and processes over governance, as defined above, needed improvement to be adequately established and functioning.

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2   Programme management

The country programme is owned primarily by the host Government and UNICEF's role is to support the Government in managing the programme. The scope of the audit in this area includes the following:

- **Planning**. This includes the use of adequate data in programme design, and clear definition of results to be achieved, which should be specific, measurable, achievable, realistic and time bound; and forming and managing partnerships with Government and other partners.
- **Resource mobilization and contribution management.** This refers to all efforts to obtain resources for the implementation of the country programme, including fundraising and management of contributions received.
- **Support to programme implementation.** This covers planning and provision of the inputs needed to implement the programme activities such as supply, cash transfer and contracts for services. This also includes implementation of the harmonized approach to cash transfers (HACT) to implementing partners.
- **Monitoring.** This includes the periodic review of the implementation of an activity which seeks to establish the extent to which inputs, work schedules, other required actions and targeted outputs are proceeding according to plan, so that timely action can be taken to correct deficiencies detected.
- **Evaluation**. This is an exercise that attempts to determine as systematically and objectively as possible the worth or significance of an intervention, strategy or policy.
- **Reporting.** This covers the office's specific reporting obligations as well as annual and donor reporting on the use of resources and achievements against objectives or expected results.

All the areas above were covered in this audit.

Results-based programming

UNICEF is committed to results-based management. For this to be a reality, workplans should have defined timeframes and targets, and indicators with which to measure progress towards those targets. The workplans should also be endorsed in writing by implementing partners to confirm their commitment to carry out the described activities.

Work planning: The audit reviewed a sample of workplans and confirmed that they were signed by key Government partners. However, the audit noted that there had been delays in signing the workplans; some had been signed in May and June. This affected the timeliness of programme implementation. For example, the 2014 Child Protection workplan was signed in June 2014, although it included activities that were to be implemented from January to December 2014. The late signing of workplans also contributed to delays in disbursing funds (see *Cash transfer management*, p20 below).

Formulation of results: There were weaknesses in the formulation of results statements at outcome (PCR) and output (IR) levels.[6] Results defined in the UNDAF action plan were not

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[6] UNICEF programmes plan for results on two levels, the terminology for which changed in 2014. An outcome (until recently known as a programme component result, or PCR) is a planned result of the country programme, against which resources will be allocated. It consists of a change in the situation

specific; the office indicated that they were defined in terms that allowed for flexibility, but the audit found that they were not measurable. For example, for the Child Survival programme, there were no outcomes specific to the UNICEF role; the UNDAF outcomes were also the programme component results (outcome results) in the signed workplan. This made the achievement of identified results in the signed workplans difficult to assess. The absence of a Chief, Child Survival may have contributed to this weakness.

For some results and indicators there were no baselines or targets, and/or there was no evidence on how defined activities were to contribute to the achievement of the stated output or targets.

Recording in VISION: In VISION, indicators and targets were defined in most instances, but not for the PCR7s (outcome result) for the "cross-sectoral" and "support" programmes. No baselines were defined for some output results (IRs). The results reported in the results assessment module (RAM) in VISION were based on internal reports. There was no evidence that targets, indicators, and baselines used in the RAM had been discussed and agreed with key implementing partners.

Monitoring and reporting: Activity reports produced focused on completion of activities defined in the provincial workplan, and not on progress towards results as defined in the rolling workplans.[8] The reports of both the 2013 annual review and the 2014 mid-term review noted the need to assess the programme results at outcome and output levels against adequate indicators, baselines and targets.

Agreed action 9 (high priority): The office agrees to strengthen its results-based programming and programme implementation through:

i.   Timely preparation of workplans and release of programme inputs.
ii.   Formulation of results at outcome and output levels in the signed rolling workplans that are SMART (specific, measurable, achievable, relevant and time-bound), with defined baselines and targets.
iii.   Documenting the progress of programme results at the outcome and output levels within UN Development Framework (UNDAF) reviews, using appropriate indicators, baselines and targets.

Target date for completion: March 2015
Responsible staff members: Representative, Deputy Representative, Section Chiefs and M&E focal point

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of children and women. An output (previously known as an intermediate result, or IR) is a description of a change in a defined period that will significantly contribute to the achievement of an outcome. Thus an output might include (say) the construction of a school, but that would not in itself constitute an outcome; however, an improvement in education or health arising from it would.

[7] Programme Component Result. See footnote on p12.

[8] According to UNICEF's Programme Policy and Procedure Manual (PPPM), workplans can be developed on an annual or multi-year basis, or as rolling workplans. In the latter case, the workplan is subject to interim review – for instance, it may be for 18 months, but the Government and UNICEF will agree to periodic technical review of its outputs, say every six months, with an adjustment based on the review of the remaining 12 months. At the same time, an additional six months will be added on to the rolling workplan to make up a new 18-month cycle.

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Harmonized Approach to Cash Transfers (HACT)

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

HACT makes this possible by requiring offices to systematically assess the level of risk before making cash transfers to a given partner, and to adjust their method of funding and assurance practices accordingly. HACT therefore includes micro-assessments of the individual implementing partners that are either Government entities or NGOs. There should be a macro-assessment of the country's financial management system. As a further safeguard, the HACT framework requires offices to carry out assurance activities regarding the proper use of cash transfers. Assurance activities should include spot checks, programme monitoring and special audits.

UNICEF Morocco was implementing HACT jointly with UNDP and UNFPA. A macro-assessment had been done in 2013 and key implementing partners were micro-assessed annually. The list of implementing partners to be micro-assessed was compiled by UNDP and forwarded to Morocco's supreme audit institution, the *Cour des Comptes*, which conducted audits and micro-assessments and then provided systematic audit reports. There was however no evidence of actions taken to address the recommendations included in those reports, although such follow-up could have improved partners' capacity in cash-transfer management.

UNICEF's HACT procedure requires the office to record the overall risk rating for each implementing partner in the Partner Assessment Tab, Vendor Master in VISION. The audit noted that 22 out of 60 implementing partners had been assessed and their ratings recorded in VISION; the remaining 38 had not, and had no risk rating recorded. Three out of the 38 partners that had not been assessed had received over US$ 100,000.

In 2013 and 2014 the office conducted various assurance activities, such as spot-checks and programme monitoring activities. However, the implementation of the HACT assurance plan was not systematically monitored, and there was no evidence of action taken to address the recommendations included in the assurance activity reports, or to follow up on those actions.

Agreed action 10 (medium priority): The office agrees to strengthen the implementation of the Harmonized Approach to Cash Transfers (HACT) by ensuring that:

   i.   Overall risk rating is defined and recorded for all implementing partners.
   ii.   Implementation of the assurance plan is monitored.
   iii. Recommendations included in the micro-assessment reports are analyzed and issues raised therein that require management attention are addressed.

Target date for completion: Deputy Representative and Section Chiefs
Responsible staff members: January 2015

Resource mobilization and donor reporting[9]

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[9] While the terms "resource mobilization" and "fundraising" are often used interchangeably, the former is slightly broader; although fundraising is its largest single component, it also includes

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The Morocco country programme (CP) relies heavily on OR, which is budgeted at US$ 26 million for the whole five-year country-programme cycle – that is, 80 percent of the total budget of US$ 32 million). Offices are responsible for raising their own OR resources. The audit noted the following.

Fundraising: The office had a fundraising strategy in 2013 and 2014, but had not been able to fully fund its programme. Of the US$ 10.4 million OR that was to be raised in 2012-2013, the office had raised only US$ 4.3 million overall (or 41 percent of the planned amount). In addition, the shortfall varied considerably among programmes; whereas *Basic education and adolescent development* had raised US$ 2 million or 95 percent of the planned amount, *Child survival* raised US$ 0.4 million or 21 percent of the planned amount, and *Local development and child and youth rights* raised US$ 0.5 million or 30 percent of the planned amount.

Donor reporting: The Regional Office had reviewed the quality of two donor reports and had noted that they were missing a few of the elements of basic information generally recommended for these reports – for example a list of acronyms or a human-interest story. The Regional Office also noted that neither report mentioned how the project/programme results contributed to the achievement of national goals, to the Millennium Development Goals or to UNICEF's own priorities or medium-term strategic plan. Neither did they state both the successes and shortcomings encountered in the implementation. In one instance, funds utilization was not comprehensively reported and there was no comparison between planned versus actual expenditure.

Inadequate formulations of outcome and output results and lack of indicators, baselines or targets had made it harder for the office to report how project results contributed to the achievement of national goals and organizational priorities (see also *Results-based programming*, pp14-16 above).

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

  i.   Continue to monitor funding for underfunded programmes and ensure a strategy to meet their funding gaps.
  ii.   Strengthen the quality-assurance mechanism for donor reports, implement the recommendations of the Regional Office's quality-assurance review, and ensure that donor reports meet UNICEF donor-report quality requirements in terms of format and content.

Target date for completion: December 2014
Responsible staff members: Representative, Deputy Representative, Section Chiefs and Communciation Specialist

Programe evaluation and pilot initiatives
The Morocco office did not draw up a multi-year integrated monitoring and evaluation plan (IMEP) at the start of the country programme. It did develop annual IMEPs in 2013 and 2014. The 2013 IMEP included 12 studies and three evaluations. Seven out of 12 studies were completed, and none of the evaluations. The low IMEP implementation rate and the lack of evaluations had been questioned by the Regional Office, which also noted that no evaluations

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mobilizing resources in the form of people (volunteers, consultants and seconded personnel), partnerships, or equipment and other in-kind donations.

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at all had been conducted during the current country programme. The Regional Office asked the office to reduce the number of research activities and to revisit its evaluation plan. A multi-year IMEP was produced in 2014.

Evaluation is particularly important in the case of pilot programmes, and should be done before they are taken to scale. Although the office promoted piloting of innovations in both its previous and current country programmes, it had not defined specific criteria for their management, and had no guidelines on evaluating and documenting pilot innovations. Examples of pilot initiatives included the pilot experiment for participatory planning strategy at communal level. The pilot was implemented for many years (across two country-programme cycles) without a clear exit strategy. The programme had not yet been evaluated.

The lack of a staff member dedicated to the monitoring and evaluation (M&E) function explained the limited office capacity in this area.

Agreed action 12 (medium priority): The office agrees to establish a monitoring process and assign responsibilities to ensure that the activities in the integrated monitoring and evaluation plan (including evaluations) are implemented as planned.

Target date for completion: June 2015
Responsible staff members: Representative, Deputy Representative, Section Chiefs, CMT and M&E focal point

Agreed action 13 (medium priority): The office agrees to develop guidelines/ procedures for managing, evaluating and documenting pilot innovations for their relevancy, efficiency and effectiveness.

Target date for completion: February 2015
Responsible staff members: Representative, Deputy Representative, and M&E focal point

Programme management: Conclusion

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

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3   Operations support

Operational processes are established to support the country programme. The scope of the audit of this area includes the following:

- **Financial management**. This covers overall maintenance of the budget and accounts, financial closing procedures and reporting including bank reconciliation process.
- **Input procurement and contracting.** This includes bidding and selection processes, contracting, transport and delivery, warehousing and the related payment processing of programme and operations inputs (supply, cash transfer, consultants, contractors, travel, payroll, etc.)
- **Asset management.** This area covers planning, procurement, maintenance, recording and use of Plant, Property and Equipment (PP&E) such as premises and equipment and low-value but attractive items such as laptops. This also includes the identification, security, control, maintenance and disposal of these assets.
- **Human-resources management.** This covers general human-resources issues including recruitment, training, performance assessment, payroll and staff entitlement. Staffing structure is reviewed under the Governance area.
- **Information and communication technology** (ICT). This includes provision of facilities and support, appropriate access and use, and 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
In 2013 cash transfers amounted to US$ 2.1 million or 43 percent of the total expenditures. In 2014, the amount was US$ 1 million which was 28 percent of the total expenditures (as at 25 August 2014).   The office was adequately using the FACE form.[10] The audit noted the following.

Disbursement of cash transfers: In the sampled transactions of 18 direct cash transfers (DCTs) amounting to US$ 873,039, there were delays in disbursing funds. The delays were mainly due to late requests from implementing partners, and to slow processing when funds were sent through the Government systems. There was also weak capacity to plan and implement activities at the agreed times. For example, in one sampled case, funds were received by the partner after the completion of the activity. The late signing of workplans and the complexity of releasing funds though Government accounts were identified as the major causes of delays.

Reporting and liquidation: Reporting on utilization of DCTs should be within six months of their full utilization. At the end of August 2014, the office had outstanding balances amounting to US US$ 1.1 million, of which US$ 235,930 had been outstanding for over six months and a further US$ 218,687 for over nine months.

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[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.

This included cash transfers that had been released to partners for more than two years. The activities had begun in 2012 and were still ongoing; in September 2014, the implementation rate of the funds released in 2012 was only 56 percent. Low implementation had been caused by the multiplicity of partners involved in the work, and by late release of funds (in November 2012 for activities launched in 2011). There was an office note for the record (NFR) clarifying the non-compliance with UNICEF procedures; the NFR stated that the partner could not refund the unused balance mainly because the grant validity had expired in December 2012, one month after the release of funds. At the time of the audit (September 2014), the partner was still implementing the activity after the financial closure of the grant. This could result in incorrect reporting of funds.

Refunds of cash transfers: On completion or termination of a programme activity for which a direct cash transfer has been made, any unused balance must be refunded to UNICEF. The audit sampled transactions that included refunds that were 100 percent of the DCT disbursed. These examples included activities such as UNESCO-led activities that had not been considered Government priorities; those activities were not implemented and were later cancelled. They also included late disbursements for immunization activities, made after the completion of the activity, so that the DCT was fully refunded.

In fact, in such cases, reprogramming may be considered for a similar activity within the same project, consistent with the purpose and timeframe of the funding source. In the sample, it was noted that some reprogramming had been done after cancellation of activities. Examples included production and presentation of the report on children in the media that was cancelled. It was agreed at a later stage to reprogramme the funds for the celebration of the 20th anniversary of the ratification of Convention on the Rights of the Child (CRC).

Agreed action 14 (high priority): The office agrees to ensure that:

i.   Cash transfers are released in good time for the planned activities they are meant to fund.
ii. Cash transfers are released based on the partner's capacity/ability to implement the agreed activities within three months, in order to avoid full refunds and/or reprogramming for different activities.

Target date for completion: March 2015
Responsible staff members: Deputy Representative, Section Chiefs and HACT point

Contracts for services

In 2013, contracts for services amounted to US$ 0.6 million, representing 13 percent of total expenditure. The expenditures related to contract for services increased to US$ 1.2 million in 2014 which was 32 percent of the total expenditures as of August 2014. The review of sample contracts noted the following:

In three instances, payments made to selected contractors exceeded the amount included in the signed contracts. In one instance, a payment of US$ 418,000 was made against a contract of US$ 239,000. The difference of US$ 181,000 was paid for a contract issued through a cash transfer that was made to a Government implementing partner.

This mixture of contracting and payment types with the same contractors risked not having

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adequate quality assurance and monitoring mechanisms over the costing of services provided. The audit noted that the costing of some activities were indeed questioned by the paying officer, and that those concerns were raised at the approval of the payment of invoices. Furthermore, the deliverables were not detailed; instead, they were a percentage of the completion of some activities (i.e. training activities). A percentage is harder to cost than a concrete deliverable, and it was therefore harder to assess whether the contractor had delivered as required.

Programme documents reviewed showed that identified activities were donor-driven and had to be completed in a short period of time. The office informed the audit that this donor-driven project had been discontinued, as it added little value to the implementation of the country programme.

In another instance, the work was begun before the start of the contracts, and additional work was requested and carried out without ensuring that the existing contract was amended. The contract was amended after the completion of the work instead, to reflect a 40 percent cost increase (the amount increased from US$ 44,610 to US$ 62,853). Further, the payment instalments defined in the contracts were not linked to deliverables and were defined in terms of percentage of the initial amount. As such, the amended contract reflected the increased amount but did not show the cost of additional work provided.

Agreed action 15 (medium priority): The office agrees to review its contracting process and strengthen the understanding of staff involved in the signing of contracts, to ensure that:

  i.   There are no overlapping contracts.
  ii.   Contracts are signed before the start of the work.
  iii.   All changes in the contract are reflected through an amendment of contracts.
  iv.   Payments are clearly linked to specific deliverables and not defined in terms of a percentage of the total amount.

Target date for completion: February 2015
Responsible staff members: Operations manager

Operations support: Conclusion

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

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Annex A: Methodology, and definition of priorities and conclusions

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

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

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

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

Priorities attached to agreed actions

High: Action is considered imperative to ensure that the audited entity is not exposed to high risks. Failure to take action could result in major consequences and issues.

Medium: Action is considered necessary to avoid exposure to significant risks. Failure to take action could result in significant consequences.

Low: Action is considered desirable and should result in enhanced control or better value for money. Low-priority actions, if any, are agreed with the country-office management but are not included in the final report.

Conclusions

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

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

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

[Qualified conclusion, strong]
Based on the audit work performed, OIAI concluded that the controls and processes over [audit area], as defined above, needed improvement to be adequately established and functioning.

[Adverse conclusion]
Based on the audit work performed, OIAI concluded that the controls and processes over [audit area], as defined above, needed **significant** improvement to be adequately established and functioning.

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

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

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