Internal Audit of the Regional Office for South Asia

August 2014

Office of Internal Audit
and Investigations (OIAI)
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Summary

The Office of Internal Audit and Investigations (OIAI) has conducted an audit of the Regional Office of South Asia (ROSA). The audit sought to assess the regional office's governance and operations management, and its oversight and support to country offices in the region. The audit team visited the office from 31 March to 17 April 2014. The audit covered the period from January 2013 to March 2014.

The regional office is in Kathmandu. It is accountable for oversight of the performance of country programmes of all eight country offices in the region, and for supporting country offices through provision of technical assistance and quality assurance services. The total budget of the regional office increased from US$ 6.7 million in 2013 to US$ 12.5 million in 2014. There are 56 staff on established posts: 33 international professional, four national professional and 19 general service staff members. Seven posts were vacant as of March 2014.

The eight country offices for which the office provides oversight had total expenditures of amounted to US$ 392.6 million in 2013 (and US$ 132.4 million in 2014 as of 4 June). Total budget allotment was US$ 578.4 million for 2014. There were 1,534 staff members (including 306 international professionals) in the eight country offices in the region as at 31 December 2013. This represented approximately 15 percent of UNICEF's global workforce. South Asia has over 600 million children aged under 18, the largest number of any region in the world.

Action agreed following the audit
In discussion with the audit team, the regional office has agreed to take a number of measures, none of which are being implemented as high priority – that is, to address issues that require immediate management attention.

Conclusion
Based on the audit work performed, OIAI concluded that, subject to implementation of the agreed actions described, the controls and processes over the regional office, in the areas examined as defined above, were generally established and functioning during the period under audit.

The regional office and OIAI intend to work together to monitor implementation of the measures that have been agreed.

Office of Internal Audit and Investigations (OIAI)   August 2014

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Objectives

The objective of the regional-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 regional office.

The audit observations are reported upon under three headings; governance of the regional office; oversight and support to country offices in the region; and operations management of the regional office. 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 of the Regional Office

In this area, the audit reviews the supervisory and regulatory processes that support ROSA's oversight and support to country offices in the region, as well as its internal management. The scope of the audit in this area includes the following:

- **Supervisory** structures, including advisory teams and statutory committees.
- **Identification** of the regional office's priorities and expected results and clear communication thereof to staff and to country offices in the region.
- **Staffing structure** and its alignment to the needs of the regional office regarding oversight and support to country offices in the region.
- **Performance measurement**, including establishment of standards and indicators to which management and staff of the regional office are held accountable.
- **Delegation** of authorities and responsibilities to staff of the regional office, including the provision of necessary guidance, holding staff accountable, and assessing their performance.
- **Risk management**: the regional office's approach to external and internal risks to achievement of its objectives.
- **Reporting:** The regional office should report achievements and the use of resources against objectives or expected results. This covers annual and donor reporting, plus any specific reporting obligations a regional office might have.
- **Ethics**, including encouragement of ethical behaviour, regional office's 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 found that controls were functioning well over a number of areas. ROSA's priorities were clearly linked to the outcomes of the 2014-2017 Strategic Plan and were communicated to each country office in the region through a Regional Director's letter to each Representative.

The office had kept the terms of reference of its main governance committees up-to-date, and they met regularly. The agendas were comprehensive and relevant to ROSA's priorities. Minutes of meetings were well prepared, and action points were properly identified and

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followed up during the next meeting.

The staffing structure was in accordance with the approved 2014-2017 Regional Office Management Plan (ROMP) and aligned to the priorities and needs of the regional office. ROSA had analyzed gaps in staffing capacity when developing the ROMP. The number of posts had increased from 44 in 2012-2013 to 54 posts in 2014-2017. Posts had been created in 2012 and 2013 to increase ROSA's capacity to oversee country offices' performance and provide technical support. These posts covered several core functions, including technical support to operations and programme areas such as planning, security, ICT, education, polio, adolescents and child protection.

The office had established processes for measuring and monitoring its own performance through the Regional Office Management Team and meetings of section heads. It had also made a comprehensive mid-year and year-end review of implementation of activities, and of actual achievement against each target and output result in 2013.

ROSA had updated its RCSA[1] and prepared an action plan and progress report as of end of June 2013. It also had a process to ensure that identified risks related to ROSA and country offices were reflected in its workplans for 2013 and 2014.

Internally, ROSA had developed several tools, such as: a country office support database; customer satisfaction survey; a trip-report database (to store and share trip reports among staff); trip-report template (to document technical support provided during field missions); and a Regional Office Bulletin Board in SharePoint.

The office held several activities to increase staff awareness of UNICEF's ethical standards and zero tolerance for fraud, such as providing a session on ethics during an all-staff meeting and requesting staff to renew their oath of office.

Donor reports prepared by the Regional Office were issued on time and in accordance with UNICEF standards. A sampled donor report showed that progress against expected results and use of resources against budgets were adequately described, and were aligned with the performance information included in the UNICEF Results Assessment Module.

 A regional office is expected to apply UNICEF global policies, procedures, guidance and tools, and to supplement these with region-specific policies, procedures, guidance and tools where appropriate. ROSA had developed its own region-specific policies, procedures, guidance (including strategies) and tools in many areas; most had been developed in 2012-2014. This work included policies and strategies on programme evaluation, a new programme area on adolescents and a MoRES[2] rollout in the region. ROSA had also issued procedures and guidance for country offices in a number of programme and administrative areas.

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[1] 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.

[2] MoRES is the Monitoring Results for Equity System, a monitoring tool designed to strengthen UNICEF's ability to address inequities and reach the most disadvantaged. It highlights the fact that there are critical conditions or determinants which either constrain or enable the achievement of results for particular groups of children.

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A regional office should regularly review and document work processes of its core functions, which include oversight of country offices (both programme and operations), providing technical assistance and quality assurance as well as leadership. ROSA's 2014-2017 ROMP confirmed these core accountabilities, and regional advisors had been assigned responsibilities accordingly. The 2014 Annual Workplans (AWPs) were structured so as to highlight these accountabilities.

ROSA had used various means to identify and share good practices – during on-site support visits, regional workshops, review of country offices' annual reports and Regional Management Team (RMT) meetings. The office had a draft regional strategy on Knowledge Management; this was scheduled to be completed at a regional Knowledge Management meeting in June 2014. The draft strategy covered identification and sharing of good practices.

However, the audit also noted the following.

Guidance and work processes

The audit found that there were some gaps in policies, procedures, guidance and tools. The concepts of oversight, technical assistance and quality assurance had not been defined in any formal document such as the Programme Policies Procedures Manual (PPPM), which had no specific section on the core functions of regional offices. In the absence of global guidance, ROSA had not defined these concepts and standards itself. Interviews with regional advisors showed limited clarity on what constituted effective oversight of performance of country offices' programmes and operations, or how to provide it. Further, the regional office had not defined and recorded the work processes for oversight, technical assistance and quality assurance. This increased the risks of inconsistent practices among programme sectors, and untimely detection of areas requiring support.

The audit specifically noted the following.

Follow-up: The office lacked standards and procedures for analysing causes of weaknesses in country offices and ensuring follow-up action and reporting. As a result, practices for follow-up and reporting on weak performing areas varied within ROSA. In its 2014 annual workplan, the office had planned a requirement to follow up within one month if actual performance of country offices fell below expectations. However, this requirement had not yet been implemented.

Guidance: For the most part, neither the programme sections nor operations used structured guidance such as checklists to support planning and implementation of oversight and support to country offices. For instance, the office lacked checklists for the review of human resources in country offices during on-site missions. Neither were there specific procedures or guidance for peer reviews of country offices by other country offices in the region. (ROSA did however have tools for joint missions or assessments between its own sections, and with other UN organizations and partners.)

Core Commitments for Children in Humanitarian Action (CCCs):[3] In the area of emergency, the third revision of the CCCS, released in May 2010, set standards and expectations for

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[3] The *Core Commitments for Children in Humanitarian Action* constitute UNICEF's central policy on how to uphold the rights of children affected by humanitarian crisis. The text can be downloaded from http://www.unicef.org/publications/index_21835.html.

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maintenance of children's rights in an emergency. However, it did not define and allocate responsibilities for maintenance of those rights among HQ, regional and country offices (the previous version, issued in 2004, did do so). ROSA was aware of the gap and had raised this issue with UNICEF's Office of Emergency Programmes (EMOPS), so as to ensure consistent standards between regional offices. The Level 2 and Level 3 Corporate Emergency Activation Procedures (CEAP) endorsed by UNICEF in 2011 only partially addressed the gap. EMOPS informed the audit that it was planned to address the lack of clarity in the accountabilities for the CCCS in the Strengthening Humanitarian Action initiative,[4] for decision by UNICEF's Global Management Team in September 2014.

Repository of policies and guidance: Upon request from the audit team, the office prepared a list of region-specific policies, procedures, guidance and tools that it (rather than UNICEF HQ) had developed. These were scattered, not consolidated into one central repository for easy reference by regional staff.

Such a repository would be both relevant and cost-effective, given the high turnover of staff. There were 40 percent new staff in 2012 and 25 percent in 2013 (ROSA is a four-year duty station for international professional staff). Moreover there had been an increase in the number of posts from 44 in 2012-2013 to 54 in 2014-2017. The office's induction programme did not include the office's region-specific policies, procedures, guidance and tools for oversight, quality assurance and technical assistance to country offices. For newcomers, a central repository for these would therefore be helpful.

The office's draft Knowledge Management strategy, which was developed before the on-site audit, may help address some of the above. Further, the ROSA Bulletin Board, created in 2013, included facilities for document management; its further development was in the 2014 workplan (but at the time of the audit, only a few but not all office's policies, procedures, guidance and tools were included in the Bulletin Board).

The above shortcomings created risks of duplication of effort, inefficiency, and inconsistent practices between ROSA's programme and operation sectors, and among regional offices in general. They could also weaken the effectiveness and efficiency of oversight, quality assurance and technical assistance to country offices.

Agreed action 1 (medium priority): The Regional Office for South Asia (ROSA) agrees to:

   i.   Review and document its work processes and related region-specific policies, procedures, guidance and tools for oversight, technical assistance and quality assurance of country programmes and operations, to increase awareness and understanding by staff.
   ii. Consolidate all region-specific policies, procedures, guidance and tools in one central repository, to increase awareness of what exists and to provide easy access to its own staff and those of other regional offices.
   iii. Include in the induction programme for new staff a description of the region-specific policies, procedures, guidance and tools covering oversight, quality assurance and technical assistance to country offices.

Staff responsible for taking action: Regional Chief of Planning

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[4] This UNICEF initiative is intended to strengthen action in humanitarian situations in the light of lessons learned in crises in 2012 and 2013. It incorporates feedback from a range of actors, including civil society and the affected populations themselves.

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Date by which action will be taken: ROSA reports the action as having been taken in July 2014

Agreed action 2 (medium priority): The Office of Emergency Programmes (EMOPS) agrees to, together with the relevant divisions and with input from regional offices, clarify and communicate the responsibilities of regional offices, headquarters and country offices regarding the UNICEF Core Commitments for Children in Humanitarian Action, so as to improve coordination in humanitarian situations. This can be done as part of the Strengthening Humanitarian Action Initiative, on which a decision by the Global Management Team is expected in September 2014.

Staff responsible for taking action: Director of EMOPS
Date by which action will be taken: October 2014

Performance management of the Regional Office

The regional office is expected to measure, monitor and report on its own performance. It should establish results that are measurable, with key performance indicators and targets for tracking progress at the output and outcome levels.

The office used a colour-coding system to measure progress. In 2013, the office reported that 35 percent of the 338 planned activities were completed; 48 percent were on track or in progress; 7 percent were constrained; and 10 percent were postponed to 2014. Overall, it concluded that it achieved 60 percent of its expected output results; 20 percent were on track and the remaining 20 percent were constrained for several reasons, including delays in filling vacancies.

The output results were uploaded into the Results Assessment Module (RAM) in UNICEF's management system, VISION. The results and indicators established in the 2014-2017 ROMP were aligned with the 2014 annual workplan, and there were effective processes in place to follow up on the action points raised during mid-year and year-end review of workplan implementation.

The regional office had showed effective leadership by having an evaluability assessment[5] conducted to establish whether the 2014-2017 ROMP had been designed in a way that was results-oriented. The assessment was completed in February 2014, after the finalization of the ROMP but prior to the completion of the 2014 ROSA annual workplan. It concluded that the selected indicators were appropriate for routine monitoring with country offices and supervisors at the activity level, but they were too subjective to be much of use for performance monitoring at the output and outcome levels. It also indicated that nearly all of the development effectiveness outputs and many management outputs focused on the delivery of support to country offices and partners, rather than the expected changes from that support; the fact that an office received assistance does not mean that actual changes occurred as a result.

The audit agreed with this assessment. Most indicators aimed to measure and monitor the implementation of planned activities rather than measuring the change that the regional office can realistically be accountable for. Specifically, the audit identified the following.

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[5] An evaluability assessment is a review of a given programme to determine, among other things, whether the programme's objectives are adequately defined and its results verifiable.

SMARTness[6] of outputs: The audit's review of the 2013 and 2014 annual workplans and the 2014-2017 ROMP found that the output results were not always sufficiently specific and measurable to establish the changes expected from ROSA's support to country offices. For instance, several output results in the 2013 and 2014 annual workplans used terms which were difficult to measure, such as "enhance"; "improve"; "support"; and "contribute". With respect to the 2014 regional office annual workplan, several indicators had no annual targets, making it difficult to measure and judge progress.

Oversight activities: Although activities were presented in several categories (technical assistance and quality assurance to country offices, partnership with regional institutions, etc.), there was no specific category labelled oversight of country offices, although this is one of the core functions of the regional office. In fact, the office was carrying out various types of oversight. An example of such activities that could have been in the annual workplan under "oversight" is quarterly or semi-annual review and analysis to identify areas in a country office performing below expectations for each programme sector and key operations functions.

Number of activities and indicators: The number of planned activities increased significantly from 338 in 2013 to 527 in 2014, an increase of 56 percent. The number of output results also rose, from 15 in 2013 to 20 in 2014, and the number of output indicators rose from 83 in 2013 to 105 in 2014. The average number of activities per output indicator increased from four to five, an increase of 25 percent. The audit was told that the number of output results had increased from 15 to 20 because of the establishment of new functions such as data-knowledge management and adolescents.

Though many indicators can be established for each output result, it is better to select a limited number of key indicators that will demonstrate the desired change. A high number of indicators and activities risks lack of focus on key results, and inefficient monitoring of progress.

Although the indicators were listed in the ROMP and in the annual workplans for 2013 and 2014, they were not individually defined, and their means of verification were not described. Though UNICEF guidance on the development of the ROMP does not require these, they are essential for monitoring and reporting on progress.

Programme priorities: The office had identified five programme priorities for the period 2014-2017, and two operation and management priorities in its 2014 annual management plan (none was prepared in 2013).[7] However, it had not established how it would measure and monitor achievement of these priorities (i.e. indicators, targets, means of verification including source of information). The 2012-2013 ROMP identified five objectives. However, the office did not regularly monitor and report on the achievement of these objectives in 2013 to the Office Management Team.

At the time of the audit, the office planned to prepare an action plan for reviewing and implementing corrective action and suggestions established in the evaluability study issued in February 2014.

Agreed action 3 (medium priority): The Regional Office for South Asia (ROSA) agrees to:

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[6] SMART: Specific, measurable, achievable, relevant and time-bound.
[7] The annual management plan is distinct from the office management plan (the ROMP), which covers a two-year period.

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    i.   During the mid-year review,
- a. Review and streamline the planned activities defined in the 2014 annual workplan to support achievement of defined results.
- b. Review output indicators and targets and make adjustments as necessary to enable effective measurement of progress towards the planned output and outcome results.

    ii.   Ensure that each indicator established in the 2014 annual workplan has an annual target.

    iii.   Define means of verification, for monitoring, and reporting on, progress – including definition of indicators and sources of information.

    iv.   Establish indicators and annual targets to measure and monitor progress in achieving ROSA's priorities as identified in the 2014 annual management plan; and report regularly on the status of implementation to the Office Management Team.

Staff responsible for taking action: Deputy Regional Director, Regional Chief of Planning and Regional Evaluation Advisor
Date by which action will be taken: October 2014

Agreed action 4 (medium priority): The Division of Data, Research and Policy (DRP) agrees to, together with the Division of Financial and Administrative Management, revise its guidance for the preparation of regional office management plans, and to include in the integrated results and resources matrix the requirement to define the means of verification, including the definition of indicators and sources of information. This agreed action will also cover the office management plans of HQ divisions and country offices.

Staff responsible for taking action: Director and Deputy Director of DRP
Date by which action will be taken: December 2016

Governance area: Conclusion

Based on the audit work performed, OIAI concluded that, subject to implementation of the agreed actions described, the control processes over governance of the regional office, as defined above, were generally established and functioning during the period under audit.

2   Oversight and support to country offices

In this area, the audit reviewed the adequacy of ROSA's oversight of country offices in the region, and the extent to which it planned and provided adequate and timely support for them in the form of technical assistance and quality assurance. The scope of the audit in this area includes the following:

- **Oversight**, including the regional office's oversight of the performance of country offices in the region with respect to their governance and management of their programme and operations functions.
- **Planning**, including ROSA's identification of country offices' needs and priorities regarding technical assistance and quality assurance to help them achieve their objectives.
- **Support.** This refers to the technical assistance and quality assurance services ROSA provides to country offices in the region. This covers the following activities of country offices:
    o Governance (including adequacy of supervisory structure; identification of country office's priorities and expected results; staffing structure; performance management of staff; delegation of responsibilities and authorities; risk management; reporting on use of resources and achievement of results; and ethics).
    o Fundraising and management of contributions.
    o Planning – i.e., the use of adequate data in programme design, and clear definition of results to be achieved; planning resource needs; forming and managing partnerships with Government, NGOs and other partners; and development of Country Programme Documents (CPDs).[8]
    o Progamme implementation (including programme inputs such as supply and cash transfers to partners).
    o Monitoring of implementation – that is, monitoring the extent to which programme inputs are provided, work schedules are kept to, and planned outputs achieved, so as to detect and deal with deficiencies promptly.
    o Evaluation: assessment of the ultimate outcome and impact of programme interventions, and identification of lessons learned.
    o Reporting to donors and the Executive Director on use of resources and achievement of results against budgets and objectives.
- **Feedback:** This refers to ROSA's own mechanisms to assess adequacy and timeliness of its oversight and support services to country offices in the region.

All the above areas were covered in this audit.

The audit found that controls were functioning well over a number of areas. ROSA had conducted a survey in 2013 to assess the quality of its support to the country offices in the region. With a response rate of around 55 percent, the survey indicated a high level of satisfaction (85 percent) with ROSA's support across both country offices and sectors.

The office had an adequate process for identifying technical support needs of country offices. Their requests for support were used in preparation of ROSA's annual workplan. The country offices' requests were adequately maintained in the country support database and tracked

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[8] The CPD sets out a country office's programme for a period of (usually) five years, stating what it plans to do, and the resources with which it will do it. It is presented to the UNICEF Executive Board for approval.

during the year. The office indicated that in 2013, of the 540 requests for support from the eight country offices in the region, 75 percent had been responded to; for 13 percent, there was ongoing action; 6 percent awaited response; and 6 percent were cancelled or temporarily suspended by country offices.

ROSA had processes in place for the review of country programme documents (CPDs), country programme action plans (CPAPs),[9] emergency preparedness and response plans (EPRPs), programme budgets, mid-term reviews of country programmes (MTRs) and implementation of MoRES in country offices in the region. The office also had a practice of involving other country offices in the region in these reviews. For instance, the external review of the Maldives MTR in 2013 was done with the participation of the Bhutan country office, to promote exposure and capacity development.

The office had an adequate annual review process for each country office's annual report (a key component of the office's quality assurance process). The country offices' 2013 annual reports were reviewed as planned in February 2014 (country offices' reports are due in late January). The results of the review were disclosed in letters sent by the Regional Director to representatives of the eight country offices.

In 2013, ROSA showed effective leadership by developing quality assurance tools to assess the quality of country offices' performance reporting. It reviewed and provided feedback on the quality of output results, indicators and progress statements included in mid-year performance assessment reports of all country offices in the region.

The office held a regional workshop in March 2014 to support country offices in the region concerning funds mobilization, contribution management and reporting. It had also developed a regional strategy for MoRES, and provided significant support to country offices in the region on its rollout. In particular, it held regular webinars with country offices for updates on progress; conducted joint or multi-sector missions to document and share good practices; and reviewed rollout in some sectors such as education and child protection.

However, the audit also noted the following.

Harmonized Approach to Cash Transfers (HACT)

Country offices are required to implement the Harmonized Approach to Cash Transfers (HACT). With HACT, the country 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 also be audits of implementing partners expected to receive more than US$ 500,000 during the programme cycle. There should also be a macro-assessment of the country's financial

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

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management system. As a further safeguard, the HACT framework requires offices to carry out assurance activities regarding the proper use of cash transfers. Assurance activities should include spot checks, programme monitoring and special audits.

HACT is required for other UN agencies (UNDP and UNFPA),[10] and country offices should coordinate with them to ensure best use of resources.

An October 2012 memo from UNICEF's Deputy Executive Directors for Programme and for Management set out the actions required at country, regional and headquarters level in order to strengthen implementation of HACT in country offices. The October 2012 memo stated that the Regional Office is accountable for supporting field office actions. ROSA is responsible for oversight of HACT implementation in the eight country offices in the region and for provision of support as appropriate. ROSA reported that the total expenditures of those eight country offices amounted to US$ 392.7 million in 2013. Of this amount, US$ 130.4 million was paid in direct cash transfers to implementing partners, and outstanding cash transfer advances at year-end were US$ 68.5 million, of which US$ 21 million (or 31 percent) had been outstanding for more than three months. Of that sum, US$ 4.7 million had been outstanding for more than six months.

OIAI had made high- or medium-risk observations on HACT in all eight of the country offices in the South Asia region since 2012. HACT implementation was also found by OIAI to be a recurrent issue in country offices of other regions.

The audit of ROSA made the following observations regarding its support to HACT implementation.

Technical assistance: ROSA reviewed and monitored implementation of HACT-related audit recommendations stemming from OIAI. ROSA had also surveyed all country offices in the region in June 2013 to increase awareness of level of implementation of HACT and good practices. However, the office did not provide technical assistance to, or quality assurance of, HACT implementation through field visits during the period of January 2013 to the start of the audit. The 2013 annual workplan did not include any planned technical assistance and quality assurance activities on HACT, or any indicator or annual target for these activities.

The Regional Analysis Report of the office did not mention any specific achievements regarding HACT in 2013 and there was no reference to HACT in end of cycle/year-end progress statement in the office's 2013 performance assessment report. Further, while the 2014 annual workplan did include capacity-building activities on HACT (in the section on knowledge management), it lacked technical assistance and quality assurance activities – which could have included reviewing the adequacy of HACT assurance plans, including spot checks and scheduled audits.

The above shortcomings were mainly due to lack of resources, and to other priorities.

Regional strategy: A revised Harmonized Approach to Cash Transfers (HACT) framework, endorsed by UNDP, UNFPA and UNICEF, was adopted on 6 February 2014. In March 2014, UNICEF released a draft global policy and strategy. All regional offices were requested to develop a regional strategy.

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[10] UN Development Programme, UN Population Fund.

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The office had recognized the need to develop a regional HACT strategy by the end of 2014 in its 2014 annual workplan. It identified as an output result indicator the number of country offices implementing a HACT strategy in South Asia. However, it was unclear how this indicator would be measured. Further, it had not defined the sources of information and the means of verification for assessing implementation of the HACT strategy.

The target set by the office for the number of country offices implementing a regional HACT strategy in South Asia by end of 2017 included all of the eight country offices in the region. However, ROSA had not developed annual targets.

In March 2014, the office sent a survey on HACT implementation to all country offices in the region. The audit team was informed that the survey results would be discussed during the Regional Chief of Operations Network meeting to be held in late April 2014, and would be used for finalizing the HACT action plan for 2014-2015.

During the audit, on 14 April 2014, the office indicated that it had been allocated US$ 1.4 million by New York HQ to strengthen oversight, technical assistance and quality assurance activities in support of HACT implementation in the region for 2014-2015. The funds are expected to be used for: establishing a new international professional post (Regional Advisor for HACT); developing a HACT strategy; conducting on-site field support activities; and building capacity of implementing partners and staff.

Agreed action 5 (medium priority): The Regional Office for South Asia (ROSA) agrees to finalize regional actions to strengthen HACT assurance activities in country offices of the region. In particular, it agrees to:

   i.   Complete and implement a regional strategy for supporting HACT implementation in all country offices in the region. The HACT strategy should clearly define responsibilities, specific activities and timelines regarding oversight, technical assistance and quality assurance in support of HACT implementation in the eight country offices in the region.
   ii. During the mid-year review, incorporate the regional HACT strategy into the 2014 annual workplan; and regularly monitor and report on progress to the Regional Office Management Team and the Regional Management Team.
   iii. Establish an annual target for the output result indicator related to HACT implementation in the 2014 annual workplan so as to enable annual measurement of progress.
   iv. Revise the output result indicator and the related target to ensure that all country offices in the region have effectively developed a HACT assurance plan and implemented HACT assurance activities. Define how the output result indicator would be measured as well as the sources of information and means of verification, so as to enable accurate monitoring and reporting.

Staff responsible for taking action: Regional Chief of Operations
Date by which action will be taken: ROSA reports the action as having been taken in July 2014

On-site support to country offices

A regional office is expected to monitor, record and share the results of its on-site oversight, technical assistance and quality assurance activities in country offices. The main tool for this is the trip report (with a detailed mission report attached, as needed). The report should

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include any recommended follow-up action by ROSA staff.

The regional office's staff spent approximately 1,500 days on travel from January 2013 to 31 March 2014, to: carry out on-site technical assistance and quality assurance activities; attend workshops; provide or receive training; participate in various meetings to strengthen strategic partnerships; and attend conferences or public events or for representation and advocacy. In 2013, ROSA issued 406 travel authorizations, an increase of 72 percent over the previous year (see also observation *Management of travel resources*, p24 below).

The office had a trip-report database and a country support database that were shared with the ROSA staff. The trip-report database included a feature enabling staff to keep track of the status of recommendations. The office's trip-report tool required the regional advisor and staff to describe the purpose of the trip, the activities carried out, the results of the trip and any follow-up actions. However, the audit noted the following areas for improvement.

- The trip report, and the trip terms-of-reference template, did not define the travel by type (e.g. oversight, advisory/technical assistance, quality assurance, representation, training etc.); the office could not therefore capture, monitor and report on the use of travel resources by type of travel.
- There was no step in the trip-report template that required follow-up on issues identified from ROSA trip reports for the last six months, or issues raised by ROSA colleagues during preparation of mission.
- The templates for trip reports and trip terms of reference lacked a requirement to cover key oversight questions or indicators during a visit to a country office. These could have included indicators such as implementation status of an office's annual workplans, status of the emergency preparedness and response plan, funding gaps or compliance with Minimum Operating Security Standards (MOSS).
- The section on recommendations did not make a distinction between those addressed to the country office and those to ROSA.
- Although the trip report was the main mechanism to communicate results of on-site support and oversight activities, the trip-report tool did not require the traveller to indicate how the trip related to a specific output result or planned activity in ROSA's annual workplans.

The audit reviewed a sample of 10 trip reports from January 2013 to March 2014. All 10 defined the actual results from the trips, and generally also recorded follow-up action points. However, the purpose of trip or key expected results were not always specific and measurable; words like "support" were often used (e.g. "to support the country office or to participate in meeting"). It was therefore difficult to measure whether the trip had yielded the results expected. In two cases, there were no deadlines for update on action, and the recommendations remained open in the trip-report database. There were also several cases in which the action points or recommendations were addressed solely to the regional office, and none to country offices.

The above shortcomings reduced the office's capacity to maximize the benefits of on-site field visits.

Agreed action 6 (medium priority): The Regional Office for South Asia (ROSA) agrees to revise and strengthen region-specific guidance and tools regarding trip reports and trip terms of reference. Specifically, it will ensure that:

   i.   The purpose of the trip or terms of reference of the on-site mission indicate the link to specific planned results and activities established in the regional office's annual workplan.

   ii.   Trip reports are prepared for all travel activities involving field visits, and uploaded in the trip-report database, to enable monitoring of follow-up action and to make them readily accessible for future reference.

   iii. Recommendations in trip reports clearly indicate the addressee (e.g. country or regional office).

Staff responsible for taking action: Deputy Regional Director, Regional Chief of Planning and Regional Chief of ICT

Date by which action will be taken: ROSA reports the action as having been taken in July 2014

Governance and operations support

A regional office is expected to oversee the performance of country offices in the region in the areas of governance, operations management (including finance and supply), human resources and ICT. The regional office should review country offices' compliance with policies and procedures. It should also identify areas of poor performance, and provide technical assistance and/or quality assurance to improve it. A country office can request assistance; if it does not, the regional office should still provide it if it thinks it is necessary.

OIAI had conducted audits of six country offices in the region during the period under audit, and had identified several high- and medium-risk observations related to governance, operations, human resources and ICT. Examples of high-risk observations that had occurred at least once included: contracts for services; construction of schools; master vendor records; and payments to suppliers not supported. Examples of medium-risk observations included: segregation of duties; risk management; asset management; and supply logistics and warehouse management.

The audit noted the following with regard to ROSA's oversight of, and support to, governance and operations.

Oversight: The performance of country offices in the region was monitored on a quarterly basis against regionally agreed benchmarks, using seven key performance indicators (KPIs), from January 2013 to 31 March 2014 (except for the third quarter of 2013). The indicators—developed jointly with country offices and in use for several years—covered the following areas: governance, with one indicator being Country Management Team (CMT) meetings; security, assessed through status of MOSS compliance; budget implementation; direct cash transfers to partners (amounts outstanding by more than six and nine months); donor reporting (i.e. timeliness); status of implementation of audit recommendations; human resources (completion rate of performance evaluations of staff members); and bank optimization.

However, the quarterly KPI report lacked some important indicators. For example, it did not include any related to HACT implementation (such as existence or not of a plan for HACT assurance activities); risk management implementation (such as an RCSA); administration of contracts for services (for which an indicator might be the number of single-sourced contracts); asset and inventory management (such as percentage by value of supplies that are obsolete); and bank reconciliation (such as timeliness, and value and age of unreconciled items).

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Further, the office did not review annual management plans of country offices to oversee the governance and management structures, and alignment of country office's priorities with regional office's priorities, as there was no global guidance in this area. (See also observation *Guidance and processes for oversight of, and assistance to, country offices*, p6 above.)

The audit reviewed ROSA's performance analysis of country offices for the first and second quarters of 2013 and the first quarter of 2014. There was an adequate analysis of KPIs against targets. For the first and second quarters of 2013, however, the analysis report did not record the causes of weak performance below expectations, and did not include any follow-up (such as the need for a site visit or technical assistance). For the first quarter of 2014, action to address weak performance was followed up by email. The office also regularly monitored segregation-of-duties conflicts of the eight country offices in the region and followed up with them to reduce the number of violations.

The audit found ROSA's oversight of human resources and information and communication technology (ICT) in country offices to be adequate. Regarding ICT, ROSA monitored: compliance with corporate standards and policies; roll-out of corporate projects; and business continuity planning. These areas were monitored through the use of a dashboard, on-site missions and regular contact by phone and emails.

In late 2013, with the introduction of the UNICEF InSight Regional Dashboard, ROSA had developed a new approach to performance monitoring of country offices. It planned in its 2014 workplan to monitor country offices' unsatisfactory operations indicators in the Regional Dashboard with the objective of providing support within one month. It also planned to supplement the monitoring of key indicators in the Dashboard with qualitative indicators that are not captured in the InSight system, such as the functioning of the governance structures of country offices. The office had started implementing this new practice for the first quarter of 2014.

Technical assistance and quality assurance: In 2013 the office had received requests for support in human resources (HR) (17), ICT (16) and operations (7). It had met all the requests for human resources, 75 percent for ICT and 83 percent for operations.

The audit noted that support was comprehensive and adequate for HR and ICT. With respect to HR, the office used a checklist to support country offices during on-site missions. The checklist covered all important aspects of HR management in country offices, such as recruitment, learning and staff development, performance management of staff, staff well-being, and ethics in the workplace. ROSA also had a guide and checklist for review and approval of recruitments sent by country offices to the Regional Office (the Regional Director had approved 159 cases in 2013). Regarding ICT, support was provided in various areas, such as recruitment of an ICT officer, security incident assessment and report, and coordination of implementation of corporate projects in country offices in the region.

For operations, in light of other priorities and available resources (the Regional Chief of Operations post was vacant for three months in 2013), ROSA focused its support on the introduction of shared services for selected operations functions in some countries (i.e. business support centres). ROSA also supported the use of automated systems to support the processing of financial transactions, and helped offices prepare submissions to the regional integrated programme budget review. The office informed the audit that it was too early to assess the effectiveness and efficiency of the business support centres as they had only

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recently been introduced, and were not fully implemented in some country offices. The audit noted that functions of these centres might in fact be taken over by the Global Shared Service Centre that UNICEF expects to inaugurate in the next two years.

However, there was little or no technical assistance and/or quality assurance in some areas. These included: HACT (see observation *Harmonized Approach to Cash Transfers*, p13 above); risk management; supply logistics and inventory management; and safety and security of staff and premises.

Risk management: The office monitored the status of risk management in each country office using the UNICEF ERM website, and kept aware of the risk profile of each country office and action plan to mitigate risks. However, the office had neither reviewed the quality of the RCSAs, nor provided any technical assistance to country offices on the preparation of action plans to manage risks since January 2013. The office's 2014 workplan confirmed that several aspects of these topics were expected to be covered during the Regional Operations Network meeting scheduled for May 2014, and during on-site field missions to country offices in 2014.

Supply: The total value of procurement services in the eight country offices in the region amounted to US$ 120.3 million in 2013. The largest procurement was in India, Pakistan and Afghanistan. The total value of programme inventory in the eight countries amounted to US$ 20.8 million (e.g. Afghanistan: US$ 11.2 million) in 2013.

ROSA did not review warehousing activities in 2013 and did not identify and share best practices in the areas of procurement, logistics and warehousing. Further, it did not help country offices develop supply strategies or provide quality assurance on in-country logistics. It did not examine the adequacy of supply forecasting and planning in country offices. In fact, ROSA mostly did not fulfil its responsibilities as established in UNICEF's Supply Manual, because it did not have the capacity to handle this function since the abolition, in early 2012, of the Regional Advisor post in the Asia-Pacific Service Support Centre; this post had provided support to ROSA and the East Asia and Pacific Regional Office (EAPRO).

In the absence of a Regional Advisor on supply and logistics, ROSA relied on UNICEF's Supply Division (SD) and existing capacity in other large offices in the region for oversight and support. Audit found that SD had responded to several requests for support from ROSA and country offices in the region in 2013. SD reported that, from 2013 to the date of the audit, it had responded to 92 service calls (on issues such as procurement process and logistics) raised by the eight country offices in the region. SD had also conducted an annual procurement compliance review of all country offices in the region, and had made specific recommendations. Further, SD monitored the monthly value of country-office inventory and trends. It also conducted training and webinars on supply-related issues for country office staff in the region. For instance, four staff members attended SD's warehouse and inventory management training in September 2013.

However, there was no written arrangement that defined the regional authorities and responsibilities delegated by ROSA to SD or to the larger country offices with respect to procurement, supply and warehouse management. Further, the regional office did not obtain monitoring reports so as to maintain awareness of the results of these activities conducted on its behalf. Unclear delegation of regional authorities and responsibilities by ROSA to SD could lead to inadequate oversight and support to country offices and to untimely detection of poor performance.

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Safety and security: Safety and security are considered a high risk in the region. ROSA's oversight activities showed that country offices in the region generally complied with MOSS and MORSS[11] requirements. However, this was based on self-reporting by the country offices; ROSA had not itself reviewed the UNDSS[12] security assessment reports for the country offices, or the status of implementation of their recommendations. Further, it had provided little support since January 2013 because the post of regional security manager had been vacant due to lack of funding. The office had eventually filled it in mid-April 2014. During the on-site audit, the later had started implementing support activities related to safety and security as defined in the office's 2014 workplan.

Agreed action 7 (medium priority): The Regional Office for South Asia (ROSA) agrees to:

  i.   Revise and supplement its list of country office's key performance indicators to include important aspects of operations that are not captured in the UNICEF InSight Regional Dashboard, including, but not necessarily limited to: HACT assurance activities; risk management; and supply logistics and inventory management.

 ii.   Obtain and review annual management plans of country offices to assess the governance and management structures, and alignment of country office's priorities with regional priorities.

iii.   Monitor the effectiveness and efficiency of business support centres introduced in several country offices in the region to ensure that there is no duplication of work in light of the upcoming introduction of the Global Shared Service Centre, and report the results to the Regional Office Management Team.

 iv.   Regularly review the adequacy of risk management of each country office in the region as well as their respective action plans to mitigate residual risks; and support country offices as needed either through the planned regional workshop or other means.

  v.   Review the United Nations Department for Safety and Security assessment reports and status of implementation of recommendations in the eight country offices in the region, and regularly report status of implementation to the Regional Office Management Team.

Staff responsible for taking action: Deputy Regional Director, Regional Chief of Planning, Regional Chief of Operations and Regional Security Manager
Date by which action will be taken: October 2014

Agreed action 8 (medium priority): The Regional Office for South Asia (ROSA) agrees to reach a formal agreement with Supply Division (SD) on the delegation of regional authorities and responsibilities for oversight, technical assistance and quality assurance of procurement, supply, logistics and warehouse management. This can be done through a memorandum of understanding that explains clearly how SD would measure and report on the fulfilment of the delegated regional authorities and responsibilities and achievement of results to the Regional Office.

Staff responsible for taking action: Regional Chief of Operations
Date by which action will be taken: October 2014

Agreed action 9 (medium priority): The Regional Office for South Asia (ROSA), together with Supply Division (SD), agrees that, if ROSA should ask SD to carry out all or part of ROSA's

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[11] Minimum Operating Residential Security Standards (MORSS).
[12] United Nations Department for Safety and Security.

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oversight responsibility (see agreed action 8, above), they will together take the following action:

   i.   ROSA and SD agree to provide an annual risk assessment and identify areas for SD to supplement oversight, technical support and quality assurance of key issues related to procurement, supply, logistics and warehouse management functions in the region.
   ii. ROSA and SD agree to establish an annual workplan describing roles, areas of work, activities and corresponding deliverables; and agree to report to each other twice a year on the results of their supply-related oversight and support activities to country offices in the region, as well as the status of implementation of the agreed annual workplan.

Staff responsible for taking action: Director of SD and Regional Chief of Operations for ROSA
Date by which action will be taken: January 2016

Programme evaluations

ROSA is expected to oversee and support country offices in the planning, conduct and quality assurance of programme evaluations. The Evaluation Office in HQ is responsible for development of global guidance and standards on programme evaluations.

ROSA had drawn up a regional evaluation strategy in collaboration with country offices, and it had been approved by the Regional Management Team in April 2013. The strategy, which was aligned with UNICEF's Evaluation Policy, described accountabilities for the evaluation function in South Asia and contained 24 commitments (or quality standards). These were related to the evaluation function, the quality management of country programme evaluations, and development of national evaluation capacity of each country in the region.

Before the development of the strategy, ROSA had assessed the evaluation function in South Asia. It found significant gaps in areas that included planning and conduct of programme evaluations (including emergency programmes), resources for evaluation, capacity of country offices and reporting on evaluation results. The assessment particularly identified that both the content and the implementation rate of integrated monitoring and evaluation plans (IMEPs) were an important concern in the region. Country offices are expected to draw up IMEPs for both the country programme cycle and on a rolling two-year basis; however, OIAI has found that country offices (in general, not just in South Asia) do not always complete the monitoring and evaluation activities in their IMEPs. ROSA had obtained most IMEPs in the region and planned to develop guidance later in 2014.

The number of evaluations in the region had fallen in the previous three years (10 in 2011, six in 2012 and four in 2013). This was mainly because of insufficient resources allocated to programme evaluations. However, the office reported that the quality of evaluations had improved from 2011 to 2012, according to the rating from the UNICEF Global Evaluation Reports Oversight System (2013 evaluations were not rated at time of audit).

As of the end of 2013, five of the eight country offices in the region (Afghanistan, Bhutan, Nepal, Pakistan and Sri Lanka) had developed implementation plans with country-specific actions and timelines against each of the 24 commitments established in the regional evaluation strategy. Responses from these five offices showed commitment to redefine evaluation processes and strengthen quality assurances measures, including the use of

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reference groups for all evaluations. Moreover, ROSA reported that during 2013 most country offices in the region had staff participate in national and regional evaluation training events.

Meanwhile, in December 2013, ROSA had contracted a consultancy firm to provide feedback on the quality of seven programme evaluations, including terms of reference, and draft and final evaluation reports. In March 2014, the office held a South Asia Regional Evaluation Network meeting to discuss constraints to and implementation status of the regional evaluation strategy, and identified suggested action points accordingly. ROSA had also taken steps to strengthen regional networking. For instance, it worked jointly with the East Asia and Pacific Regional Office (EAPRO) in maintaining a database of evaluation consultants and planned to hold a joint inter-regional evaluation networking meeting in 2015. At the time of the audit, the office had started developing guidance to country offices in various areas, including on how to formulate evaluation recommendations.

Agreed action 10 (medium priority): The Regional Office for South Asia (ROSA) agrees to:

i.   Help and encourage country offices in the region to develop implementation plans with country-specific actions and timelines against each of the 24 commitments in the regional evaluation strategy, if they have not already done so.
ii.   Monitor the status of implementation of the regional evaluation strategy, including the country office's actual achievements against the 24 commitments; and report to the Regional Office Management Team and Regional Management Team on progress, constraints and corrective action.
iii. Develop mechanisms to review annual integrated monitoring and evaluation plans (IMEPs), and share the results of the reviews with country offices.

Staff responsible for taking action: Regional Evaluation Advisor
Date by which action will be taken: October 2014

Agreed action 11 (medium priority): The Evaluation Office agrees to, in collaboration with Regional Offices:

i.   Develop and communicate guidance on how country offices should formulate evaluation recommendations.
ii.   Update the quality-assurance checklist for the preparation of integrated monitoring and evaluation plans.
iii. Develop global training and guidance on evaluations in emergency situations to enable regional and country offices to effectively include evaluation in context-appropriate preparedness planning, and to enable country offices to quickly develop a monitoring and evaluation plan once a crisis occurs.

Staff responsible for taking action: Senior advisor, Research and Evaluation; and Evaluation Specialist, Humanitarian
Date by which action will be taken: June 2015

Oversight and support: Conclusion
OIAI concluded at the end of the audit that, subject to implementation of the agreed actions described, the controls and processes over oversight, technical assistance and quality assurance to country offices in the region, as defined above, were generally established and functioning during the period under audit.

3   Operations management of the Regional Office

In this area the audit reviews the regional 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).
- **Information and communication technology (ICT)**. This includes provision of facilities and support, appropriate access and use, security of data and physical equipment, continued availability of systems, and cost-effective delivery of services.

All the areas above were covered in this audit.

The audit found that controls were functioning well over a number of areas. ROSA conducted recruitment of staff in accordance with UNICEF policy and procedures. The minutes of the interview panels contained clearly documented competitive analyses of candidates, and recruitment decisions were made based on selection criteria. Staff learning and training was well managed though the Human Resources Development Team (HRDT), which had terms of reference, and membership from ROSA and Nepal country office. Planned training activities in 2013 were monitored for timely implementation; the completion rate was 80 percent. As of 31 March 2014, 95 percent of 2013 performance appraisals for staff members had been completed. Sampled performance appraisals of country office's representatives were done in accordance with UNICEF standards.

The property survey board (PSB) was functioning effectively. Recommendations for disposal of assets were properly supported and their implementation followed up.

ROSA sponsored ICT staff in the region for training and certification (ISO/27001:2013) to equip them with skills on how to assess ICT risks and apply a structured framework to their mitigation.

However, the audit noted the following.

Management of travel resources
An office is expected to establish effective controls in managing travel resources in compliance with UNICEF policies and procedures. The audit noted the following in this area.

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Analysis of travel transactions: ROSA's expenditures on travel increased by 79 percent from 2012 to 2013, from US$ 593,000 to US$ 1,059,000. The number of travel-related transactions also increased significantly, from 236 in 2012 to 406 in 2013 – an increase of 72 percent. The average cost per travel authorization increased 4 percent from US$ 2,513 in 2012 to US$ 2,608 in 2013. Travel's share of total expenditure also rose, from 16 percent in 2012 to 20 percent in 2013.

ROSA explained that the significant increase in the volume of transactions and expenditure on travel was due to more staff – about 14 positions that were vacant during all or part of 2012 were filled in all of 2013. Also, there was a significant increase of ROSA-funded travel of staff from country offices in the region in 2013. However, ROSA had not carried out an annual analysis of travel by category (e.g. oversight and support missions, or attending conferences and training) so as to fully understand the use of travel resources and the causes of variations, and take action as needed.

Travel requests: The UNICEF standard lead time for submitting travel requests is at least 15 days before travel date. The office's work process for travel indicated that travel requests should be submitted to travel unit two to three weeks before travel date. The office had no indicator for monitoring this, and did not consistently maintain records that showed when travel requests were submitted. However, the audit used information on booking confirmations to establish that, in five of the 17 cases reviewed, the tickets were purchased and/or confirmed less than seven days before travel.

Late booking means higher fares. The office explained that tickets had not been purchased on time because the old work process required tickets to be purchased only after approval of travel authorizations. The office had removed this requirement as part of the latest efficiency improvements.

Purchase of air tickets: In 12 of the 17 cases reviewed, the travel agent did not provide three quotations, and there was no clear explanation provided as to why. In nine of the 12 cases, the travel authorizations (TAs) had handwritten notes by the travel agent indicating that there were no alternative routes available. However, in four of the nine cases, the travel agent provided the handwritten notes on the TAs only after tickets had been purchased and travels had been undertaken. Although the terms of reference of the Long Term Agreement (LTA) required the travel agent to provide alternative options/routes with competitive rates, the office did not systematically ensure that this was done and record any exceptions.

Security clearance: All travellers are required to obtain security clearance from UNDSS before travelling so as to obtain security-related risks on travel destinations. The work process for travel indicated that travellers should obtain "security clearance before travel or travel at their own risk". However, the office had no process for ensuring that travellers did obtain security clearance. In three of 17 sampled cases, security clearance could not be traced; and in two cases, the security clearance was obtained within one to nine days after departure date. In another five of the 17 cases, the evidence of security clearance was only given by travellers to the travel unit when requested by the audit since it was not a practice for travellers to provide such information to the travel unit or business support centre before travelling.

Medical clearance: Although UNICEF policy and the work process require medical clearance for duty travel, the audit did not find evidence of such clearance in any of the 17 cases reviewed. The office explained that it relied on periodic medical examinations done by staff members and noted that getting medical clearance for every trip would not be practical given

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a total of over 400 TAs in a year. UNICEF policy does permit this if the staff have medical clearance which remains valid for two years (CF/AI/2006-011, section 4). However, the office did not check whether travellers were obtaining that longer-term clearance.

Trip reports: Although the office's standard operating procedure required travellers to submit trip reports within two weeks after completion of travel, there were several delays in preparation and submission of trip reports. In eight of the 17 cases reviewed, the trip reports were submitted late (from 43 to 431 days after completion of travel). Two cases were noted where the trip reports were not traced.

Agreed action 12 (medium priority): The Regional Office for South Asia (ROSA) agrees to review and strengthen the management of travel. In particular, it agrees to:

   i. Implement a strategy and plan of action for managing travel resources, including a periodic review and analysis of travel purpose and transactions, with a view to improving efficiency.
   ii. Ensure that travel requests are submitted to the travel unit at least two weeks before travelling so as to secure best possible price for airline tickets.
   iii. Ensure that the travel agent provides three quotations for purchase of air tickets, and record the reasons for exceptions.
   iv. Establish a mechanism for ensuring that staff members obtain security and medical clearance before travelling.
   v. Ensure that staff members complete trip reports within two weeks of completion of travel.

Staff responsible for taking action: Regional Chief of Operations
Date by which action will be taken: ROSA reports the action as having been taken in July 2014

Contracts for services

An office is expected to put in place controls to provide reasonable assurance that it receives good value for money spent on services. ROSA had used the services of 55 individual consultants and 51 institutional contractors, with total cost of just over US$ 3 million, during the period from January 2013 to 15 April 2014. The audit review noted the following.

Signing of contracts: The office did not always ensure that contracts were signed before their start date. The audit reviewed 18 contracts, and found that eight contracts were signed after the start date, with delays ranging from one to 32 days. In five of the 18 cases, the contracts were signed on the same day as the start of contracts.

Single-source selection: Contracts should be awarded through a competitive process wherever possible. Where single-sourcing is used, it should be justified in writing.

The audit found that the selection of service providers was based on single sourcing in eight out of the 18 sampled cases. The justification was not on file for two of the eight cases; for a further three, it was not adequate since it only noted the use of a long term agreement (LTA) made by UNICEF India. None of these cases had been submitted for review to the Contracts Review Committee (CRC) at the regional office, although all were of sufficient value to trigger such a review. For the three cases referring to LTAs from UNICEF India (all relating to design work for renovation of premises), there was no record that UNICEF had considered service providers from the local market in Nepal – which may have led UNICEF to miss competitive

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services locally. ROSA explained that it was essential to engage a firm with which UNICEF had experience; also that this choice ensured separation between the firm supervising the work from that undertaking the construction. In none of the cases was there written evidence or that single-source selection had been due to absence of other qualified service providers or to urgency, as required by established procedures.

Coding of contracts for services: In four of 18 cases reviewed, the contracts for services were incorrectly coded to the miscellaneous operating expenses general ledger code instead of appropriate contracts-related general ledger codes.

Documentation: The audit review noted four cases where payments for contracts were made without a copy of contracts being attached to payment vouchers. One case was noted where a copy of a contract attached to payment voucher was not signed by both parties and another case where the contract was signed only by UNICEF and not by the contractor.

The above shortcomings were partly due to inadequate oversight on the management and processing of contracts and weak understanding of charts of accounts relating to coding by responsible staff.

Agreed action 13 (medium priority): The Regional Office for South Asia (ROSA) agrees to improve oversight over the management of contract for services, and provide training to staff members responsible for processing contracts for services in VISION, to ensure that:

   i.   Contracts for services are signed before the start date of contracts.
   ii.   Single-source selection for consultants and contractors is used only where competitive selection is not possible or will not result in best choices. In such cases, justifications should be clearly recorded.
   iii. Contracts for services are correctly coded in VISION.
   iv.   Documentation to support payment for contracts for services is complete.

Staff responsible for taking action: Regional Chief of Operations
Date by which action will be taken: ROSA reports the action as having been taken in July 2014

Safety and security of staff and assets

Measures to ensure safety and security of staff, premises and assets should match the security level, MOSS and MORSS standards applicable to the duty station. The MOSS and MORSS for Nepal had been updated in 2013. Nepal was under security phase one, meaning low security risks. The UNDSS had assessed the office premises in 2012 and found them MOSS compliant. An updated assessment by UNDSS was planned for later in 2014 after completion of office renovation work.

With respect to residential premises of international staff, the office stated that UNDSS had assessed whether those premises are safe and secure, and recommended any improvements required before staff moved into the houses. However, as of April 2014, there was no documented evidence that the residences of all international staff were in full compliance with the MORSS guidelines, or that the recommended UNDSS improvements had been implemented. This was because the office had not maintained records of the assessment reports and followed up on implementation of the UNDSS recommendations. It should be noted that there had been no incident involving safety and security of staff in 2013 or 2014 (as of April).

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Agreed action 14 (medium priority): The Regional Office for South Asia (ROSA) agrees to keep a record of assessments made by UNDSS at international staff member's residential premises, and to monitor compliance with Minimum Operating Residential Security Standards (MORSS). It also agrees to either:

   i.   Ask staff members to certify in writing that any UNDSS recommendations have been implemented, or that the reasons for non-implementation are explained and approved by designated security officer; or,
   ii. Assign monitoring responsibilities to a designated staff member.

Staff responsible for taking action: Regional Security Manager
Date by which action will be taken: ROSA reports the action as having been taken in July 2014

Information and communications technology (ICT) security

An office is expected to establish effective ICT security controls to ensure authenticity, confidentiality, integrity and availability of information. It is also expected to ensure that the Business Continuity Plan (BCP), Disaster Preparedness and Recovery Plan (DPRP) and back-ups are updated and periodically tested.

Consultants had been given access to the office's ICT resources (such as the office area network, laptops, and internet) without signing a non-disclosure agreement or being given special approval from the Regional Director and the Director of the Division of IT Solutions and Services (ITSS), as required by UNICEF policy. Further, in three out of 15 cases tested by the audit, the expiry dates of access to ICT systems given to staff were not always consistent with the expiry dates of their contracts.

ROSA had a Business Continuity Plan (BCP) that had been updated in March 2014, and it had planned to conduct training and testing of the BCP later in the year. The office had also implemented a back-up policy and had developed a disaster preparedness and recovery plan (DPRP). However, the office did not practice periodic testing of the DPRP and data recovery.

Agreed action 15 (medium priority): The Regional Office for South Asia (ROSA) agrees to:

   i.   Implement a process for granting access to the ICT systems and applications to consultants in accordance with the ICT policy. Any exceptions should be documented and approved in line with the policy.
   ii. Ensure that expiry dates of access to ICT systems given to staff members are aligned with the expiry dates of their contracts.
   iii. Ensure that the disaster recovery plan is tested periodically.

Staff responsible for taking action: Regional Chief of ICT
Date by which action will be taken: ROSA reports the action as having been taken in July 2014

Financial processing

Offices should have effective controls to ensure accurate, timely processing, recording and reporting of financial transactions. The audit noted the following.

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Bank reconciliation: Offices should follow the instructions on bank reconciliation issued by UNICEF's Division of Financial and Administrative Management (DFAM). These require an office to approve and upload bank reconciliations within three days of month-end closure deadlines. The audit reviewed of bank reconciliations of two bank accounts maintained by ROSA. It noted that in nine of 14 the cases sampled, the office had approved and uploaded the bank reconciliations before month-end closure deadlines. In one case, however, the bank reconciliations were approved and uploaded into VISON 11 days after the deadline.

In another case, a cheque issued on 20 September 2013 remained outstanding for over six months without being voided or a stop-payment being placed. The cheque was only reversed on 3 April 2014, indicating that it was stolen. Although the amount of the stale cheque was small, late stop-payment and voiding presented a risk that the cheque could have been misused.

Signatory panel: The signatory panels for the two bank accounts maintained by the office were up-to-date as of April 2014. However, the specimen signature cards submitted to and received by the bank did not have operating instructions that specified whether single or joint signatures were required for cheques and bank-transfer letters (though the bank signatory letters submitted by the office indicated that joint signatures were required).

Cash receipts: In two of nine cases reviewed, cash receipts were recorded in VISION seven and 21 days after the deposit of cash into the bank account. Also, in one case, a refund of US$ 16,000 for a prepayment for rent of office premises made on 15 July 2013 was received about four months later, on 10 November 2013. It was not clear why the refund took so long, and there was no evidence the office had followed up with the vendor.

The above shortcomings were mainly due to inadequate oversight to ensure that instructions on financial processing were complied with and cash receipts were processed and recorded on time.

Agreed action 16 (medium priority): The Regional Office for South Asia (ROSA) agrees to ensure that:

   i.   Bank reconciliations are completed and uploaded in VISION following the instructions issued by the Division of Financial and Administrative Management (DFAM).
   ii. Specimen signature cards for bank signatory panels are properly completed, providing operating instructions as required.
   iii. Cash receipts are recorded in VISION in a timely manner and recovery of cash is followed up to ensure that receipts are received on time.

Staff responsible for taking action: Regional Chief of Operations
Date by which action will be taken: ROSA reports the action as having been taken in July 2014

Verification of academic certificates

UNICEF policy on presentation of academic degrees (CF/AI/2008-014) provides criteria for recognition of certificates by UNICEF. The issuing institutions should be in the list of academic institutions maintained by UNESCO. Also, UNICEF policy on staff selection (CF/EXD/2013-004, para 7.9) requires human resources officers to verify academic certificates "when deemed necessary". The verification of the accreditation of an academic institution is, therefore,

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mandatory but verification of the academic certificate is optional. If done, however, it will detect falsified academic documents.

The audit reviewed recruitment processes completed in 2013 and 2014 and noted that the office did not verify the authenticity of academic credentials of selected candidates with the issuing institutions. When recruiting national staff, the office verified that the academic institutions were on the UNESCO list, and also verified the copies of certificates initially sent by candidates by asking them to present the originals. However, it did not verify them with the issuing institutions.

With respect to international staff, the office stated that the verification of degrees for international staff was done by the Division of Human Resources (DHR) in New York. Further, the regional office reviewed all national officers (NO) recruitments by country offices but did not require those offices to confirm verification of academic degrees of recommended candidates.

The above gaps in verification of academic credentials were mainly due to lack of guidance on the extent to which such verification should be done. Although the policy on staff selection (CF/EXD/2013-004) stated that Human Resources sections were responsible for verification of degrees, there was no clear guidance on how they should do it. Also, the responsibility for verification of academic certificates for international professional (IP) and national professional (NP) categories had not been clearly defined between DHR, regional offices and country offices.

In 2013, in Article 7.9 in the revised staff selection policy (CF/EXD/2013-004), DHR confirmed a more systematic approach was needed to the verification of degrees. It indicated that such verification takes time and would ideally be linked to a check for any criminal background.

Agreed action 17 (medium priority): The Division of Human Resources (DHR) agrees to clarify responsibilities for verification of academic degrees. It also agrees to establish specific criteria in procedures or guidance documents on when and how to verify the authenticity of academic certificates during recruitment of national and international staff at the regional and country offices is "deemed necessary"; and on how to ensure authenticity of academic certificates with issuing institutions.

Staff responsible for taking action: Chief, Mobility and Staffing Section; and Chief, Policy and Administrative Law Section
Date by which action will be taken: December 2015

Operations management of the Regional Office: 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 management of the regional office, as defined above, were generally established and functioning during the period under audit.

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Annex A: Methodology, and definitions
of priorities and conclusions

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The audit team used a combination of methods, including interviews, document reviews and testing samples of transactions. The audit compared actual controls, governance and risk management practices found in the regional 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. The regional office reviews and comments upon a draft report before the departure of the audit team. The Regional Director 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, another office other than the auditee's (for example, a 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]

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Based on the audit work performed, OIAI concluded at the end of the audit that the control processes over the regional 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 a regional 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 regional 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.