

Internal Audit of the Turkey Country Office

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Summary

The Office of Internal Audit and Investigations (OIAI) has conducted an audit of the Turkey country office. The audit sought to assess the office's governance, programme management and operations support for the period from January 2013 to April 2014. The audit team visited the office from 6-29 May 2014.

The 2011-2015 country programme has two main programme components: *Disparity reduction, social inclusion and protection*; and *Youth empowerment and protection*. There is also a cross-sectoral component. The total approved budget for the country programme is US\$ 141.14 million, of which US\$ 31.14 million is regular resources (RR) and US\$ 110 million is Other Resources (OR). RR are core resources that are not earmarked for a specific purpose, and can be used by UNICEF wherever they are needed. OR (including ORE, Emergency) are contributions that may have been made for a specific purpose such as a particular programme, strategic priority or emergency response, and may not always be used for other purposes without the donor's agreement. An office is expected to raise the bulk of the resources it needs for the country programme itself (as OR), up to the approved ceiling. Besides the approved country-programme budget, the Turkey office had an additional total budget for Other Resources Emergency (ORE) for the period 2011-2014 of US\$ 105 million, of which US\$ 42 million was funded as of May 2014.

The country office is located in the capital, Ankara, and there is one zone office, in Gaziantep. As of December 2013, the country office had a total of 41 approved posts, of which 10 were for international professionals, 16 for national officers and 15 for general service staff. As of April 2014, 16 of the 41 established posts were vacant; however, of these, 11 posts related to the emergency programme had in fact been filled on a temporary basis.

The office has been involved in responding to the influx in Turkey of refugees from Syria, including children and women. On 4 January 2013, UNICEF's Executive Director activated the Organization's Level 3 Corporate Emergency; this is currently extended until 18 August 2014. The Turkey office had set up an emergency programme to work with the Government of Turkey in responding to the influx of population from Syria. For technical coordination for the emergency, the Turkey country office primarily reports to UNICEF Middle East and North Africa Regional Office (MENARO), under which the Syria country office falls. However, the Turkey office is under the CEE/CIS¹ Regional Office, to which it reports for the regular country programme. The current arrangement is that MENARO coordinates the emergency response in Turkey in coordination with the country office, under the level 3 emergency Simplified Standards Operating Procedures, but the CEE/CIS Regional Office provides support on governance and oversight processes as required.

There have been discussions between UNICEF and the Turkish Government about the future of their collaboration, as the country was expected to reach the High Income country status in the next few years, as per the tenth development plan of the Government of Turkey. However, the country office foresaw that the next country programme for the period 2016-2020 would be a regular one, while discussions will continue on the timing and conditions of a transformed agenda of UNICEF in Turkey.

¹ Central and Eastern Europe and the Commonwealth of Independent States Regional office.

Action agreed following the audit

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

- Shortcomings were found in the monitoring of programme activities in the field, including lack of a system to capture and follow up on recommendations of field missions. The office has agreed to take several steps to strengthen this area.
- Thirty-five percent of individual consultants contracts signed between 1 January 2013 and 30 April 2014 were single-sourced. The office agrees to ensure that all contracts are competitively issued, and that any exceptions are in accordance with UNICEF rules and regulations, and the reasons for any such exceptions are clearly recorded in a note to file.

Conclusion

Based on the audit work performed, OIAI concluded at the end of the audit that, subject to implementation of the agreed actions, the controls and processes over the Turkey country office were generally established and functioning during the period under audit.

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

Contents

Summary	2
Objectives	5
Observations	5
Governance	5
Establishment, roles and staffing of the zone office	7
Staffing and management of the emergency programme	7
Management of the office	8
Risk management	9
Governance: Conclusion	10
Programme management	11
Harmonized Approach to Cash Transfers	11
Field monitoring of programme implementation	13
Work planning for emergency programme	14
Fundraising	15
Programme management: Conclusion	16
Operations support	17
Offices premises	17
Consultant contracts	18
Financial management	19
Operations support	20
Annex A: Methodology, and definition of priorities and conclusions	21

Objectives

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

The audit observations are reported upon under three headings; governance, programme management and operations support. The introductory paragraphs that begin each of these sections explain what was covered in that particular area, and between them define the scope of the audit.

Audit observations

1 Governance

In this area, the audit reviews the supervisory and regulatory processes that support the country programme. The scope of the audit in this area includes the following:

- **Supervisory** structures, including advisory teams and statutory committees.
- **Identification** of the country office's priorities and expected results and clear communication thereof to staff and the host country.
- **Staffing structure** and its alignment to the needs of the programme.
- **Performance measurement**, including establishment of standards and indicators to which management and staff are held accountable.
- **Delegation** of authorities and responsibilities to staff, including the provision of necessary guidance, holding staff accountable, and assessing their performance.
- **Risk management**: the office's approach to external and internal risks to achievement of its objectives.
- **Ethics**, including encouragement of ethical behaviour, staff awareness of UNICEF's ethical policies and zero tolerance of fraud, and procedures for reporting and investigating violations of those policies.

All the above areas were covered in this audit, except for Ethics which was assessed as a low risk.

Establishment, roles and staffing of the zone office

For the opening of a zone office, the requesting office is required to inform the Budget Section of the UNICEF Division of Financial and Administrative Management (DFAM) of the proposed changes in reasonable time before a formal submission to the PBR and TRT.² DFAM will assign a case manager to the proposed change to guide the proposal through a series of steps, including convening a working group drawn from relevant divisions to assess the risks and

² The PBR is a review of a UNICEF unit or country office's proposed management plan for its forthcoming country programme. For a country office, it is carried out by a regional-level committee, which will examine – among other things – the proposed office structure, staffing levels and fundraising strategy, and whether they are appropriate for the proposed activities and objectives. The TRT is the Technical Review Team, which is part of that process.

impact of the proposed change. DFAM should also approve the leasing arrangements for any premises required.

The audit reviewed the opening of the zone office in Gaziantep in April 2013 as well as its functioning. The zone office had not been set up in accordance with the established procedures. There was neither a case manager assigned nor a working group, and therefore no assessment was submitted to the PBR and TRT for review before approval by the Regional Director for CEE/CIS. The office premises were shared with another UN agency, which was the primary tenant; a memorandum of understanding (MoU) had been prepared by the two agencies, but DFAM had not endorsed it because it had reservations regarding the terms of the arrangement. Despite this, the office had signed the MoU at country level.

The audit also noted the following in relation to the office's functioning.

- There was no staff member assigned the role of Chief, zone office, and there was no consolidated reporting to the main office in Ankara. In fact, field coordinators and the education officer based in the zone office reported separately to their supervisors in the main country office in Ankara. This meant potential inefficiencies.
- The Gaziantep zone office was intended to be established for a maximum of two years to implement specific donor-funded emergency activities. Job descriptions of field coordinators had been defined accordingly. However, the audit observed that the mandate of the zone office had evolved beyond the specific funded programmes, and had been extended to other activities funded by other donors, particularly schools construction.
- Two field coordinators had assumed coordination of emergency activities in 21 camps in different provinces. The field coordinators faced challenges as they were not programme specialists (for education and child protection for instance). On the technical side, an education officer was also based in Gaziantep to support education activities. There was no child protection officer in the zone office, despite significant emergency programme activities in the area of child protection. Also, there was no adequate technical capacity to ensure proper monitoring of construction activities.
- Although the field coordinators were at the front line confirming that emergency programme activities had actually taken place, they were not assigned the roles in UNICEF's management system, VISION, that they were best placed to exercise for programme activities (the "Receiving"³ role, for instance).

Agreed action 1 (medium priority): The country office should review the adequacy of the staffing structure in the Gaziantep zone office in light of its evolving mandate, taking the following steps:

- i. Ensure that the zone office is established following UNICEF procedures, including approval of its structure and the period for which it should operate.
- ii. Review the existing staffing structure and establish a governance process that defines zone staff responsibilities, accountabilities, and reporting structure, and ensure staff job descriptions are aligned with actual responsibilities.

³ For procurement of goods and services, this role includes responsibility for confirmation that the goods and services were received and were in accordance with the specifications or terms of reference, as appropriate. For cash transfers, the role include responsibility to confirm that the implementing partner has spent the funds.

- iii. Ensure that zone-office reporting to the country office management is structured, and that there is consolidated reporting based on agreed indicators for reporting zone-office performance.
- iv. Ensure that the zone-office staff have adequate technical expertise to cover all the important programme areas, and/or that they are supported by the relevant staff based in the country office.
- v. Review zone-office staff roles that require use of VISION and grant staff members the relevant roles in VISION.

Target date for completion: December 2014

Responsible staff members: Deputy Representative, Operations Manager, Emergency Specialist with support of HR

Staffing and management of the emergency programme

The audit reviewed the management of the emergency programme established to respond to the influx of Syrian population fleeing the conflict in Syria, and noted the following.

Outputs for emergency programme: The office response to the crisis in Syria was mostly implemented separately from the regular country programme. In VISION, under the “Cross-sectoral” programme outcome, a specific output was created for the response to the crisis in Syria. The “Cross-sectoral” outcome was not the right place to record emergency programme activities. Typically, the outputs that are listed under this area should cover general functions that cut across multiple outcomes, such as Communication for Development (C4D), evaluation, and advocacy and communication.

Approach to ongoing crisis: The Regional PBR held in May 2013 had approved establishment of 11 fixed-term posts to form the emergency response team within the country office. Having received this approval, the country office also obtained approval to fill the positions related to the emergency under temporary appointments. This was because, given the long-term nature of the crisis, there were ongoing discussions about a possible transition from the emergency response to another mechanism yet to be defined. It therefore made sense to keep some flexibility, pending definition of a longer-term response to the crisis, linked to the regular programme.

In extending the Level 3 emergency in February 2014, UNICEF’s Executive Director asked the MENARO Regional Director and the Director, Office of Emergency Programmes (EMOPS) to plan a strategy for managing the Syria crisis response as a chronic one. A Real Time Evaluation of UNICEF’s response to the Syria crisis would inform this strategy. The scope and details of the evaluation were being discussed at the time of the audit. It was therefore too early for the country office to define a country-specific approach to its continuous response to the crisis in Syria.

Emergency team leadership: The 2013 PBR had established a staff position to lead the emergency programme, but this was not filled at the time of the audit. The emergency team, composed of temporary staff members, was led by a consultant Emergency Specialist for about a year. This consultant did not have an authorizing role in VISION, which was given to another temporary staff member in the emergency team. The audit noted that the responsibilities assigned to the consultant to lead the critical emergency programme were ones that should have been assigned to a staff member.

Agreed action 2 (medium priority): The country office agrees to, in coordination with the Regional Offices for the CEE/CIS and Middle East and North Africa (MENARO):

- i. Develop a country-specific exit strategy from the emergency response, pending completion of the Real-Time Evaluation of the UNICEF response to the Syria crisis under the leadership of MENARO. The strategy should outline the office's medium or long-term involvement in the crisis and how it should be synchronized with the regular country programme.
- ii. Seek and document guidance from MENARO, the Regional Office for CEE/CIS, and relevant Headquarters Divisions on recording emergency activities under the "Cross sectoral" outcome, and make adjustments accordingly.
- iii. Review leadership of the emergency team by a consultant, and make the necessary adjustments.

Target date for completion: January 2016

Responsible staff members: Representative, Deputy Representative

Management of the office

Country offices are expected to have governance committees to oversee the running of the office, the chief of which is the Country Management Team (CMT). The office also produces an Annual Management Plan (AMP). This sets out the main management priorities for the year and the key performance indicators (KPIs) that will be used to assess their fulfilment. The CMT should monitor progress against these. A copy of the AMP should be shared with the Regional Director.

The office had the standard advisory teams and committees, including the CMT. The audit reviewed the definition and monitoring of the management KPIs and office priorities, and noted the following.

- Management indicators, as stated in the AMP for 2013 and 2014, were mostly not specific and measurable, and had no targets assigned to them.
- Based on a review of the minutes of the CMT meetings held between January 2013 and March 2014, there was no evidence that office priorities and performance management indicators stated in the AMPs were being monitored.
- The action points of previous CMT meetings were not discussed, and for the period covered by the audit, there was no established mechanism for sharing the discussions and decisions of the CMT meetings with all staff.
- The office informed the audit that the Representative, Deputy Representative, Operations Manager, Planning Officer and Staff Association had reviewed the 2013 AMP, and based on this review prepared the 2014 AMP. However the review of the AMP would normally be conducted in an annual management review (AMR) that would be attended by more staff. The results of the 2013 AMR were not documented and the audit could not therefore assess the scope and the quality of the AMP review.
- At the time of the audit in May 2014, the AMP for 2014 had not been communicated to and endorsed by the CEE/CIS Regional Office.

The office had designated staff members as focal points for a number of areas (HACT,⁴ risk

⁴ Harmonized Approach to Cash Transfers. See observation on HACT, p11 below.

management, security, VISION, business continuity, IPSAS,⁵ fundraising). However, the roles and responsibilities of these focal points were not defined, and their expected contributions or outputs were either not, or not properly, reflected in the staff members' respective Performance Evaluation Reports (PERs).

The above issues, if not corrected, could undermine the office ability to set its management priorities, implement them, and monitor them efficiently and effectively.

Agreed action 3 (medium priority): The country office should ensure that:

- i. Management indicators are specific and measurable, with targets assigned to each one to serve as benchmarks against which progress will be measured.
- ii. The Country Management Team (CMT) periodically monitors the office management performance indicators and priorities, and assigns responsibility for any corrective action needed.
- iii. Country Management Team meetings systematically review and record progress on action points from the previous meetings.
- iv. A mechanism is established to share the discussions and decisions of the CMT with all staff members.
- v. Annual management reviews are done in a more participatory way and lessons learned are documented.
- vi. There is a process for sharing the Annual Management Plans with the Regional Office and the AMPs are endorsed by it.

Target date for completion: September 2015

Responsible staff members: Representative, Deputy Representative with support of Operations Manager

Agreed action 4 (medium priority): The country office should define the roles and responsibilities assigned to the focal points for management areas, and reflect those roles in the PERs of the staff concerned.

Target date for completion: October 2014

Responsible staff members: Representative, HR officer

Risk management

Under UNICEF's Enterprise Risk Management policy, offices are required to establish a structured approach to the identification of risks and opportunities. To this end, offices should perform a Risk and Control Self-Assessment (RCSA). The RCSA is a structured and systematic process for the assessment of risk to an office's objectives and planned results, and the incorporation of action to manage those risks into workplans and work processes. The risks and their mitigation measures are recorded in a risk and control library. The mitigation controls should be set at the appropriate level and their effectiveness should be assessed regularly.

The office RCSA had been updated on 26 March 2014. It included 12 risks, of which six were carried over from 2013 and six were new. All the risks identified were rated between very low and medium, and there were no significant risks. The audit reviewed the office RCSA and

⁵ International Public Sector Accounting Standards.

noted that the root causes of the identified risks were not always spelled out clearly enough to allow proper identification of the actions to mitigate them. Furthermore, root causes stated were not always related to the identified risks. For instance, for a risk related to the lack of clarity of individual roles and ineffective oversight structures, the root cause identified was procedures that were not risk informed, and that diverted resources from substantive programme work. In some instances, there were no mitigation action planned by the office to address some root causes identified. In general, there was no clear linkage between the mitigating actions and the root causes they were expected to address.

The audit also noted that:

- Most actions planned for risk mitigation were not specific and measurable.
- For most of the mitigation measures, there were no specific responsible staff or timelines.
- Specific risks related to the response to the influx of population from Syria had not been assessed.
- The office lacked a mechanism to assess and update its risk assessment on a regular basis.

An additional risk-management measure in country offices besides the RCSA is the business continuity plan (BCP), which ensures that the office can resume its functions as quickly as possible after a major incident or disaster. The office had prepared its first BCP in December 2008, updated it in June 2013, and tested it twice, in 2012 and 2013, but it had never conducted a full simulation exercise.

According to the updated BCP, the recovery site was the premises of another UN agency in Ankara. Also, in case the office could not operate from its primary or recovery location, the critical processes and essential functions would be devolved to another UNICEF country office in a nearby country, and other Turkey-based UN agencies. However, the office had not established any agreement with these partners to clarify and agree upon the services that would be expected from them when needed.

Agreed action 5 (medium priority): The country office agrees to:

- i. Ensure consistency between risks identified, causes and mitigation measures.
- ii. Ensure that mitigation measures are assigned specific responsible staff and timelines.
- iii. Establish a process to assess and update its risk assessment on a regular basis.
- iv. Document agreements with the Business Continuity Plan (BCP) partners to define the services expected when the BCP is activated.
- v. With support from the regional office, carry out regular simulation exercises of the Business Continuity Plan and use the results to improve the plan.

Target date for completion: April 2015

Responsible staff members: Representative, Regional Chief of Operations, Operations Manager

Governance area: Conclusion

Based on the audit work performed, OIAI concluded at the end of the audit that the control processes over governance, as defined above, were generally established and functioning during the period under audit.

2 Programme management

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

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

All the areas above were covered in this audit.

Harmonized Approach to Cash Transfers

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

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

In 2013, the office made direct cash transfers (DCTs) that totalled US\$ 2.9 million, of which US\$ 1.6 was spent; this was 11 percent of programme expenditure. The balance of US\$ 1.3 million were advances to implementing partners of DCTs that had not been liquidated at the end of the year. In 2014, as of 14 April, total DCTs amounted to US\$ 5.5 million of which US\$ 789,000 was expensed; this was 21 percent of programme expenditure. The balance of US\$ 4.7 million had not yet been liquidated at the time of the audit.

The Government, through the Ministry of Foreign Affairs, had formally acknowledged and endorsed the full implementation of HACT in Turkey since October 2011. Furthermore, HACT provisions were included in the 2011-2015 Country Programme Action Plan (CPAP),⁶ HACT guidelines in Turkish had been developed, the main partners and office staff were briefed on HACT, and there had been micro-assessments of all the five partners receiving more than US\$ 100,000 annually.

However, the audit noted that the last macro-assessment had been undertaken in December 2006, at a time where the public financial management system was undergoing significant reforms. The findings were outdated at the time of the audit, and no macro-assessment had so far been completed for the 2011-2015 country programme.

The office did not require full supporting documentation to liquidate the cash transfers. This is in accordance with HACT, but, as stated above, there should be assurance activities, including spot checks and scheduled audits. The office lacked an assurance activity plan as per HACT guidance. For instance, two implementing partners received US\$ 4 million and US\$ 650,000 respectively during the last 12 months preceding the audit, and the office had not planned any spot check or audit on the use of the funds. In general, assurance on use of cash transferred was obtained only through programmatic monitoring. Moreover, there were weaknesses in the way that itself was done (see following observation, *Field monitoring of programme implementation*).

Discussions with the office staff suggested that HACT was not fully implemented because it was not seen as a priority in the past, and because of disagreements among the participating UN agencies present in Turkey regarding some of the implementation procedures.

The audit met the United Nations Resident Coordinator, who informed it that HACT was now a priority for participating agencies. The audit confirmed that it was included in the 2014 workplan of the UN Operations Management Team (OMT). However, the workplan did not define the concrete activities it planned to undertake, or the expected results. Overall, there was no overall plan for HACT implementation either at the Turkey office level, or at the United Nations Country Team (UNCT) level. Further, the office had not assigned accountabilities to staff for HACT implementation and monitoring, and had not included it in the 2013 and 2014 priorities as defined in the 2014 Annual Management Plan (AMP).

Agreed action 6 (medium priority): The country office agrees to ensure full implementation of HACT, working in coordination with other United Nations agencies where possible. Specifically, it agrees to:

- i. Ensure that the macro-assessment is updated.
- ii. Advocate, to other UN agencies, an overall HACT implementation workplan coordinated by the Resident Coordinator.
- iii. Implement an office HACT workplan, and establish clear staff accountabilities and responsibilities for HACT implementation and monitoring.
- iv. Implement an office-wide assurance activities plan that takes into consideration the risk rating of partners from the micro-assessments and the magnitude of cash

⁶ 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.

transfers to individual partners, and includes spot checks, programme monitoring and audits, as envisaged in the HACT framework.

Target date for completion: March 2015

Responsible staff members: Representative, HACT focal point

Field monitoring of programme implementation

According to UNICEF's Programme Policy and Procedure Manual (PPPM), programmatic monitoring of UNICEF-supported activities offers an opportunity for essential reality checking on implementation. Well-planned field trips are indispensable for monitoring progress and the ongoing relevance of activities. Each office should establish standards for the frequency of field visits for monitoring purposes, as well as a standard format for reporting. Field trips should provide, among other things, information on the timeliness, use and usefulness of UNICEF inputs (both cash and supply), a verification or assessment of outputs, and identification of any negative impacts. Field-trip reports should contain clear findings and recommendations, and be shared with the staff concerned.

Detailed plans and schedules, field visits, analysis of information, progress reporting and action taken, are essential to a monitoring framework. However, the audit noted that the office lacked a general process for planning field-monitoring visits. Depending on the programme section, planning of field monitoring was either included in the section workplan, embedded in the activities of certain outputs, or was not documented. The office had no standards related to field-monitoring visits (such as number of days spent in the field).

There were no templates for field-visit reports, and no mechanism to capture and monitor the implementation of any recommendations made after field-monitoring missions. Moreover, office practice was that while all international travel should result in a trip report, they were not necessarily required for domestic travel as it was seen as part of a staff member's daily activities (this had been endorsed in the programme coordination meeting for February 2014). In the absence of such a requirement, the audit could not ascertain that monitoring missions were carried out as planned, or whether the objectives of field monitoring had been achieved.

The audit reviewed a sample of field-trip reports that had been produced, and noted that they were more in the form of notes, questionnaires or checklists rather than proper comprehensive trip reports. Overall, the monitoring objectives were not stated; there were no comments on the use of inputs (cash or supply) given to implementing partners; and there were no specific recommendations/action points with assigned responsible staff and timelines.

These shortcomings were due to insufficient controls over field monitoring. They affected the office's ability to address bottlenecks as they arose and could therefore lead to non-achievement of planned results.

Agreed action 7 (high priority): The country office agrees to enhance its field monitoring of implementation of programme activities by:

- i. Establishing a structured process for planning, implementing and documenting field-monitoring visits.
- ii. Ensuring inclusion, in all field-monitoring reports, of the results expected from the field visits, recommendations that are specific, and assignment of responsibilities

- to staff members to take action within a defined timeframe.
- iii. Establishing a process for monitoring the status of implementation of recommendations arising from field-monitoring activities.

Target date for completion: September 2014 then ongoing

Responsible staff members: Deputy Representative with support of Section Chiefs

Work planning for the emergency programme

On 23 March 2012, in close consultation with the governments of Jordan, Lebanon, Iraq and Turkey, UN agencies and NGO partners presented the first inter-agency Regional Response Plan (RRP) for Syrian refugees. This was the main appeal document and framework to coordinate UN system support.

The United Nations High Commissioner for Refugees (UNHCR) leads the RRP process at regional and country levels. UNHCR seeks and compiles input for RRP preparation and reporting at country level, and consolidates it at regional level. In Turkey, the Government, through the Prime Ministry Disaster and Emergency Management Presidency, known by its Turkish acronym AFAD, leads and coordinates the emergency response. Emergency activities implemented by the UNICEF country office and other UN agencies are approved by AFAD, and implemented under its guidance and framework.

The audit noted that the Turkey component of the RRP was operationalized by the office through an emergency workplan. The RRP for Turkey originally ran some way into 2013, and the office had developed an emergency workplan that reflected this. However, the RRP had been extended and revised to cover the whole of 2013, and the office had not revised and adjusted the emergency workplan accordingly. For 2014, the RRP for Turkey covered the full year, but a revision was expected during the year.

It was also noted that, while the Government exercised strong leadership over the emergency response, it had not formally endorsed the RRP for Turkey. In any case, the RRP did not include detailed emergency activities to be implemented by UN agencies. In practice, the office actually discussed emergency-related activities with the Government, and obtained its approval, on a case-by-case basis when funding was secured. Implementation of planned emergency activity was therefore heavily dependent on Government's approval and continuing interest in the planned activity. In fact, this approval had mostly been secured; but the office accepted that this could have well not been the case, as the internal emergency workplan had not been shared and endorsed by the Government.

Agreed action 8 (medium priority): The country office should:

- i. Establish a process to ensure that inter-agency Regional Response Plan revisions are reflected in the internal emergency workplan.
- ii. Assess the need for, and establish a mechanism to get, endorsement by the Government of planned emergency activities, while keeping some flexibility for possible further adjustments.

Target date for completion: December 2014

Responsible staff members: Representative, Emergency Specialist supported by M&E Specialist

Fundraising

Country offices are required to maintain contact with donors' representatives in the country and pursue a dialogue with them on proposals for OR funding. Offices are also expected to have an up-to-date fundraising strategy and action plan as an integral part of the CPMP.⁷

According to the approved 2013 PBR, the planned programme budget for the remaining period of the 2011-2015 country programme amounted to US\$ 16,734,460, of which US\$ 15,185,000 was OR – i.e. 91 percent. The country office relies heavily on raising OR to achieve its planned programme results.

As of May 2014, US\$ 6,687,585.04 – 44 percent – of this OR requirement was funded. Of that amount, US\$ 6,167,392 had been carried over from 2013; the office had therefore raised just over US\$ 520,000 of new OR so far in 2014, against an average annual amount of US\$ 7.6 million required for the country programme. The programme outputs most affected were *Child rights monitoring*, *Child poverty and social inclusion* and *Child protection systems and mechanisms*, with OR funding gaps of 99 percent, 76 percent and 67 percent respectively as of April 2014.

In Turkey, UNICEF has a presence through both the country office and a UNICEF National Committee, or NatCom. The Turkish NatCom was established in 1958. It raises funds for the UNICEF country office in Turkey as well as for other UNICEF programmes (mostly for emergency interventions) in other parts of the world. In 2013, the NatCom raised about US\$ 1.4 million solely for programme activities in Turkey. The 2014-2015 CPMP states that, due to the existence of a Turkish NatCom, the country office does not carry out fundraising independently in Turkey, but works with the NatCom under a Joint Strategic Plan (JSP). A JSP for the period 2012-2014 had been signed in August 2012 between the Turkish NatCom, the country office and the UNICEF Private Fundraising and Partnerships (PFP) office. However, the NatCom was responsible only for local fundraising from individuals and corporations based in Turkey; the country office was responsible for fundraising from international donors.

The audit noted that the JSP included the priority areas for country-office fundraising, with an estimate of the amounts that would be needed for each priority area. However, the JSP was not supported by a specific action plan for the mobilization of the required OR funds, along with assigned responsibilities and timeline. Further, the office could not provide the audit with evidence that there was a joint process to monitor the status of implementation of the JSP, and performance against any fundraising targets.

During the CMT meeting of March 2013, the Representative acknowledged the office's need for a new fundraising strategy; also that the office should have a clear picture of its potential donors and of what could or could not come from thematic funds. As a result, the communications chief, who had been designated as fundraising focal point, prepared a fundraising map in April 2013; this proposed possible channels for fundraising for programmes and projects in need of OR funding. However, the office could not provide the audit with any evidence that the content of this fundraising map was implemented, regularly monitored or updated.

⁷ Country Programme Management Plan. 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.

Overall, the content of the JSP did not address the fact that the office lacked a comprehensive fundraising strategy with a plan of action, or an accountability framework that clearly assigned fundraising responsibilities to specific staff members, along with a monitoring process.

Agreed action 9 (medium priority): The office agrees to prioritize the preparation of a fundraising strategy for the remaining of the 2014-2015 country programme, taking into account the division of responsibility with the Turkish National Committee. The strategy should include specific objectives for fundraising, particularly for unfunded programmes, and a list of planned activities with assigned responsibilities and timeline. The office should also regularly monitor implementation of the strategy at an appropriate level.

Target date for completion: November 2014, then ongoing

Responsible staff members: Representative, Fundraising focal point

Programme management: Conclusion

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

3 Operations support

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

- **Financial management.** This covers budgeting, accounting, bank reconciliations and financial reporting.
- **Procurement and contracting.** This includes the full procurement and supply cycle, including bidding and selection processes, contracting, transport and delivery, warehousing, consultants, contractors and payment.
- **Asset management.** This area covers maintenance, recording and use of property, plant and equipment (PPE). This includes large items such as premises and cars, but also smaller but desirable items such as laptops; and covers identification, security, control, maintenance and disposal.
- **Human-resources management.** This includes recruitment, training and staff entitlements and performance evaluation (but not the actual staffing structure, which is considered under the Governance area).
- **Inventory management.** This includes consumables, including programme supplies, and the way they are warehoused and distributed.
- **Information and communication technology (ICT).** This includes provision of facilities and support, appropriate access and use, security of data and physical equipment, continued availability of systems, and cost-effective delivery of services.

All the areas above were covered in this audit, except for ICT and Inventory management.

Office premises

Under the terms of UNICEF's Basic Cooperation Agreement (BCA) with Turkey, the host government was responsible for providing, to the extent possible and at little or no cost to UNICEF, secured office space to carry out its mandate.

The office maintained two premises in Turkey: the main country office in Ankara, and a Zone office in Gaziantep approved for establishment in April 2013.

Office premises should meet the safety and security requirements as per the UN's Minimum Operating Security Standards (MOSS) applicable to Turkey.

Premises in Ankara: The office's contribution to the rental cost of the common UN premises in Ankara was US\$ 117,688 per year, plus a contribution to common premises operating costs for about US\$ 100,000 per year. The audit noted that there were discussions, led by the UN Resident Coordinator, on obtaining rent-free premises.

The reasons for seeking a move to other premises also included non-compliance with the minimum standoff distance required by the MOSS. Also, there were other MOSS requirements that were not adhered to – although, according to the local office of the United Nations Department of Safety and Security (UNDSS), safety and security in the premises were generally satisfactory. The Resident Coordinator's office told the audit that, while steps had been taken to secure new rent-free premises from the Government, there was as yet no clear timeline. The 2014 workplan of the Operations Management Team (OMT) envisaged signature

of an MoU with the Government by year-end.

Premises in Gaziantep: The office occupied a room in UNHCR rented premises that was shared by the six zone-office staff and three other UNICEF staff on special assignment. The office's share of the rental cost was about US\$ 900 per month. The office also contributed to operating costs for about US\$ 800 monthly.

The audit noted that the premises did not comply with some MOSS requirements (although again, according to UNDSS, safety and security of the premises were generally satisfactory).

The audit was informed that there were discussions regarding relocation to other premises along with the other UN agencies, but there was no definite timeline, and the conditions of the move had not yet been agreed upon among agencies. The audit noted that the office had not sought rent-free premises from the Government.

Agreed action 10 (medium priority): The office agrees to advocate a clear and documented timeline, with assigned roles and responsibilities, for relocation to fully MOSS-compliant, rent-free premises in Gaziantep and Ankara.

Target date for completion: January 2015

Responsible staff members: Representative

Consultant contracts

According to UNICEF's Administrative Instruction CF/AI/2013-001, the engagement of all consultants should be based on competitive selection, and a minimum of three qualified candidates should be considered for each assignment. Single-sourcing of consultants should be limited to emergency situations, and the reasons for it properly recorded. A formal output evaluation should be conducted at the time of completion of assignment. This should measure the achievement of goals, quality of work and timeliness, as stipulated in the terms of reference (ToRs).

The audit reviewed management of consultants, including a review of five specific consultancy contracts. It noted the following:

- In all five cases, contracts were awarded on single-source basis. VISION records showed that, out of 139 individual contracts signed between 1 January 2013 and 30 April 2013 with a total value of US\$ 2.7 million, 48 (35 percent) with a total value of US\$ 951,345 were single-sourced. Only seven of these were related to the emergency programme.
- For the five cases reviewed, performance evaluations had been done. According to VISION, however, this had not been done in 80 out of the 139 cases.
- In one of the five cases reviewed, a monthly lump sum of US\$ 3,765 was being paid to a Reporting and Research consultant for work to be done three days per week over a period of 11 months. Total contract amount was US\$ 41,415. The assignment related to various reporting and research activities, with no clearly established deliverable for each monthly payment.
- In three of the five cases reviewed, individual consultants' contracts were signed with one individual for each case, although the terms of reference and notes for the records referred to a team of experts. In all three cases, it was clear that the work could not be done by one individual due to its complexity. However, there was insufficient evidence

that the office had exercised appropriate due diligence in securing capable institutional contractors in these three cases. The practice of signing a contract with one individual while knowing that the work could not be done by them alone, and with no specific commitment from the other individuals involved, carried a risk that the agreed-upon service could not be achieved. In such cases, the office would be better advised to seek an institutional contract with a company or other concern that would be expected and equipped to employ more than one individual.

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

- i. Ensure that all contracts are competitively issued; any exceptions are in accordance with UNICEF rules and regulations; and the reasons for any such exceptions are clearly recorded in a note to file.
- ii. Complete performance evaluations for consultants and record the performance correctly in VISION.
- iii. Link all payments to consultants with specific outputs that are included in the consultancy contracts.
- iv. Review the possibility of assigning the responsibilities of the Reporting and Research consultant to a staff member and if this is not deemed possible, amend the contract to specify the outputs on which payments would be based.
- v. Establish a process to ensure that institutional contracts are issued based on the required service and outputs expected from contractors.

Target date for completion: August 2014, then ongoing

Responsible staff members: Operations Manager, Section Chiefs, HR Officer

Financial management

The audit reviewed the office's financial management and made the following observations.

Monitoring of service contracts: The audit reviewed the VISION Annual Usage Report and noted that VISION records for purchase orders (POs) for services were not systematically and correctly updated. The required information on service contracts that was missing included the functional area, contract manager, selection process, evaluation form, and an indication of whether the contract was signed before assignment. There was no evidence that the report was being used for monitoring purposes. Insufficient monitoring of service contracts through available tools in VISION could undermine the office ability to identify issues and address them in a timely manner.

It was also noted that 23 POs for services had expired but were still open in VISION. Because of this, funds totalling about US\$ 73,000 in 21 POs were committed and blocked. In the other two cases, funds were overspent by US\$ 200.

Payments support: In 11 out of 12 payments reviewed, no supporting documents had been scanned and attached in VISION. This undermined the documentation of transactions in VISION and meant there was no proper audit trail.

Cash forecasting: On 14 April 2014, the office uploaded its quarterly and monthly cash forecast reports for January 2013 to May 2014 in the DFAM⁸-monitored bank optimization

⁸ Division of Financial and Administrative Management.

portal in the intranet. Before that, the last entry made by the office had been on 12 January 2012. Untimely forecasting of cash requirements could impede activities through having insufficient resources in hand. It could also reduce efficiency in the use of funds by UNICEF globally, as holding more funds than necessary reduces the amount available for UNICEF's Treasury operations.

Vendor management: There were 15 vendors with more than one vendor account, including six cases where the duplication was due to incorrect coding of the vendor for at least one account. Duplication of vendor accounts could lead to duplicate payments (none were observed). It could also cause erroneous information related to disbursements and liquidations of a vendor account, and increase the risk of over-payment. Duplicate accounts also make it possible for implementing partners to receive cash disbursement despite having outstanding advances for more than six months; this weakens an important financial control.

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

- i. Establish a system to ensure that all relevant information related to purchase orders (POs) for services is entered in VISION; and ensure that the VISION Annual Usage report is used for management purposes, including monitoring of PO expiry dates and funds availability.
- ii. Attach supporting documents in VISION with respective payments.
- iii. Report monthly and quarterly cash forecasts to the intranet bank optimization portal in a timely manner.
- iv. Identify duplicate vendor master records, block them and mark them for deletion, and periodically review the vendor master records in order to prevent duplication and confirm completeness and accuracy of records.

Target date for completion: Operations Manager, Supply Officer, Admin and Finance Officer
Responsible staff members: September 2014 then ongoing

Operations support: Conclusion

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

Annex A: Methodology, and definitions of priorities and conclusions

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

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

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

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

Priorities attached to agreed actions

- High:** Action is considered imperative to ensure that the audited entity is not exposed to high risks. Failure to take action could result in major consequences and issues.
- Medium:** Action is considered necessary to avoid exposure to significant risks. Failure to take action could result in significant consequences.
- Low:** Action is considered desirable and should result in enhanced control or better value for money. Low-priority actions, if any, are agreed with the country-office management but are not included in the final report.

Conclusions

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

[Unqualified (satisfactory) conclusion]

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

[Qualified conclusion, moderate]

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

[Qualified conclusion, strong]

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

[Adverse conclusion]

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

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

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

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