Internal Audit of the Uruguay Country Office

September 2014

Office of Internal Audit
and Investigations (OIAI)
Report 2014/29

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Summary

The Office of Internal Audit and Investigations (OIAI) has conducted an audit of the Uruguay country office. The audit sought to assess the office's governance, programme management and operations support. The audit was performed from between 28 May and 15 August 2014. The audit covered the period from January 2013 to 30 April 2014.

The 2011-2015 country programme has three main programme components: *Public policies for social inclusion and equity*; *Child protection and institutional reform*; and *Partnership and social mobilization for children*. Initial total approved budget for the country programme was US$ 10.0 million, of which US$ 3.75 million was regular resources (RR) and US$ 6.25 million was Other Resources (OR). The Executive Board later approved an addition to the ceiling, and the total approved budget rose to US$ 15.5 million of which US$ 4.8 million is RR and US$ 10.7 million is OR. RR are core resources that are not earmarked for a specific purpose, and can be used by UNICEF wherever they are needed. OR are contributions that may have been made for a specific purpose such as a particular programme, strategic priority or emergency response, and may not always be used for other purposes without the donor's agreement. An office is expected to raise the bulk of the resources it needs for the country programme itself (as OR), up to the approved budget ceiling.

Uruguay is a "Delivering as One" (DaO) country. There is therefore a single UN Delivery Action Plan (UNDAP) for the period 2011-2015; this was signed by all the UN agencies in Uruguay with the Government. Financial transactions are mostly processed by UNICEF's Southern Cone Processing Centre (SCPC) based in Buenos Aires in Argentina.

The country office is located in the capital, Montevideo; there are no zone offices. As of April 2014, the country office had a total of 12 approved posts, of which one is for an international professional, five for national officers and six for general service staff. As of April 2014, no established posts were vacant.

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.

- The office had not developed standard operating procedures for private sector fund-raising (PSFR) activities, and had not defined the roles and responsibilities of the staff involved in various fundraising processes including reconciliation of income received, and recording of information into DonorPerfect. Furthermore, the staffing structure was not in line with the growth in PSFR activities. The office has agreed to take action to address these concerns.
- The office structure included eight additional staff hired through individual and institutional contracts to perform regular staff tasks, including programme and operations activities. This structure had not been approved through UNICEF's programme budget review (PBR) process. The audit also noted that the office had been hiring individuals as institutional contractors over long periods (some since 2002). The payments to these consultants were not linked to specific outputs and the contracts were not subject to competition or review by a contracts review committee on their renewal. The office has agreed to present a revised staffing structure to the

programme budget review for approval, and to ensure that contracts issued and payments made comply with UNICEF requirements.

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 the Uruguay country office as defined above, were generally established and functioning during the period under audit. Uruguay country office has prepared an action plan to address the issues noted.

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

Office of Internal Audit and Investigations (OIAI) September 2014

Contents

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.

As stated in the Summary (p2, above), Uruguay is a Delivering as One (DaO) country for the UN. DaO aims at a more unified and coherent UN structure at the country level, with a single unified programme of activities that is agreed with the government by the UN. The aim is to reduce duplication, competition and transaction costs. Originally launched in 2007 in eight pilot countries, DaO has also been adopted by UN agencies in a number of others. The audit did not review the overall functioning of the DaO process, as this is done jointly by the UN agencies according to agreed standard operating procedures (SoPs). The review of this issue was limited to interviews with UNICEF staff members only.

All the other areas listed above were covered, and the audit found that controls were functioning well over a number of areas. Office priorities and expected results are clearly identified and communicated to staff and the host country.

The office has established appropriate advisory committees including the country management team (CMT).

The evaluations of staff members' performance for 2013 were timely, as was establishment of 2014 objectives for staff members.

However, the audit also noted the following.

Functioning of advisory teams

Country offices are expected to maintain appropriate teams and committees to monitor and guide their operations and the implementation of the country programme. The office, in coordination with the Southern Cone Processing Centre (SCPC), issued the terms of reference of various governance teams and committees. The terms of reference specified the purpose, functions and composition of the teams and committees.

However, the audit noted that the minutes of the CMT did not record approval of the minutes from previous meetings. The CMT did not document follow-up of the implementation of the priorities included in the annual management plan (AMP). Indeed, the review of the priorities was not documented in any other forum.

The audit also reviewed a sample of minutes of the Contract Review Committee (CRC). In three out of the five cases, the Representative did not indicate their approval.

The office did not have a system for documenting the follow-up of actions agreed during meetings.

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

i. The minutes of various governance team and committees meetings, including the country management team (CMT) and the contracts review committee (CRC) meetings, are formally approved by a responsible staff member (such as the Representative), and that agreed actions are followed up for action.
ii. There is a process for the follow-up of implementation of priorities included in the annual management plans.

Staff responsible for taking action: Representative, Operations Manager Southern Cone Processing Centre, and Operations Assistant
Date by which action will be taken: 31 October 2014

Establishment of indicators

The office had established nine key performance indicators, but they had not been kept up-to-date; for example the current indicators did not include Private Fundraising & Partnerships (PFP) activities. The Representative indicated that there was a need for the CMT to review and update the country office indicators.

Agreed action 2 (medium priority): The office agrees to update the performance indicators, and assign responsibility to individuals or committees to monitor performance against them and periodically report their findings to the country management team and/or the Representative.

Staff responsible for taking action: Programme Assistant, Operations Assistant and country management team
Date by which action will be taken: 31 October 2014

Risk management

The audit verified whether the office had systematically managed the risks and opportunities that could affect the achievement of its objectives, in accordance with UNICEF's enterprise risk management (ERM) policy. The policy includes performance of a Risk and Control Self-Assessment (RCSA), in which an office or unit reviews risks and the measures that should be used to mitigate them.

The Uruguay office informed the audit that it had developed a first broad and systematic risk analysis and action plan in 2010, covering programmatic, operational and fundraising functions. It had also reviewed several risks in 2012. However, the office had done nothing more in terms of ERM during 2013 and 2014. Some risks also lacked action plans for mitigation, and responsible staff members and target dates for further review were not recorded.

The ERM section for the country office in InSight[1] remained blank. It was stated in the office's 2013 annual report that a review of ERM had been done during the year, but this was not accurate. During an interview with the PFP Officer, it was mentioned that, based on experience in this area in the country, several risks had been identified, for which the office had implemented some mitigating activities. However, there was nothing of this in any risk-management document.

Agreed action 3 (medium priority): The office has agreed to conduct a comprehensive office-wide risk and control self-assessment, update the risk and control library and ensure that all the work performed on enterprise risk management and the risks identified are recorded in InSight.

Staff responsible for taking action: Planning Officer in collaboration with Operations Assistant and Programme Assistant.
Date by which action will be taken: 31 December 2014

Assignment of responsibilities

UNICEF's resource mobilization, budgeting, programming, spending and reporting are recorded in UNICEF's management system, VISION, which was introduced in January 2012.

Access to VISION is given through the provisioning of a user identification (ID) that has "roles" assigned to it. Heads of Offices, and their delegates, approve the provisioning of VISION user IDs and their corresponding roles, using the guidelines in UNICEF Financial and Administrative Policy No. 1: *Internal Controls and its supplements*. Each office is also required to maintain a manual Table of Authorities (ToA); the Head of the Office should review the ToA periodically (preferably quarterly) to confirm its continued accuracy and appropriateness. An

[1] InSight is the performance component in UNICEF's management system, VISION. It streamlines programme and operations performance management, increases UNICEF staff access to priority performance information, and exchanges between country offices, regional offices and HQ divisions, as everyone sees the same data/information.

understanding of these roles, and the responsibilities assigned to staff, is essential in approving role assignments.

With the implementation of VISION, the office had assigned roles to staff members and mapped these roles in the system. Staff were formally notified of the roles/authorities assigned to them and acknowledged their awareness of the responsibilities and accountabilities associated with exercising these financial authorities. However, because of the small number of staff in the office, individual staff members were delegated multiple authorities such as authorizing, purchase-order releasing, receiving, certifying, approving and paying officers. As of the end of May 2014, the Approva[2] report from VISION reflected 13 violations, of which nine were rated as high priority. Where an office has many staff, these roles can be easily segregated. In a small office this is clearly more difficult. However, in such cases an office would be expected to have measures or controls in place to mitigate the lack of segregation. The office had not developed and documented measures to minimize the risks presented by the violations.

The office did not define staff responsibilities and authorities related to non-VISION transactions. Examples included PFP transactions such as income collection, and reconciliation between DonorPerfect[3] batches and payments made in the UNICEF bank account and recorded in VISION.

The SCPC Manager had visited the country office in preparation for this audit, and recommended adjustments to the ToA to eliminate and/or mitigate some of the conflicts. Some of these actions had not been taken by the completion of the audit.

Agreed action 4 (medium priority): The office agrees to:

i. Implement recommendations made by the SCPC Manager, review the Table of Authorities and remove, where possible, conflicts in assigned roles.
ii. Where these cannot be removed, establish and document mitigation measures that ensure that staff members assigned conflicting roles do not exercise them on the same transactions.

Staff responsible for taking action: Operations Assistant in collaboration with SCPC Operations Manager
Date by which action will be taken: 31 October 2014

Agreed action 5 (medium priority): The office has agreed to define staff responsibilities and authorities for non-VISION transactions including those related to income collection, reconciliations of the information in DonorPerfect and related UNICEF records.

Staff responsible for taking action: Representative, Operations Assistant
Date by which action will be taken: 31 October 2014

Fundraising and partnership work processes

Uruguay's private-sector fundraising activities had increased over the years. In 2012, PSFR

[2] Approva is a software tool that UNICEF uses for (among other things) identification of segregation-of-duties conflicts.
[3] DonorPerfect is the software package that UNICEF uses for management of fundraising.

accounted for an annual income of US$ 1.8 million; this increased to US$ 2.5 million in 2013, and it was estimated that at the end of 2014 the office would reach a target of US$ 3 million.

The office had not developed a standard operating procedure (SOP) for fundraising work process – for example, workflows for donations made by different methods, acceptance and recording of collection, refunds, and verification of completeness and correctness of donor information. The office had also not clarified, in writing, the responsibilities of staff involved in various steps in fundraising work processes.

These included the monitoring and verification of the work performed by the Operations Assistant who performed most administrative activities for private fundraising and partnerships (PFP) inside and outside VISION. This staff member was involved in selecting contracts and in the preparation and validation of PFP revenue reports sent to the SCPC. The reconciliation of income received, bank statements and recording of information into DonorPerfect was being performed by PFP staff and consultants. In these areas, there was inadequate segregation of duties and with no mitigation processes in place (see also previous observation, *Assignment of responsibilities*).

The audit did not find a plan to adjust the PFP staffing structure to reflect the increased fundraising activities. Due to increased workload, the country office had outsourced additional staff. These outsourced staff managed confidential information from more than 40,000 pledge donors. Although the country office stated that these staff members had signed the same confidentiality agreement as any other UNICEF staff member, there was a risk in their handling such sensitive information as confidential customer data. In response to the audit's inquiries, the Representative also raised concerns about the PFP staffing structure and highlighted the conflicting requirements between maintaining the light staff structure that had been approved by the Programme Budget Review (PBR), [4] and the need for extra staff to ensure compliance with PFP reconciliation procedures. (See also following observation, *Staffing needs and use of contractors*.)

Agreed action 6 (high priority): The office agrees to, with support from the Southern Cone Hub:

i. Develop a standard operating procedure (SOP) for private sector fundraising and ensure that the responsibilities and accountabilities of all staff involved in various fundraising processes are clarified, including those for reconciliation of income received, bank statements and recording of information into the DonorPerfect system (in accordance with guidance from Private Fundraising and Partnerships Division).
ii. Review the staffing structure in the Private Funding and Partnerships (PFP) section and develop a PFP structure plan in line of expected growth of PFP. The office will present the proposed structure to the Programme Budget Review for review and approval—see recommendation on staffing structure below.

Staff responsible for taking action: Representative, SCPC Operations Manager, Private Fundraising and Partnerships Officer

[4] The programme budget review (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.

Date by which action will be taken: June 2015

Staffing needs and use of contractors

The office had a total workforce of 12 posts (one international professional, five national officers, and six general service). This number of staff was not considered ideal for the country programme. Staff had multiple roles. For example, there was no Deputy Representative and the Social Policy Specialist, who was also in charge of education, was the officer-in-charge when the Representative was away. The Early Child Development Officer addressed health, HIV and nutrition; the Planning and Monitoring officer also dealt with child protection issues; and the Communication Officer covered advocacy, external communication and communication for development. The information and communications technology (ICT) post had been abolished in 2013.

To help this small staff meet the demands of the programme, the office had been outsourcing staff, using both individual contracts, and long-term institutional contracts. At the time of the audit, the total number of non-UNICEF staff hired by the office was eight – two-thirds as many as the number of staff approved for the country programme. These non-UNICEF staff on contract included the office receptionist, the office maintenance staff, the information and communications (ICT) officer, two programme staff members, and three staff members for PFP. These contractors performed tasks that should normally be performed by staff in established posts (i.e. posts authorized through the PBR process).

In addition, the office had hired four specialized professionals under institutional long-term contracts to support specific programme areas in monitoring and evaluation, technical assistance in education media, violence and abuse against children, and in juvenile penal justice. These contractors were individuals registered as enterprises, which allowed them to be entered in VISION as institutional contractors. They were being paid monthly salaries that were not linked to specific outputs, and their recruitment was not subject to competition. Some of these individuals had had renewable contracts with UNICEF since as far back as 2002. The audit concluded that the above occurred because the existing staffing structure was not adequate to effectively support both the planned country programme and the PFP growth mentioned in the previous observation.

The country office is drafting a new country programme to start in 2016. This offers the office an opportunity to review its staffing requirements for 2015 and beyond informed by the experiences of managing the current country programme and the graduation of Uruguay into a high-income status country in 2013.

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

i. Review its staffing requirements (including short term and long-term country programme requirements for non-staff and long term institutional contractors), and present a proposal to the regional programme budget review (PBR) for a realistic and sustainable programme structure and ensure implementation of the staffing structure as approved by the PBR.
ii. Ensure that payments to institutional contractors are based on specified validated outputs in the contracts and that their renewal is subject to competition (see also observation *Procurement and contracts*, p15 below).

Staff responsible for taking action: Representative in collaboration with SCPC Operations

Manager, Planning Officer, CMT and LSA (Local Staff Association).
Date by which action will be taken: June 2015

Ethics

The office had not organized a specific session or presentation on ethics policy and fraud. Staff members did not sign a statement acknowledging receipt of the Ethics policies and their commitment to comply. The audit also noted that the outsourced staff were not systematically informed of UNICEF's ethical policies and zero tolerance of fraud, or of procedures for reporting and investigating violations of those policies. Neither was this clear with regard to partners that received funds from UNICEF.

Agreed action 8 (medium priority): The office agrees to organize presentations on UNICEF's ethical standards and zero tolerance of fraud for all staff members, long-term consultants and partners.

Staff responsible for taking action: Representative
Date by which action will be taken: October 2014

Office space

Since 1993 the Government of Uruguay has been providing UNICEF with office space in Montevideo. The Government also covers expenses for electricity and two telephone lines. The UNICEF office pays a monthly maintenance fee of US$ 1,750 that covers various services such as water, elevator maintenance, cleaning, etc. However, the use of the office space by UNICEF is not documented in an agreement with the Government.

Agreed action 9 (medium priority): The office should sign a memorandum of understanding (MoU) with the Government of Uruguay to document the use of the office space and related maintenance and operating costs.

Staff responsible for taking action: Representative
Date by which action will be taken: June 2015

Governance area: Conclusion

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

2 Programme management

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

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

All the above areas were covered in this audit.

The audit found that controls were functioning well over a number of areas. The office had conducted adequate mid-year and annual reviews in 2013. The mid-term review of the 2011-2015 country programme had been conducted at country level with the participation of implementing partners.

The workplans were linked to the UNDAF[5] and the UNDAP[6] with the activities and results to be achieved being informed by these documents. The office had developed a clear strategy for PSFR, and was meeting its own OR requirements through PSFR activities.

Programme monitoring activities were entered in InSight and there were periodic progress reviews. Programme Officers participated in interagency monitoring meetings for the UNDAP outcomes that were related to UNICEF. These meetings did not monitor the specific activities conducted for each of the UN agencies, but examined the progress of joint work towards achieving the UNDAF.

However, the audit also noted the following.

[5] The United Nations Development Assistance Framework (UNDAF), which is a broad agreement between the UN as a whole and the government, setting out the latter's chosen development path, and how the UN will assist.
[6] UN Delivery Action Plan (UNDAP), a single action plan agreed with the government by the UN agencies. As stated in the Summary, the UN in Uruguay "delivers as one".

Planning

Under the UNDAP, the office was managing three programme components: *Public policies for social inclusion and equity*; *Child protection and institutional reform*; and *Partnership and social mobilization for children*. The office had developed the 2013-2014 rolling workplans (RWPs) jointly with implementing partners. The workplans, which outlined the expected results and planned activities, plus budgets, timeframes and implementing partners for each activity, had been endorsed by the implementing partners.

The audit reviewed the intermediate results (outputs)[7] in the workplans, and noted that most of them were not specific and measurable, and in some cases described activities rather than the results to be achieved. Furthermore, the output results were generally broad and were not specific, measurable and realistic. They included the use of words like “reduced”, “implemented” and “improved” that were difficult to measure. While there were performance indicators for these outputs, some of them did not have baselines – which raised questions as to how the targets were set and whether they were realistic, and how progress would be assessed.

The above weaknesses occurred because the office had not established an adequate process for quality review of the workplans before they were finalized.

Agreed action 10 (medium priority): The office will provide guidance and a quality assurance mechanism for the development of workplans to ensure that the expected results are specific, measurable, achievable, realistic, and time bound (SMART), and describe the change expected in the situation of children and women as well as the activity contributing to it.

Staff responsible for taking action: Representative Planning Officer
Date by which action will be taken: June 2015

Harmonized Approach to Cash Transfers (HACT)

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

HACT makes this possible by requiring offices to systematically assess the level of risk before making cash transfers to a given partner, and to adjust their method of funding and assurance practices accordingly. HACT therefore includes micro-assessments of the individual implementing partners, both government entities and NGOs. There should also be a macro-assessment of the country’s financial management system.

As a further safeguard, the HACT framework requires offices to carry out assurance activities based on an approved plan covering a period of time, regarding the proper use of cash transfers. Assurance activities should include spot checks, programme monitoring and special audits. There should also be audits of implementing partners expected to receive more than

[7] UNICEF programmes plan for results on two levels. A programme component result (PCR) is an output of the country programme, against which resources will be allocated. An intermediate result (IR) is a description of a change in a defined period that will significantly contribute to the achievement of a PCR. From 2014, the terminology has been changed from PCR/IR to “outcome”/”output”.

US$ 500,000 during the programme cycle. HACT is also required for two other UN agencies in Uruguay (UNDP and UNFPA[8]). UNDP, UNFPA and UNICEF had together carried out a new macro-assessment in 2012 for the current programme cycle 2012-2015.

The audit reviewed the implementation of HACT and noted the following.

Micro-assessments: In 2013, the office, under the coordination of UNDP, had commissioned a consultant to perform micro-assessments of six non-governmental organisations (NGOs). They were chosen from a total of 20 counterparts, and included the only three that had received DCTs over US$ 100,000 from UNICEF. The audit reviewed all micro-assessments, and noted that two resulted in ratings of moderate risk, and four as low risk. However, the reports issued by the consultant were not dated or signed, invalidating the information supplied and making it hard to know when the assessments were performed.

Assurance plan: The office did not have a written plan for assurance activities such as micro-assessments, spot-checks, programme monitoring, and scheduled audits.

Training activities: Neither the staff nor the partners had received HACT training. This could lead to mistakes and to non-compliance with the HACT framework.

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

i. Develop a risk-based assurance plan to document special and scheduled audits as necessary, with clear linkages to programme monitoring and a feedback process from the assurance activities.
ii. Ensure micro-assessments are and signed and dated by the individual or firm carrying them out.
iii. Develop a training plan for staff and implementing partners on HACT procedures.

Staff responsible for taking action: Representative, Planning Officer and Programme Assistant
Date by which action will be taken: March 2015

Programme management: Conclusion

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

[8] UN Development Programme and UN Population Fund.

3 Operations support

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

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

All of the above areas were covered in this audit, with the exception of financial management, asset management and inventory management. For the Uruguay office, financial management was undertaken by the SCPC, and the office had few assets to manage. Inventory management was also excluded as the office procured limited supply inputs and did not have a warehouse.

Procurement and contracts

All supporting documentation of the contracts issued by the CO are uploaded to VISION for verification. Based on the report obtained from VISION, the audit noted that during 2013 the office had issued 39 individual contracts for consultants for an amount of US$ 362,720. Of these, the contractors were competitively selected in 21 cases; the remaining 18 (46 percent) were single-source selection. Also, 42 corporate contracts for an amount of about US$ 1.2 million were issued for procurement purposes; of these, 15 (36 percent) were single-sourced, 11 were competitively sourced and the basis for selection of the remaining 16 (38 percent) was not identified. While single-sourcing of contracts is allowable in certain situations, the percentage of the single-sourced contracts in the office was very high.

The issue of contracts on a single-source basis could lead to award of contracts to ineligible vendors and may not be an efficient use of UNICEF resources.

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

i. Ensure contacts are issued on a competitive basis.
ii. Ensure that VISION is correctly updated on the type of contract issued.

Staff responsible for taking action: Representative, Operations Assistant, Programme Assistant
Date by which action will be taken: 31 October 2014

Information and Communication Technology (ICT)

UNICEF Executive Directive (ExDir) 2007/006 requires all UNICEF offices, including regional and country offices, to maintain continuity of highly critical functions during and following a disaster and/or crisis event, and to have a Business Continuity Plan (BCP).

Testing and simulation of the BCP is essential to ensure that an office maintains the capacity to function in an emergency. Staff directly involved in BCP implementation should receive intensive training, with follow-up refresher courses. The training should be provided through a wide variety of ways, including workshops, classroom, and site visits. A further key activity is performance of a drill to test a single emergency response function or action (e.g. notification, data recovery, etc.).

The audit noted that the office had drafted a BCP in December 2012. However, it had not been updated to include activities related to the implementation of VISION. It had also not been approved by the Representative; and there had been no testing through a simulation of the BCP, or of the disaster recovery plan.

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

i. Update the Business Continuity Plan (BCP), including new activities related to VISION.
ii. Have the BCP approved by the Representative.
iii. Organize training for relevant staff members.
iv. Carry out a drill or simulation of the BCP and disaster recovery plan.

Staff responsible for taking action: Representative, Operations Assistant in collaboration with SCPC Operations Manager.
Date by which action will be taken: March 2015

Operations support: Conclusion

Based on the audit work performed, OIAI concluded at the end of the audit that the control processes over the country office operations support 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. 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 report is issued in final. 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.