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Internal Audit of the Nigeria Country Office

October 2020

Office of Internal Audit
and Investigations (OIAI)

Report 2020/12

Contents

Audit objectives and scope

The objective of the audit was to provide independent assurance regarding the adequacy and effectiveness of the governance, risk management and control processes in the country office. The audit covered the period from January 2018 to 28 February 2020. The audit team visited the office from 2 to 14 March 2020.

This report presents the more important risks and issues found by the audit and the measures agreed with the Nigeria country office management to address them.

Summary

The Office of Internal Audit and Investigations has conducted an audit of the Nigeria Country Office. The audit covered the period from 1 January 2019 to 28 February 2020.

The audit had planned an on-site mission for between 2 March and 25 March 2020. The mission began but was cut short on 15 March, because of the travel restrictions that were imposed as a result of the COVID-19 pandemic. The team was unable to carry out the planned visits to the Maiduguri and Sokoto field offices, and therefore could not look properly at matters such as relationships with the authorities at State level, field-office environment and accountabilities, and interactions with emergency-affected communities. It could also not review projects supported by the zone offices.

Nigeria is a priority country for UNICEF. It has the second highest annual under-five deaths in the world and the second highest burden of open defecation and malnutrition. There are large numbers of unvaccinated children. It also has about 38 percent of the world's total children out of school. Moreover, since 2009, the insurgency in north-eastern Nigeria (Borno, Adamawa and Yobe States has forced people from their homes and affected civilians already living in precarious conditions.

Risks identified for audit

Nigeria faced challenges in achieving many of the UN Millennium Development Goals (MDG) targets, due to a multiplicity of political and systemic factors. The key risks identified for the Nigeria programme related to how the office might just focus on the size of its spend – which could then include high-cost, low-impact activities, instead of those with the highest impact.

A further key risk identified for this audit related to the throughput for the Nigeria programme. UNICEF's Nigeria country programme is one of the organization's largest, but it still falls short compared to the needs to be addressed, accounting for only about 0.1 percent of Nigeria's gross national income (GNI). In this context, the risk was that the office might not enable implementation at scale by leveraging the resources of key stakeholders, in particular those of the Government, so as to give a multiplier effect to UNICEF's own interventions. The risk that this might not happen is compounded by the fact that Nigeria is a challenging environment in which authority is highly devolved, and individual States differ significantly in vulnerability and complexity. It is further exacerbated by issues related to fraud and corruption across the country.

The audit therefore looked at how the UNICEF country office is set up to best leverage resources and input with Government and other partners; and to seek and grasp opportunities with new partners, particularly at sub-national level, to achieve impact beyond UNICEF's own financial resources. The audit also looked at whether the office was actively managing its operational risks (i.e. fraud, corruption, security risks, lack of political will etc.). These areas are reflected in this report.

The results of the audit and action agreed

The audit noted a number of areas where the office's controls were adequate and functioning well.

The management for results (M4R) section had established a system that allowed the programme to specifically assess the progress of results for each field office and for each result area.

The audit also noted that the office had taken steps to strengthen implementation in the field. For example, in 2018, the office had begun the transfer/relocation of staff based in Abuja to the States. In response to an audit survey to test the temperature on the decentralization, the chiefs of field office and the staff associations agreed that there had been increased clarity on the accountability for results. In addition, the audit survey found that all staff understood that senior management in the country office had put an emphasis on people management and putting people first.

In general, the field offices felt that their initiatives and achievements were appreciated and acknowledged. Staff felt they belonged, and could speak up if they saw something going wrong. In addition, the audit noted the empowerment of the Chiefs of field offices (CFOs) through clarification of their responsibilities and providing them with the required flexibility in work planning. This had reduced the risk of ineffective and inappropriate programming at field level.

However, the audit also identified a number of areas where further actions were needed to better manage risks to UNICEF's activities. Following discussion with the office, the audit team has recommended a number of measures to address the risks identified. Two of these were rated by the audit as high priority (that is, demanding immediate management attention). The first was the need for a risk-management process that involved analysis of specific risks at different stages of programme implementation. For programme supplies, for example, this needs to involve looking at the different stages of the supply chain to see exactly where the risks are, rather than a generic risk statement.

Second, the office has agreed to undertake a fundamental review of the facilitator mechanism, which accounts for approximately 10 to 15 percent of the office's annual expenditure. The review should cover the necessity and effectiveness of the mechanism; an affordability analysis; the identification and selection of the service provider; the requisition and management of individual facilitators; and the annual review process, which should include performance indicators and milestones relating to the programme.

There were also a number of medium-priority observations in connection with the office's to risk management, use of facilitators, programme result indicators and PSEA. These are included in this report, but lower-priority observations are omitted.

Follow-up on previous audit

Offices are required to implement the agreed audit actions, and to report to OIAI on actions taken to implement them until they are all closed. These actions should be embedded in the systems, procedures and accountabilities of the office so that they are sustained, and the observations do not recur.

All the agreed actions in last audit report (2018/07) had been addressed prior to the commencement of this audit. However, of the three observations that were rated as high priority in that report, two are matters of recurring concern, including the facilitators issue (the other was fraud-risk management). Therefore, the agreed actions in this report are intended to build on prior actions taken and initiate sustained change in how those areas are managed.

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 risk management procedures and the internal controls and processes over the office were generally established and functioning during the period under audit. The country office, with the support of the West and Central Africa Regional Office (WCARO), and OIAI intend to work together to monitor implementation of the measures that have been agreed.

Background

Nigeria is a priority country for UNICEF. It has the second highest annual under-five deaths in the world and the second highest burden of open defecation and malnutrition. There are large numbers of unvaccinated children. It also has about 38 percent of the world's total children out of school. Moreover, since 2009, the insurgency in north-eastern Nigeria (Borno, Adamawa and Yobe States has forced people from their homes and affected civilians already living in precarious conditions.

The 2018-2022 country programme aims to demonstrate the impact, value and affordability of investing in long-lasting institutional and community-based systems and policies in favour of children's survival, growth and development. It consists of four main programme components (*Child survival and development*; *Basic education*; *Child protection*; and *Social policy and gender equality*). There is also a cross-sectoral component. The total budget for the five-year country programme is US$ 1,254.5 million. In addition, the office's Humanitarian Action for Children (HAC)[1] appeal for 2019 was US$ 120.1 million; this is in addition to the regular programme budget.

The country office is in Abuja, and there are nine zone offices distributed across the country (Akure, Bauchi, Enugu, Kaduna, Kano, Lagos, Maiduguri, Port Harcourt and Sokoto). The Representative had assumed his duties in May 2019. The Deputy Representative Operations had been in the office since July 2019 and the Deputy Representative Programme position had been vacant since December 2019. As of the time of the audit, the office had a total of 442 posts (112

[1] A HAC is an appeal that UNICEF launches for assistance for a particular crisis or emergency response, and will state how much UNICEF thinks it needs to raise for a given situation. The appeals page is at www.unicef.org/appeals/; the current page for Nigeria can be found at www.unicef.org/appeals/nigeria.

international professionals, 153 national officers and 177 general service posts), of which 62 percent were based in the zone offices.

Audit observations

Risk management

Effective risk management enables a country office to be better informed in their operational decisions and avoid costly mistakes. The office had followed UNICEF's current ERM guidance[2] on assessing risk and formulating a risk response. The March 2019 risk register had more depth than previous assessments, as it recorded risks by sector and by office.

There is a danger that an office may undertake risk-management activities for compliance purposes, rather than having a culture of proactive risk management. The latter should focus on the things that matter and identify the corresponding risk tolerances and mitigation measures. The audit reviewed the risk management processes in the office to assess whether the key enablers for, and understanding of, effective risk management were in place. It noted the following.

Managing what matters: In 2019, the office prepared a detailed risk assessment that allowed for contextual risks at the field level, as well as by sector. In general, however, the audit noted that the risks to be mitigated tended to be described in very broad terms, potentially limiting the ability to determine what measures would best mitigate them.

A generic example was, "Misuse of supplies – The magnitude of the misuse is such that the supplies are no longer accessible for targeted children". However, to ensure actions in place are focused, proportionate and effective, there needs to be a full identification of the specific programme delivery chain (e.g. where are the supplies purchased from, who handles them, how are they stored, who transports them, and how they get to targeted communities). This done, a proportionate risk response should be directed at the points of greatest risk. This would also help the office make a more focused assessment of fraud-triangle[3] factors in the identified areas of most risk, and make better informed decisions on what supplementary anti-fraud measures to take.

Risk responses: Appropriate risk responses should be drawn up for the risks identified – taking into account those already in place. The audit's review of the risk register noted a conflation of the mitigating measures and controls already in place with the risk response. For example, the risk of misuse of funds by programme implementing partners is flagged as a high risk. As a current measure, the office states that *"the new Anti-fraud Strategy has been published and*

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[2] Under UNICEF's Enterprise Risk Management (ERM) policy, offices should perform a Risk and Control Self-Assessment (RCSA). The RCSA is a structured and systematic process for the assessment of risk to an office's objectives, and 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 register.

[3] The fraud triangle is a framework used to explain the motivation behind an individual's decision to commit fraud. It consists of three components: (1) Opportunity, (2) Incentive, and (3) Rationalization.

operationalized" – which appears to be a reference to UNICEF's organizational strategy, not a Nigeria-specific measure – and then assesses it as partially effective. The risk response is defined as a "control" and the additional actions to be performed are given as "HACT[4] assurance activities". These are already required, so the office had not set out any additional measures or targeted responses over and above those in use – despite having assessed the risk of misuse of funds as high. This lack of supplementary, targeted mitigation measures applied to fraud, cash transfers, child safeguarding and PSEA[5] risks too.

Risk and compliance capacity: In 2019, the Nigeria Country Office strengthened its capacity in HACT assurance and created an internal control post to enable increased oversight. In line with focusing on what matters, the office could further use these capacities in specified risk and compliance roles. They could thus provide forward-looking support across functions and offices in order to effectively identify, control and mitigate risks.

For a proactive risk and compliance function, the office must be able to regularly analyze data and trends, as well as the impact on risk of changes in the environment. Such a risk and control function would provide an in-depth knowledge of internal controls, procedures and systems. This would help the office to identify improvements where necessary and mitigate risks to critical programmes and operations. This internal control funtion would also lead risk management activities and the regular analysis of information generated through various internal and external channels, such as other UN organizations.

Agreed action 1 (high priority): The office agrees to consider:

i. Analysing the programme delivery chain for the key programme outputs and identifying the points of highest risk, thus ensuring that the actions chosen to mitigate them are proportionate to the risk being managed. They should also be the most efficient way of managing the risk in line with the country office's risk appetite for that particular risk area.
ii. Using the increased internal control and HACT capacity to enhance risk management through the timely collation and analysis of data from various information channels, enabling informed adjustments to planning and delivery of programme and operations.
iii. Coordinating efforts with other UN agencies for better identification, response and management of risks that are common to the UN system in Nigeria.

Responsible staff members: Deputy Representative Operations, Internal Control Specialist, Implementing partner specialist and Section Chiefs.
Target date: 31 December 2020

Programme strategies

The 2018-2022 country programme aims to demonstrate the value and affordability of investing in children's survival, growth, protection and development. The office had put the necessary strategies in place to pursue this. Programme effectiveness is tied to adequate implementation of such evaluative strategies; if they are not in place, there is a risk that scarce resources may be

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[4] HACT is the Harmonized Approach to CashTransfers, the framework used to obtain assurance on the correct use of funds by partners. See observation *HACT assurance activities* later in this report.
[5] PSEA: Prevention of Sexual Exploitation and Abuse.

wasted on interventions that do not have the desired results. The audit reviewed the implementation of these strategies. It noted the following.

Ongoing assessment of strategies: The office could not provide evidence of a systematic assessment of the programme strategies, and in particular those strategies that aim to mobilize Government resources (at federal or state levels) so that the programme's initiatives can go to scale. These assessments could have been done at meetings of the country management team, or at the end-of-year programme reviews. As it was, the office had limited assurance that the programme strategies were working as intended.

Implementation of models: There were a number of model initiatives being implemented in various programme areas. For example, UNICEF, together with Government and international partners, was piloting an innovative remedial learning programme (*Teaching at the Right Level*) in Borno State; it was also implementing Reading and Numeracy Activity (RANA), a pilot programme in two northern States to improve the quality of instruction in primary grades 1–3 in approximately 200 schools. These were interventions that the office hoped the Government or other partners would adopt and take to scale.

However, the documentation related to these models provided to the audit consisted mainly of concept notes, strategy papers or proposals to donors. This did not include all the needed information; for example it did not state what partnerships would be needed, the criteria for the choice of location or what the framework for monitoring the models would be. Moreover, there were no documented roadmaps for these models that would have clarified the ultimate results to be achieved and the key milestones.

The audit met a partner that was involved in the testing of a model, and confirmed that they had not been involved in its design, but had only been included for its implementation, without being given a clear understanding of what the expected results were and how those results would be used. This was a risk to ownership and could hamper future replication efforts.

Evaluation of programme components: Country offices are expected to evaluate significant programme/project components in order to determine their value and effectiveness. Six evaluations had been completed in the previous country programme (2014-2017), and three in the current country programme as of March 2020. Only one evaluation of a programme component had been undertaken. The rest were mainly thematic evaluations (these would not fill the gap; their purpose is different – they will look at one aspect of several programme components, but not the component itself as a whole.)

The Costed Evaluation Plan (CEP) for the country programme 2018-2022 and the 2020 Plan for Research, Integrated Monitoring and Evaluation (PRIME) did not include any other programme component evaluation. This means that the office will have undertaken the evaluation of only one programme component in two successive country programmes. The evaluations of the other programme components are important given that they are expected to address significant deprivation in health, education, child protection and nutrition. Lack of evaluation of these programmes poses a risk that poor results, and defects in their design (strategies, partnership, type of interventions), might not be detected.

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

i. Assess key programme strategies as part of the programme reviews.
ii. Establish road maps with key milestones for models being tested by the office, and use them as benchmarks to assess progress and take corrective actions as needed.
iii. Implement timely evaluations of key programme components and use the results to adjust strategies and activities.

Responsible staff members: Chief Management for Results (M4R) and Programme and Planning Specialists
Target date: 31 March 2021

Partnership management

UNICEF works with NGOs not only to deliver services for children, but to also advocate on behalf of children. In Nigeria, most of the NGOs it works with are active mainly in the humanitarian context. The audit noted the following.

Partnership strategy: For a country office, a partnership strategy is essential so as to ensure that it does not focus only on formal partnerships involving the transfer of funds, but also strengthening local capacities and making good use of informal, collaborative (non-formal) relationships. The audit reviewed the office's partnership strategy, which was approved in March 2019. The strategy, in accordance with the Grand Bargain,[6] was to focus on the strengthening of the capcity of local NGOs. The strategy also looked to re-engage with NGO partners with which the office had worked before shifting emphasis to humanitarian work. It also wanted to cement its comparative advantage as a knowledge leader, convener and advocate for children's rights.

However, at the time of the audit, this had not been put into practice; although the Lagos office was focusing on building collaborative relations with business, partnership with NGOs was still focused on relationships based around transfer of funds. There was no clear plan as to how some of the broad statements in the strategy would be operationalized.

Collaborative relationships and the CRC: In 2003, Nigeria passed the Child Rights Act, to bring the Convention on the Rights of the Child (CRC) into national law. Although the Act was passed at the Federal level, not all the states had adopted it.

The office's Child Protection section was leading UNICEF's efforts on implementation of the Act at state level. It told the audit that it collaborated closely with Child Protection Networks (CPNs),[7] traditional and faith-based organizations to leverage existing community resources for children.

[6] The Grand Bargain is a 2016 agreement between some of the largest donors and humanitarian organisations. It now includes 61 signatories, including 24 states, 11 UN agencies, 21 NGOs and a number of transnational organizations. It has a number of objectives, including transparency, efficiency and greater participation by beneficiaries. It also recognizes that local NGOs are often the first to respond to crises and commits signatories to engage with local and national responders and reinforce rather than replace local and national capacities. See https://interagencystandingcommittee.org/grand-bargain.

[7] These are coalitions of NGO and Government bodies that carry out practical work on child safeguarding in Nigeria, and also advocate implementation of the Child Rights Act at State level. They are active in over half Nigeria's 36 States.

However, the office said it could do this across all sectors through eTools[8] and the UNPP.[9] In fact, although the office does make use of these tools to identify NGOs for formal agreements, it had not so far extended this to collaborative/non-formal arrangements. In the meantime it was not clear how non-formal, collaborative partnerships and alliances with NGOs were being developed.

Local capacities: The partnership strategy stated that the Nigeria Country Office would focus on ensuring the strengthening of local NGO capacities, in accordance with the Grand Bargain. This also helps ensure that the relationship is indeed a partnership and not just a provision of a service by the NGO partner. However, the audit found that of the top 10 NGOs that had programme cooperation agreements, six had been chosen by direct selection,[10] and there was no indication that the office was trying to diversify its pool of partners and provide healthy competition whilst enhancing local capacities in civil society.

Partner contributions: Partner contributions are an important way to assess localization and capacity building. As the office continues to work with an NGO, it should be able to bring more to the table and operate as true partners, rather than service providers. The target should therefore be periodically reviewed for each partner – and the overall figure for local partnerships in general should also be kept under review, as an indicator of capacity development.

From March 2019, the office had set a target contribution of 5 percent and 10 percent for national and international NGOs respectively. The audit noted from an interview with one of the partners that while they did not expect technical support from UNICEF, they did want more funds for even basic operational costs, and provided a vague estimation of the value they had put in to adhere to the minimum contribution target. This indicated to the audit that the relationship hinged more on funding support than on what the NGO could bring to the table.

Agreed action 3 (medium priority): To operationalize the partnership strategy, the office agrees to:

i. Put in place a cross-sectoral mechanism that looks to expressly build collaborative/non-formal relations with appropriate NGOs, so as to increase and or enhance community resources and capacities in the service of children.
ii. Establish a clear strategy for building the capacity of the local NGO partners with whom the office has an established partnership, for long-term sustainability in furthering the rights of children.

Responsible staff members: Chief M4R and Implementing partner specialist
Target date: 30 June 2021

[8] A suite of tools designed by UNICEF to help offices keep track of various functions. The different components are currently being introduced across UNICEF offices.
[9] The UN Partner Portal, a site through which NGOs can find potential partners in the UN system. See www.unpartnerportal.org.
[10] Offices can select implementing partners through open or closed selection. With closed selection, the office will approach a single partner it thinks is appropriate, whereas open selection allows all potential partners to respond to a call for expressions of interest. Though open selection is not mandatory, it can increase efficiency gains and transparency. In this case, it would also have helped the office diversify its partnerships and engage more broadly with civil society in general.

Facilitators

Since 2016 the Nigeria Country Office had entered into long-term agreements (LTAs) with a professional services firm for the provision of “facilitators”. The facilitators were deployed to complement the efforts of UNICEF’s staff and were deployed across all programmes in all offices. Their duties include providing technical support to government counterparts, and conducting field monitoring.

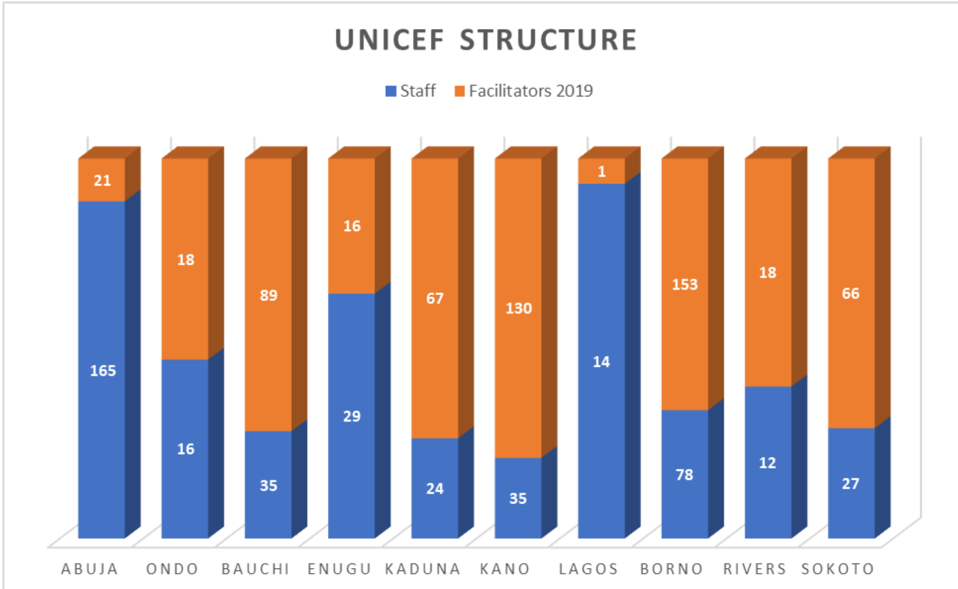
The office had originally pursued the facilitators model because it helped UNICEF work in areas where its own staff had no access. However, it was being used across a wide geographical spread of areas, including those where such access was not really a problem. While there were internal reviews carried out, there appeared to have been no overall review of the model, its efficacy or whether it was cost-effective. This is an area that has been raised in previous audits by OIAI. Moreover the use of third parties in programme delivery may raise important quality and ethical standards, along with sustainability challenges.

The audit reviewed the use of facilitators and noted the following.

Cost-benefit analysis*:* The service provider invoiced the office approximately US$ 16.04 million between 2018 and 2019. A review of the accounts in the general ledger showed that staff-related costs and payments for programme services, which included the facilitators, accounted for around 27 percent of the annual expenditure. The office could not provide evidence that it had performed a cost-benefit analysis and assessed sustainability.

Management**:** The LTAs specify that vendor is expected to manage (i.e. recruit, pay and assess) the facilitators independently of the programme sections, while ensuring that UNICEF’s core values and guidelines are respected. At the end of each LTA, a performance assessment of the vendor is conducted with three criteria: Timeliness of recruitment and salary payments; quality of recruitment; and monitoring of facilitators’ performance. This review is performed by the Supply section of the country office, who are not direct recipients of the service but base their review on the standard UNICEF supplier-performance review template provided by some of the sections in the various field offices.

The audit noted that this standard template was not necessarily linked to programme performance indicators or milestones. Also, the field offices stated that they were expected to review the facilitators’ performances monthly, but there was no clear link into the performance review done by the vendor. However, the office did tell the audit team that performance issues raised by the Chiefs of Field Offices are presented to the vendor in the monthly meetings held with the Chief of Suppy unit.



Deployment: The office used, on average, 579 facilitators in 2018 and 605 in 2019 to perform staff-like functions. They represented 57 percent of the total personnel deployed in 2019 and more than 60 percent were concentrated in six offices (Bauchi, Kaduna, Kano, Borno, Rivers and Sokoto).

The sections at field offices identified their needs for facilitators based on their respective workplans. However, the facilitators were used in varied ways. Some worked closely with staff in the office; some were deployed to Government institutions, and others operated in hard-to-reach areas. The service provider maintains a database of how they are deployed and by whom. The audit was not aware of any full reconciliation performed to assess the accuracy of the information.

Agreed action 4 (high priority): The office agrees to undertake a fundamental review of the facilitator mechanism, covering: the sustainability and effectiveness of the mechanism; a cost-benefit analysis; the adequacy of the identification and selection of the service provider; the selection and management of individual facilitators; and the annual review process, which should include performance indicators/milestones relating to the programme.

Responsible staff members: Chief of Field Services, Deputy Representative Operations, Deputy Respresentative Programme and Section Chiefs
Target date: 31 January 2021

Work planning

UNICEF offices agree workplans with their implementing partners. The workplans should detail outputs, indicators, targets, baselines, activities to be carried out, the responsible implementing institutions, timelines and planned inputs from the partners and UNICEF. Workplans serve as the basis for programme disbursements to partners. The workplans are key to mitigating the risk of unclear accountabilities, inadequate costing and non-achievement of results. As jointly-planned documents, they should also ensure buy-in and commitment from partners.

The audit noted the following.

Government partners: The audit team met two key Government implementing partners and found that the signed workplans were not used for the implementation of agreed activities. For example, one partner told the audit team that the implementation of activities was based on *ad-hoc* verbal communication between UNICEF Education staff and the corresponding focal point in the Government. The signed workplans were shared with high-level officials but not with the implementing partners themselves. This is a risk to ownership of the programme by the Government partner and could limit impact.

State workplans: State workplans are prepared by the field offices. For the preparation of 2020 workplans, the new country-office management provided more flexibility to the field offices in defining their targets and the related activities.

As part of this new approach, yet to be formalized, the country office stated that the Chiefs of Field Offices were accountable for delivering results in their respective states. However, this is not yet clearly mentioned in the country office's accountability framework, and the audit noted, from discussion with some programme section chiefs, that they still consider themselves as accountable for their sectoral results both at federal and at state level. This creates a risk that targets and activities at field-office level could be driven centrally instead of by the zone-office staff, who have a better knowledge of the needs and the local operating environment.

Budgeting: The funding source for the activities in the workplans did not distinguish between RR, ORR and ORE.[11] In fact the programme budget itself did not; the office prepared it by section for three years (2020-2022), based on a realistic estimate of the budget than could be mobilized , and it was used a reference for the workplan budgets.

In discussion with programme sections, the audit noted that there was no consideration of the programme budget ceilings (workplans are meant to reflect these). Moreover the audit could not assess the degree of alignment between the workplan budgets and approved budget in the country programme document, as the approved budget was not up-to-date in in UNICEF's management system, VISION. The budget is not a constant – it can be changed during the programme cycle – so should be updated in VISION; it did not appear to have been updated either there or anywhere else at the time of the audit. A lack of alignment of planned budgets with the approved ceilings increased the risk of underestimating resource mobilization needs – and non-achievement of planned results, in case planned amounts are below approved ceilings.

The audit noted also that the field offices were not provided with workplan budget figures for the annual state workplans before their discussion with their respective partners. This was a constraint in determining the scope of the activities.

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

[11] UNICEF offices deploy two basic types of funding, Regular Resources (RR) and Other Resources (RR). RR are core resources that are not earmarked for a specific purpose. OR are contributions that may have been made for a specific purpose and may not always be used in other ways 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 budget ceiling for the programme. In addition to this, however, OR can also include OR (Emergency), or ORE, which are normally donor funds given against an appeal to cope with a specific crisis. ORE does not count towards the budget ceiling, which defines the amount that may be spent on the regular programme excluding emergencies.

i. Ensure that Government implementing partners are fully informed of UNICEF's planning documents, and use them as references for the implementation of agreed activities.
ii. Include the latest clarified accountability for results at federal and state levels in the work-planning process, and provide field offices, in advance, with the information they need on the planned budget so that they can make the appropriate decisions during work planning.
iii. Strengthen the quality assurance process over the preparation of workplans to ensure that they adequately reflect the approved budget in its latest form.

Responsible staff members: Deputy Representative Programme, Chief M4R and Section Chiefs
Target date: 31 March 2021

Programme indicators

A UNICEF country programme includes a programme results matrix that should include indicators for all the outcome and output results.[12] These indicators should be accompanied by baselines, targets and means of verification (MoV). These indicators are essential to objective measurement of progress; without them, problems in implementation will not be identified and addressed on an ongoing basis.

The Nigeria Country Office had a comprehensive programme monitoring mechanism that allowed it to assess the progress of results against indicators, by field office and by result area. However, the audit noted the following.

Data availability: The usefulness of indicators is bound to be reduced if there is inadequate data with which to measure them. At the end of 2019, overall, data was not available for 7 percent of programme indicators, and data was incomplete/missing for an additional 7 percent. The Federal Capital Territory (FCT) had the highest percentage (67 percent) of incomplete/missing data on indicators, followed by the State of Sokoto (19 percent). For data that was not available at all, Borno State had the highest rate (21 percent), followed by Lagos state (19 percent) and Kaduna state (16 percent). The level of missing data is an indication of poor data management and raises questions about the UNICEF office's plan to objectively assess achievement of progress and, if necessary, make adjustments to implementation.

The rate of indicators fully achieved by result area varied between 15 percent (*Social inclusion* programme) and 69 percent (HIV/AIDS programme). (It should be noted that these figures reflect the availability of data as well as the level of achievement.) The percentage of indicators that were fully achieved varied between 26 percent (FCT) and 66 percent (Akure state).

Focus/non-focus States: Progress in non-focus states was higher than in focus states, with indicators fully achieved of 58 percent and 53 percent respectively. It was not clear why. The focus States are those in which the office had chosen to concentrate its efforts. There could be more

[12] An outcome is a planned result of the country programme, against which resources will be allocated. It consists of a change in the situation of children and women. An output is a product or activity that contributes to such a change but does not in itself constitute that change. UNICEF requires that the distinction be clear in results planning.

than one reason for this, but the audit could not find evidence that the office had analysed and addressed them.

The audit noted that all the results were rated on track in the Results Assessment Module (RAM), the global online portal to which UNICEF offices upload their results. The RAM, as it is designed now, does not reflect the disparities in achievement of results by field office and between focus and non-focus States.

Reporting: The MoV given in the RAM, and in the Country Office Annual Report, were in some cases not correct. As an example, data that actually was collected using the local government information system was referred to as arising from field-trip reports, and data that would have required a specific approach, such as Knowledge, Attitudes and Practice surveys (KAP),[13] was referred to simply as as "Other".

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

i. Review data gaps for key indicators, and ensure there are appropriate sources or proxies to address these gaps and that steps are taken to minimize future gaps in data.
ii. Analyze the reasons for the discrepancy in achievements between field offices and result areas with particular attention to focus states and non-focus states, and take corrective action accordingly.
iii. Ensure that the sources for information given on results indicators in the RAM and annual report are precise, and that surveys/studies are planned for those indicators for which such sources are not available.

Responsible staff members: Chief of Sections and Chiefs of Field Offices
Target date: 31 January 2021

Protection from sexual exploitation and abuse (PSEA)

The IASC[14] provides guidance and tools for two key system-wide priorities: Accountability to Affected Populations (AAP) and Protection against Sexual Exploitation and Abuse (PSEA). Both priorities are applicable in development contexts as well as humanitarian action, though such risks are elevated in humanitarian contexts.

AAP demands a coherent community-based complaints mechanism. The absence of one means that an organization might not know whether an intervention is meeting the needs of the intended beneficiaires. A complaints mechanism is also a means by which cases of SEA can be identified and responded to, in order to enforce UNICEF's zero-tolerance policy in this area.

The audit reviewed how the two priorities had been embedded across the programmes. It found that PSEA and Safeguarding had been positioned within the child-protection section. This on its own is not a problem as child protection has the expertise to guide what needs to be done.

[13] A KAP looks at a target group's perceptions and practices in a given area (such as handwashing or vaccines) and is used to help design interventions intended to change people's behavior in that area.
[14] The IASC is the Inter-Agency Standing Committee, established by a decision of the UN General Assembly in 1992. It works in countries where there is a humanitarian response, and coordinates the humanitarian response of UN and other bodies. See https://interagencystandingcommittee.org/iasc/.

However, speaking to various staff, the audit found there was a lack of clarity of understanding of the conceptual differences between safeguarding and PSEA (and sometimes gender-based violence, or GBV). There is a need to ensure staff are clear on what each of these terms mean and understand appropriate responses with respect to each.

PSEA scale-up plan: PSEA is not the responsibility of UNICEF alone and the PSEA scale-up plan underscores the need for enhanced UN coherence on PSEA. It is also important to increase understanding that PSEA is relevant in all UNICEF operations, not only in humanitarian settings. The office should address this in its cross-sectoral approach and ensure that, in UNICEF at least, it is scaled up and adopted across the board.

Community-based complaints mechanisms (CBCMs): The PSEA network in Nigeria, of which the UNICEF office was an active member, had drafted a proposal for a CBCM, but it had not been approved by the UN Resident Coordinator because of concerns on data protection. The audit found that there were nonetheless some channels of feedback. U-Report,[15] end-user monitoring on the use of supplies, and village committees can help (though the latter are said to be male-dominated). Also, the child-protection section had recently set up a PSEA hotline. However, these did not on their own constitute an effective CBCM, and the UN recognizes that the best set-up for a CBCM should be a joint effort, as it would be a large undertaking for a single organization.

When setting up a CBCM, the office should also set up mechanisms to collate, sort and analyze the data, as well as ensure there are secure channels for SEA-related complaints.

Agreed action 7 (medium risk): The office agrees to:

i. Review the positioning of PSEA in the office, ensuring that even if the child-protection section remains the lead in the cross-sectoral approach, there is a clear understanding throughout the office of the conceptual differences between child safeguarding and PSEA responsibilities.
ii. Set up a coherent CBCM within UNICEF using the tools already in place and any other channels UNICEF can afford to install. Pursue system-wide collaboration on such mechanisms with other UN bodies in Nigeria, to ensure that within the UN efforts are not duplicated and there are no gaps.

Responsible staff members: Chief of Child Protection, Chief of HR and National PSEA focal points
Target date: 30 June 2021

Contributions management

The audit assessed grant management to establish whether funds were utilized on time, and whether financial commitments were expended before the financial closure of the grants. It noted the following.

Grant expiry: Grants have a limited period of validity, after which they may have to be returned to the donor if not spent. If they are utilized close to the deadline in order to avoid this, their use may not be efficient or well-planned.

[15] A social platform, created by UNICEF, that enables young people to use SMS, Facebook and Twitter to express their opinion and help bring about change in their communities.

The audit reviewed the data in the system and found that as of February 2020 there were five grants expiring between March and April 2020 that between them had unutilized amounts totalling US$ 46.6 million. In four instances, the unexpended amount exceeded 15 percent of the programmable amount. In one case, 47 percent, or US$ 31.7 million, of a grant had not been utilized. In another instance 18 percent of a grant was still to be utilized and an extension had been submitted due to delays in implementation. The office attributed the need for a grant extension in this case to the delays in obtaining local authorities' authorization due to lack of manpower. However, these reasons had not been substantiated or analyzed. In general, the office had not analyzed or verified the main reasons for grant extensions.

Grant extensions might be perceived as an indication of poor planning and/or limited implementation capacity; they can thus create a reputational risk with donors.

Funds commitment: The audit analyzed all transactions posted within 45 days of grant expiry for the period of January 2018 to February 2020. In all 203 of these cases, the office committed funds of US$ 4.9 million through purchase orders and transferred US$ 9 million in direct cash transfers (DCTs) to implementing partners within 45 days of grant expiry. A high percentage of unutilized funds on grants nearing expiry date increases the risk of errors and inappropriate transactions, due to rushed processing of commitments. There is also a risk that funds will be used less efficiently.

Agreed action 8 (medium priority): The office agrees to strengthen oversight controls over grants management to ensure that grants are efficiently and effectively utilized in reasonable time before the expiry date.

Responsible staff members: Deputy Representative Programme and Chief of HR
Target date: 31 December 2020

Cash transfers to implementing partners

Cash transfers to implementing partners amounted to US$ 233.8 million, or 49 percent of the Nigeria Country Office's total expenditure, over the period January 2018 to February 2020. Of these transfers, US$ 73.5 million (31 percent) was for Health, US$ 65.2 million (28 percent) for WASH, US$ 44.8 million (19 percent) for Education and US$ 17.4 million (7 percent) for Nutrition. The office disbursed funds to 369 implementing partners from January 2018 to December 2019.

The office used a combination of DCTs (47 percent) and direct payments (49 percent) to reduce risk exposure (with DCTs, the partner receives the funds and can spend them; with direct payment, UNICEF pays for the expenses of an activity, making payments to third parties itself). As of 5 February 2020, 98.7 percent of direct cash transfers had been outstanding for an acceptable period of under six months before liquidation.

However, the audit also noted the following.

Direct cash transfers (DCTs)*:* In December 2019 the country management team meeting highlighted the poor quality of supporting documentation for FACE forms.[16] Lack of proper supporting documentation reduces the reliability of FACE forms as a risk mitigation tool, increases transaction processing times, as it leads to the rejection of the fund disbursement request by the finance unit, ultimately resulting in late implementation. Proper due diligence at an early stage of the payment processing is needed to detect errors and missing information and to ensure FACE forms are able to be used most effectively.

Direct payments*:* The use of direct payments reduces the risk of partners' mismanagement of UNICEF funds, as it requires them to provide evidence, such as invoices and contracts for services, to justify reported expenses – and UNICEF makes payments directly to vendors.

However, direct payment has its own challenges and risks. Rigorous due diligence is needed to ensure accuracy and completeness of information. Also, timely registration of vendors in UNICEF systems is critical to avoid payment delay – an issue raised by NGO partners interviewed by the audit. One commented that late payment of daily subsistence allowance (DSA) discouraged workshop participants from attending future activities and was bad for credibility. The audit notes that the office had taken steps to address issues related to such processes – for example, implementation of a service gateway to assist work allocation within the finance unit, measure performance and enable the identification of trends across the financial process. Also, the finance unit was working on the preparation of a capacity development plan for UNICEF staff.

Low-value transactions*:* The office issued approximately 3,622 DCTs from January 2018 to February 2020, of which 39 percent or 1,409 transactions (with a total value of US$ 3.4 million) were low-value DCTs (US$ 5,000 or less). A high volume DCTs, particularly of low value, increases transaction processing cost and staff workload, and can reduce an office's capacity to control all fund disbursements.

Agreed action 9 (medium priority): The office agrees to:

i. Identify the root causes of internal bottlenecks leading to late disbursements of cash transfers to partners and establish appropriate mitigating measures to minimize the impacts of this risk.
ii. Identify the root causes of low-value transactions and establish appropriate mitigating measures to minimize them.

Responsible staff members: Finance manager
Target date: 31 January 2021

[16] The Funding Authorization Certificate of Expenditure (FACE) form is used by the partner to request and liquidate cash transfers. It is also used by UNICEF to process the requests for and liquidation of cash transfers.

HACT assurance activities

UNICEF country offices are required to ensure that funds disbursed to implementing partners are used for the intended purposes and not misused, diverted or lost to fraud, waste or abuse. To provide reasonable assurance of this, UNICEF (and two other UN organizations) use the Harmonized Approach to Cash Transfers (HACT). This is a risk-based system under which an office will assess the risk involved in working with a particular partner, and set the frequency of assurance activities accordingly. These activities include programmatic visits (to check the intervention is being implemented as planned), spot checks of a partner's financial management, scheduled audits (over a certain cash level), and special audits if needed.

The office had transferred approximately US$ 41.3 million to NGO and Government partners that had been rated as high risk. To address the complex programming context, in the last quarter of 2019, the office increased HACT and Operations capacity at country-office and field-office levels and adopted eTools. These measures were aimed at bolstering HACT assurance activities.

The audit assessed the office's HACT processes and monitoring mechanism, and noted the following.

Programmatic visits: The primary objective of a programmatic visit is to verify that activities are being implemented, and that results are being achieved as planned and reported by the implementing partner.

The audit sampled 10 reports from such visits. It was noted that in seven instances, while the report briefly stated the implementation activities were on track, these statements were not substantiated or compared against the annual workplan targets. Further, in seven cases, the visit included project sites or attendance at activities such as training, but failed to obtain feedback from the beneficiaries. In six cases, the reports did not describe the extent to which the recipients had been reached.

Six reports, which included programme supplies monitoring, failed to provide information regarding the storage conditions or total supplies held by the partners at the time of the visit. Moreover end-user monitoring of supplies was mainly limited to obtaining confirmation from the partner on the distribution of supplies.

Follow-up*:* Action points emerging from assurance activities are recorded in eTools, to assist follow-up. The audit noted that programmatic visits did include the follow-up of spot-check findings and recommendations. As of 10 March 2020, however, the eTools monitoring dashboard showed that 94 out of 124 action points were overdue for more than three months beyond the office's deadline for their implementation. These included at least 46 high-risk findings. Timely follow-up and resolution of high-priority recommendations would strengthen the financial management capacity of implementing partners.

Agreed action 10 (medium priority): The office agrees to enhance quality assurance over programmatic visits to ensure key elements are properly documented whenever applicable, including progress towards expected results, verification of results and end-user monitoring; also, expedite the resolution of overdue action points allocated to programme staff.

Responsible staff members: Implementing Partner Specialist
Target date: 31 January 2021

Procurement of supplies

From January 2018 to March 2020, the Nigeria Country Office procured approximately US$ 101.9 million-worth of programme supplies. The audit reviewed the systems and processes in place to ensure quality of programme supplies and timeliness of delivery to beneficiaries. The office said it faced challenges due to lengthy customs clearance process and weak capacity of implementing partners, which affect supply delivery by vendors. The office had taken steps to address the situation, including the use of multiple ports to reduce transportation costs and delivery times for supplies procured offshore.

The audit noted the following.

Procurement: The 2019 procurement plan had been drawn up taking into account the programme sections' needs at country- and field-office levels. However, the office's own end-year analysis of planned *vs.* actual procurement showed substantial deviations. As of December 2019, the Health section had exceeded their expected procurement expenditure by 154 percent. In contrast, Education and C4D sections procured less than 45 percent of the planned amount. Moreover, VISION reports showed that 203 purchase orders (US$ 4.9 million) were created within 45 days of grants expiry – which carries a risk of inefficient or unplanned procurement (see also observation *Contributions management*, above).

The audit noted that US$ 13.2 million-worth of local supplies, equivalent to 60 percent of supplies procured locally, were delivered to UNICEF 20 or more days late. Goods received late included education, health, nutrition and WASH supplies. Feedback obtained from donors indicated that in some instances, the contracting of services also experienced delays. The office said that that in some cases, it faced difficulties coordinating with Government counterparts. For example, the approval process for artwork tends to be lengthy, affecting agreed timelines.

Supplies storage and distribution: As of March 2020, the office had US$ 8.3 million dollars' worth of supplies stored in seven different locations. VISION reports showed that inventory consisted mainly of items concerned with nutrition (71 percent), WASH (12 percent) and Education (8 percent).

The supply unit monitors multiple key performance indicators pertaining to inventory management and service contracts, and shares the information with programme sections monthly. The February 2020 monitoring report showed impaired supplies valued at US$ 128,667, mainly composed of expired nutrition supplies; and US$ 618,293 in items with a short expiry date. From January 2018 to March 2020, the office distributed approximately US$ 85.3 million worth of supplies.

In 2019, the office improved supply distribution by shortening the time it took to complete a shipment. For example, delays in the Maiduguri warehouse showed an average of 36 percent (15 days) reduction compared to 2018. However, the audit noted that 40 percent of the sales orders – US$ 30.3 million in supplies – were distributed more than 15 days after the recommended date for delivery. Feedback obtained by the audit from NGOs included the need to expedite supplies delivery to ensure programme activities were implemented as planned. Similar issues were highlighted in the programmatic-visit reports.

Agreed action 11 (medium priority): The office agrees to enhance the planning process for procurement and distribution of programme supplies to ensure items are made available on time.

Responsible staff members: Deputy Representative Operations, Deputy Representative Programme and Chief of Supplies
Target date: 31 March 2021

Volunteer Community Mobilizers (VCMs)

UNICEF is a key partner in Nigeria's fight against polio and leads the demand generation, social mobilization, community engagement and supply components of the programme. The Nigeria Country Office has deployed over 18,500 Volunteer Community Mobilizers (VCMs) in polio high-risk areas. The VCM-network is the community-based structure that tracks and identifies missed and non-compliant children between polio vaccination campaigns.

The audit noted the following with regard to the VCMs.

Payments issues: Although these mobilizers are selected on a voluntary basis, they receive a stipend to cover their work's expenses. Prior to July 2019, these payments were made in cash through third parties. However, due to continuous delays in payments, the large number of them to be managed, and the hazards of cash distribution in high-risk areas, the office had changed the payment scheme. Starting from July 2019, the payments were made by direct bank transfer to the individual bank accounts of VCMs.

This new approach improved the payment process, but still involved a number of issues. At the time of the audit in April 2020, transactions for 1,182 out of 18,500 beneficiaries for the period of July to December in 2019 had yet to be processed. For February 2020 payments, 2,691 out of 18,457 VCMs' bank accounts uploaded to the bank payment platform were inconsistent with the official bank data. This required additional work before processing the payments. The audit conducted sample testing to confirm the existence of the VCMs. The sample tested showed instances where payments were made to a particular bank account number in December 2019 and January 2020, but the name of the VCM to be paid was different although the bank account number was the same.

These payment delays and failures were mainly due to the lack of data integrity checks. This included discrepancies between the VCM data collected by the third party responsible for the identification and supervision of the VCMs, and the official bank data for each VCM. This increased the risk of fraudulent payments and damage to UNICEF's reputation from the late payments.

Data management: The audit noted that there were inadequate measures to limit certain access in order to prevent errors or data manipulation. It was found that the payment process started with VCMs' data from the system of a third-party vendor, and was checked by the vendor's data consultant and state lead at each field office. These lists were reviewed by UNICEF staff in Abuja office and then finance staff compile them to execute the payment. Further, certain sensitive VCM data were not stored with the necessary precautions to protect data privacy, which could have reputational consequences for UNICEF.

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

i. Review the VCM data maintained in the third-party system to ensure data consistency with the bank official data, and implement mechanisms to ensure this consistency is maintained when new VCMs are registered.
ii. Enhance data protection so as to prevent data alteration and leakage anywhere in the process involving VCMs.

Responsible staff members: Immunization Specialist and Information Management Specialist
Target date: 31 March 2021

Annex A: Methodology, and definition of priorities and conclusions

The audit team used a combination of methods, including interviews, document reviews, and testing samples of transactions. The audit compared actual controls, governance and risk management practices found in the 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 regional 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 regional-office management but are not included in the final report.

Conclusions

The overall conclusion presented in the summary falls into one of 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 office 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 the office 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 the office needed improvement to be adequately established and functioning.

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