

Internal Audit of the Pakistan Country Office

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and Investigations



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Contents

Summary	3
Objectives	5
Observations	5
Polio eradication	5
Fraud risk management	8
Prevention of sexual exploitation and abuse	9
Data on children and women	11
Results structure and reporting	11
Programme supplies and contracts for services	13
Assurance activities	15
Partnership management	16
Annex A: Methodology, and definition of priorities and conclusions	18

Summary

The Office of Internal Audit and Investigations (OIAI) has conducted an audit of the Pakistan Country Office. The objective of the audit was to provide assurance over the office's governance, risk management and internal control processes, with a focus on key risks and activities. The audit was conducted remotely from 14 September to 19 October 2020. The audit covered the period from January 2019 to September 2020.

The overall approved budget for the 2018-2022 country programme is US\$ 600 million (US\$ 156.3 million from Regular Resources and US\$ 443.7 million from Other Resources). The office consists of a national office in Islamabad and four zone offices in Karachi, Lahore, Peshawar and Quetta. There are 324 approved posts, of which 164 are in the zone offices. They include 47 international professionals, 172 national officers and 105 general service staff.

Key risks identified for this audit

Prior to the audit, the audit team conducted a risk assessment so as to identify and focus on the most significant key risks. They included the risk of an ineffective and untimely polio response that could constrain polio eradication, given the increase of polio cases since 2019. The polio eradication budget (US\$ 231 million) represents 38.5 percent of the 2018-2022 Pakistan country programme budget. The audit also looked at the risk of inadequate management of the risks around sexual exploitation and abuse (SEA), including the safety and accessibility of reporting mechanisms and whether there was an effective victim-centred response.

Other areas the audit looked at included potential gaps in the assessment of fraud risks involving staff, vendors and implementing partners, including reporting of specific allegations of fraud reported to OIAI. The risks of fraud involving misuse of funds by third parties, and procurement irregularities, were high given the operating environment. The audit also looked at risks created by unrealistic procurement planning, weak monitoring and late distribution of programme supplies to end-users.

Results of the audit

The audit noted several areas that worked well. Most importantly, the office had adjusted its workplans promptly to respond to COVID-19 pandemic, in accordance with the UNICEF guidance.¹ The office also prioritized accountability to the affected population and community engagement. The office's contribution was recognized by Government counterparts, partners and donors. Various stakeholders, including Government counterparts, commented positively on the quality of the office's risk communication and community engagement.

The office had implemented various initiatives to mitigate the impact of the pandemic on staff wellbeing, such as weekly information sessions with staff counsellors and meditation, and flexible working arrangements. It had set up a knowledge-sharing hub to communicate COVID-19 materials and information.

However, the audit identified several areas where key risks to UNICEF's activities could be better managed and mitigated. Quality assurance over results reporting was insufficient; eight out of nine sampled result statements largely relied on partner reporting without the office's independent

¹ Guidance Note on Programming Approaches and Priorities to Prevent, Mitigate and Address Immediate Health and Socio-economic Impacts of the COVID-19 Global Pandemic on Children.

validation of the accuracy of data. This can damage UNICEF credibility and weaken accountability for results.

The audit also noted weaknesses in procurement. The office had procured US\$ 158 million of programme supplies and services (including construction) from January 2019 to August 2020. However, it had conducted only one supply-related end-user monitoring visit in 2019, well below the 36 visits planned in the workplan; and there had been no end-user monitoring since the onset of the COVID-19 pandemic. There was a high number of contract amendments. There were also approximately US\$ 8.6 million-worth of purchase orders initiated close to grant expiry date from January 2019 to July 2020, which suggests poor planning and could reduce the value for money obtained. Unrealistic planning in general, ineffective monitoring and late distribution of programme supplies to end-users would all make it harder for the office to get the best value when procuring supplies and services.

The office paid direct cash transfers amounting to US\$ 47.5 million to implementing partners during the period of 1 January 2019 to 4 November 2020. However, follow-up of findings from assurance activities was not always done promptly, in one case not until up to eight months after issue of the report. This could impede timely recovery of ineligible expenses and delay needed improvements in financial management by partners – or risk continued misuse of funds.

The audit team also found delays to programme implementation caused by late Government approval of NGOs with which UNICEF worked. They are required to obtain a Government ‘no-objection certificate’ (NOC) at provincial level to implement programme activities in various districts. Delays due to late NOC authorization impeded implementation of sampled programme activities.

The office had reported no sexual exploitation and abuse (SEA) case involving UNICEF staff or those of implementing partners. To mitigate the risk of under-reported SEA and an insufficient support to SEA victims, the office was working with provincial governments to introduce Child Protection Case Management and Referral Systems at the time of the audit.

Actions agreed

Following discussion with the audit team, the office has agreed to take several measures to address the risks identified. Two of these measures are ranked by the audit as high priority – that is to say, requiring immediate management attention. These are as follows.

Polio: To minimize the risk of refusal of polio vaccination, the office agrees to refine its approach to community engagement, so as to address root causes of increasing community mistrust. It will review its oversight approach, and will also assign resources to ensure effective recruitment and performance of community-based vaccinators (CBVs). To increase accountability and effectiveness, the office – together with UNICEF HQ and its partners in the Global Polio Eradication Initiative (GPEI²) – should advocate clarification of roles and responsibilities of the various GPEI partners and the Government.

Moreover, the office should also assess the effectiveness of the grievance redressal mechanism (GRM³) established in the third-party community-based vaccinators structure, as part of the independent review of third-party service providers in the polio eradication programme. Following

² The Global Polio Eradication Initiative (GPEI) is a major public-private partnership led by national governments and spearheaded by four organizations: World Health Organization (WHO), Rotary International, the US Centers for Disease Control and Prevention (CDC) and UNICEF.

³ A GRM is a formal, legal or non-legal complaint process that can be used by individuals, workers, communities and/or NGOs affected by exploitation and abuse.

this assessment, the office will, as appropriate, take steps to strengthen the reporting and response mechanism to prevent sexual exploitation and abuse.

Risk management: The office agrees to reassess the fraud risk assessment framework to ensure it adequately reflects the operating environment, the significance of specific instances and allegations of fraud, and residual risks of fraud after implementation of mitigating measures. It should also ensure the results of assurance activities are adequately analyzed to identify red flags for fraud and misconduct, and specific instances of fraud are reported to OIAI for advice and investigation as appropriate.

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 country office's governance, risk management and internal controls were generally established and functioning during the period under audit. The Pakistan Country Office, the Regional Office of South Asia and OIAI will work together to monitor implementation of the measures that have been agreed.

Objectives

The objective of the audit was to provide independent and objective assurance regarding the adequacy and effectiveness of the governance, risk management and control processes over a number of key risk areas in the country office. The audit team conducted the work remotely from 14 September to 19 October 2020 and the audit covered the period from January 2019 to September 2020.

This report presents the more important risks and issues found by the audit, the measures agreed with the client to address them, and the timelines and accountabilities for their implementation. It does not include lower-level risks, which have been communicated to the client during the audit.

Audit observations

Polio eradication

The polio eradication programme budget, at US\$ 231 million, represents 38.5 percent of the 2018-2022 country programme budget of US\$ 600 million. As of the time of the audit, the polio programme was 87 percent funded (US\$ 222 million). From 2018 to 10 October 2020, the office had spent US\$ 206 million (93 percent) of this on local contracts for services, offshore procurement of polio vaccines and UNICEF staff salaries to eradicate polio. The goal in the current 2018-2022 country programme is to ensure caregivers of children under five continue to accept and demand polio vaccinations and have access to quality vaccines; polio eradication is envisaged by 2022.

The audit reviewed whether the key risks to a timely, effective polio campaign in Pakistan were well mitigated. It noted the following.

Current status: The number of polio cases had increased significantly since 2017, as noted in table 1 below.

Table 1: Polio cases, 2017-2020

	2017	2018	2019	2020 (as of 10 October)
Wild poliovirus type 1	8	12	147	79 (in comparison to 83 in 2019 as of the previous October)
Circulating vaccine-derived poliovirus type 2	-	-	22	74

Source: Monthly polio updates from the Pakistan Polio Eradication Programme (<https://www.endpolio.com.pk/media-room/pakistan-polio-update>)

Though the office, together with implementing partners, had vaccinated 39.5 million children (100 percent of its target) against polio in 2019, the percentage of children that had not received any vaccination in tier 1, 2 and 3 districts (tier 1 represents highest risk, based on previous polio occurrence) also increased, from 0.6 percent in 2018 to 1.1 percent in 2019.

Further, the percentage of children who missed vaccination during the campaigns in the same tier districts also increased on average, from 1.4 percent in 2018 to 8 percent in 2019. The office said that these increases were largely due to community mistrust in some high-priority areas. Despite action taken to address the mistrust in vaccination, the percentage of children who missed vaccination due to refusal of parents or caregivers increased from 0.1 percent in 2017 to 0.34 percent in 2018 and then to 4 percent in 2019. (There were large disparities among provinces, ranging from 4.3 percent in Khyber Pakhtunkhwa to 1 percent in Punjab.) Further, the percentage of children who missed vaccination because they were absent at the time of vaccination also increased, from 1 percent in 2017 to 0.9 percent in 2018, and then to 4 percent in 2019.

One-Team approach: The Global Polio Eradication Initiative (GPEI) is a major public-private partnership led by national governments and spearheaded by four organizations: the World Health Organization (WHO), Rotary International, the US Centers for Disease Control and Prevention (CDC) and UNICEF. Since 2015, the GPEI in Pakistan has made significant efforts to build a One Team approach; GPEI partners work as “one team under one roof” under the leadership of the Government at Emergency Operations Centers (EOCs). GPEI staff jointly develop programme strategies, share information and review and agree upon any adjustments to programme delivery as a team.

However, the audit team’s interviews with GPEI partners suggested that the One-Team approach was not functioning as expected in Pakistan. This was also evident from a 2019 independent management review conducted by the Technical Advisory Group⁴ (TAG) and an external independent consulting firm. They found multiple parallel lines of authority across partner organizations, with overlapping terms of reference for individual roles. They also found an absence of clear ownership of, and accountability for, the vaccination programme – particularly at the District and Union Council levels. Further, some key stakeholders told the audit team there was a need to determine which GPEI partner is best suited to fulfil specific roles and responsibilities. At the time of the audit, the GPEI Steering Committee was undertaking a review of the partnership roles and responsibilities.

Further, the GPEI included, in the recent National Emergency Action Plan, a strategy to modernize the

⁴ The Technical Advisory Group (TAG) was established to review progress towards poliomyelitis (polio) eradication in specific countries, assess implementation of previous TAG recommendations, discuss planned activities and issue recommendations to address constraints facing national programmes in achieving their targets. Meetings are attended by country-specific TAG members, national representatives and partner organizations, both international and regional (*Source: WHO webpage*).

One Team approach during 2020 to respond to stakeholders' requests for improvements. Stakeholders were also considering adding new partners. As of the time of the audit, it was too early to measure the impact of this new strategy.

UNICEF responsibilities: UNICEF's core responsibilities in the GPEI included procurement and delivery of vaccines; communication and social mobilization; and community-based vaccination in Pakistan. The audit found that GPEI partners were satisfied with the procurement and delivery of vaccines (see also observation *Programme supplies and contracts for services*).

The office stated that it had made good progress in implementing the recommendations of the 2019 independent management review and advisory groups' recommendations (for example, it had drawn up a separate communication strategic framework). However, the office also reported that community trust in the polio programme remained low in some high-priority areas, despite efforts on communication and community engagement. The UNICEF polio team acknowledged that the analyses by the office's anthropologist had not been sufficiently used to refine the office's engagement in priority communities. Anthropological tools focus on the cultural and social context of human behaviour and can build understanding of the drivers behind vaccination refusal.

The audit also noted that the office had contracted two service providers, for a total value of US\$ 94 million, to hire and manage local community-based vaccinators (CBVs) from January 2019 to August 2020. The CBVs administer house-to-house oral polio vaccine (OPV). From 2019 to September 2020 the number of community-based vaccinators (CBV) decreased from 18,770 to 13,500, of which 87 percent female. The decline in numbers reflected a more targeted use of CBVs in high-risk areas.

The third-party service providers had standard operating procedures (SOPs), endorsed by UNICEF, to hire CBVs and manage their performance. These SOPs allowed UNICEF to validate about 10 to 20 percent of CBVs recruitment, and to visit interview venues to monitor recruitment below the Union Council⁵ level. However, the audit found that the office only oversaw and quality-assured the final selection of CBVs above that level, though most recruitment was below it. Further, though the service providers had a good system to train CBVs, there was no rigorous performance management system in place to monitor and review the quality of the CBVs' work. Insufficient oversight of the recruitment and performance management of CBVs by the office could reduce their effectiveness and could affect key stakeholders' confidence.

At the time of the audit, the office was planning to strengthen oversight of service providers through independent review of the CBV recruitment process, and regular quality assurance of their work.

Grievance redressal mechanism: There was a grievance redressal mechanism (GRM) established in the third-party CBV structures, for reporting on and responding to sexual exploitation and abuse cases. A GRM is a formal, legal or non-legal complaint process that can be used by individuals, workers, communities and/or NGOs affected by exploitation and abuse.

The audit found the GRM needed improvement.⁶ Third-party vendors, contracted by the office to manage CBV staff, are responsible to conduct investigations of SEA cases. The office did not monitor

⁵ The Union Council is the fifth and lowest level of government in Pakistan.

⁶ Any staff member who is 'aggrieved' by an act of harassment, discrimination or misuse of power is expected to file a written complaint to the concerned focal person on prescribed phone numbers. No anonymous complaints are entertained. Employees who face allegation have the right to being informed that he/she has been made subject in the complaint; the opportunity of being heard; and the right of fair play and appeal. According to the office, naming the offender was optional.

and report on the quality of the third-party vendors' investigation work. For instance, the office did not know which investigation standards and protocols had been used by third-party vendors. Moreover, the audit team found that members of the Government's supervisory body—responsible for coordination, provision of technical support and ensure quick decision-making on SEA cases—might not have the required technical skills to review and decide what to do with SEA cases because they were not recognized as PSEA subject-matter experts. (See also observation *Prevention of sexual exploitation and abuse*.)

The case database maintained for the 13,500 community-based vaccinators (CBVs) for the polio programme, frontline workers, showed an unexpected low number of cases (11) categorized as PSEA/SEA/SHAA (Sexual Harassment and Abuse of Authority) from June 2017 to September 2020. The database showed that six had been reported to OIAI, two to UNICEF's Regional Office for South Asia and one to WHO. The remaining two cases, which occurred in 2018, had not been reported.

The GRM in the CBV structure did not fully enable safe and accessible PSEA reporting. An ineffective victim-centred reporting and response system increased the risk that SEA/sexual harassment might be underreported. It could also mean that the support provided to SEA/SH victims might be insufficient.

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

- i. Refine its approach to community engagement to address root causes of increasing community mistrust. To this end, it will make full use of the results of anthropological analysis to minimize polio vaccine refusal.
- ii. Together with UNICEF HQ and GPEI partners, advocate the clarification of roles, responsibilities and authority of One Team members (GPEI partners and the Government), so as to increase accountability and effectiveness. The assignment of roles and responsibilities should consider each member's comparative advantages. (At the time of the audit, the GPEI Steering Committee was undertaking a review of the partnership roles and responsibilities.)
- iii. Review its oversight approach to ensure effective recruitment and performance of CBVs hired by contractors, and assign the resources needed for this oversight. Conduct an independent review of the recruitment process of CBVs by third-party service providers and ensure regular quality-assurance review of their work. If feasible the review should be done jointly with WHO, a key GPEI partner.
- iv. Assess the effectiveness of the GRM established in the third-party community-based vaccinators structure, as part of the work on PSEA and the independent review of third-party service providers in the polio eradication programme. Following this assessment, the office will, as appropriate, take steps to strengthen the reporting and response mechanism to prevent SEA.

Responsible staff members: Chief of Polio

Date by which action will be taken: June 2021

Fraud risk management

The audit reviewed whether the office had effective measures to prevent, detect and deter fraud, and report allegations and indicators of fraud to OIAI. In 2018-2019 the office had trained staff to identify red flags (or potential danger) related to partner and vendor fraud in procurement. However, the audit noted the following.

Fraud risk assessment: The office's annual risk assessment included a review of the potential risks of fraud and misconduct. In March 2019, the office identified six very high inherent risks in these areas. The residual risks⁷ for each were rated as one medium and five low in July 2020. This was a significant reduction of the rating from inherent to residual fraud risks. However, the audit found that it was not properly justified. The likelihood and significance of misuse of programme funds by third parties, and of procurement irregularities, were still high considering the recent 10 instances of possible fraud submitted to OIAI for investigations. Only two of these had been identified by the office.

Further, the mitigating measures to address inherent fraud risk were not sufficiently tailored to a high fraud-risk environment. (Transparency International ranked Pakistan as 120 out of 198 countries on the 2019 Corruption Perception Index.) Moreover, the COVID-19 pandemic has likely worsened the financial capacity of partners with which UNICEF deals, which might increase the risk of fraud.

Reporting to OIAI: In 2019, three audit reports of implementing partners had a qualified audit opinion, or a disclaimer stating that no opinion could be given. There was insufficient evidence to determine whether the office had adequately examined these three audit reports to identify red flags for fraud. One audit report contained five high-priority financial findings with red flags of fraud – which means that a fraud relating to suspected misuse of UNICEF funds might possibly have taken place. But the office had not reported this to OIAI for investigation. Further, following a discussion with the partner in question in June 2020, the office had disagreed with three of the five financial control weaknesses and had closed all action points – without consulting the audit firm that had conducted the audit. After the OIAI audit, the office reversed its decision and followed up with the audit firm and the partner on these three financial findings. (See also observation *Assurance activities*).

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

- i. Reassess the fraud risk assessment framework to ensure it adequately reflects the operating environment, the significance of specific instances and allegations of fraud and residual risks of fraud after implementation of mitigating measures.
- ii. Ensure the results of assurance activities are adequately analyzed to identify red flags for fraud and misconduct, and ensure that specific potential instances of fraud are reported to OIAI for advice and investigation as appropriate.

Responsible staff members: Deputy Representative Operations

Date by which action will be taken: 2i, the office reports this action as having been implemented as of 2 December 2020; and 2ii, June 2021

Prevention of sexual exploitation and abuse

UNICEF is committed to preventing sexual exploitation and abuse (SEA) against the individuals and communities it serves – as well as its own staff. Key risks to proper action on SEA include unsafe and inaccessible reporting, and lack of an effective victim-centred response. The audit reviewed whether these key risks were properly mitigated.

The office had carried out 27 out of the 37 PSEA assessments required for NGO partners. The assessment rates organizational capacities to prevent SEA and is valid for five years. Moreover, all the office's staff had completed the online courses on Prevention of Sexual Exploitation and Abuse (PSEA)

⁷ "Residual risk" refers to the risk that still remains when measures have been taken in mitigation.

and Prevention of Sexual Harassment and Abuse of Authority (PSHAA). However, the audit noted the following.

Reporting: The office had reported no SEA case involving UNICEF staff or those of implementing partners. As of the time of the audit, the office was working with the provincial governments to introduce the Child Protection Case Management and Referral Systems (CMRS);⁸ these are designed to ensure safe and accessible reporting, and an appropriate and victim-centred response. The CMRS was so far functioning in only one of Pakistan's four provinces (Baluchistan) and in one of its territories (Gilgit-Baltistan). However, it was being scaled up and rolled out in the Sindh and Khyber Pakhtunkhwa provinces. Meanwhile the Government had established helplines to address violence abuse and exploitation in Sindh and in Punjab provinces in September 2020.

However, the helplines were not specifically designed for safe reporting of SEA cases and community-based complaint mechanisms. There is a risk that certain communities might not have the knowledge and trust to use the helplines.

In addition to the CMRS, a community-based grievance redressal mechanism (GRM) was established in the Khyber Pakhtunkhwa Merged Districts (KPMD) joint UN Programme. A GRM is a formal, legal or non-legal complaint process that can be used by individuals, workers, communities and/or NGOs affected by exploitation and abuse. Whilst the GRM in KPMD is the most advanced, scalability of the mechanism might not be feasible because it is project-based and heavily funded by the donor. At the time of the audit, the office was identifying lessons learned from the GRM to improve the CMRS national system reporting on PSEA.

The office was aware of the SEA reporting limitations such as limited community access and deep-rooted cultural sensitivities around SEA issues. It was engaging actively with provincial governments to coordinate the establishment of a CMRS through an ongoing legislative reform process.

Victim-centred response: The CMRS rolled out in Baluchistan included guidelines on child safeguarding and data protection. However, only six of the 33 districts in the Baluchistan province had dedicated child protection officers. In the other districts, a social worker was assigned additional responsibilities. This had limited the capacity available.

Agreed action 3 (medium priority): The office agrees to, together with other UN agencies, scale up an adequate grievance redressal mechanism (GRM) to other provinces and territories in Pakistan. In so doing, it should build upon lessons learned from the roll-out of a community-based GRM so far – and use the opportunity to build sustainability into child protection and social welfare systems, so as to mitigate the risk of under-reported sexual exploitation and abuse (SEA) and insufficient support to SEA victims.

Responsible staff members: Deputy Representative Operations (Chair of Office PSEA Task Team), PSEA Specialist, Operations Manager (Internal Control), Chief Field Operations, Chief Child Protection
Date by which action will be taken: June 2021

⁸ Case Management and Referral Systems (CMRS) are a core element of UNICEF's strategy for strengthening the social service workforce for child protection. According to Global Social Services Workforce Alliance (GSSWA), case management is a process practiced by social service workers to support or guide the delivery of social service support to vulnerable children and families and other populations in need. The primary objective of a child protection case management system is to ensure that clients – children and their families – receive quality protection services in an organized, efficient and effective manner, in line with their assessed needs (UNICEF, *Guidelines to Strengthen the Social Service Workforce for Child Protection*, UNICEF, New York, 2019).

Data on children and women

Good data on children and women is key to programme design that meets children's priorities and critical needs. It is also needed to underpin effective advocacy that will influence governmental policy decisions, and mobilize public opinion, in children's interests.

The office had established an Evaluation and Research Technical Taskforce during 2020, to strengthen evaluation and research capacity. Meanwhile it had mostly fulfilled its 2020 Integrated Monitoring and Evaluation Plan, with 25 of the 29 planned research activities completed. However, the audit also noted the following.

Data availability: The Government has primary responsibility for provision of Sustainable Development Goals (SDG)-related data, with which to measure progress against SDG child-related indicators and targets. The office supported the Government in compiling and verifying national data through technical assistance and by undertaking surveys and studies. The audit found that eight out of the 17 child-related indicators for which UNICEF is the custodian or co-custodian had insufficient trend data (seven) or sufficient data (one) to assess progress.

However, there is significant improvement in availability of data due to the Multiple Cluster Indicator Surveys (MICS)⁹ recently conducted. In view of the Government of Pakistan's investment in MICS surveys and other studies, research undertaken by the office, and progress made in reporting against the SDGs, the audit is not making a recommendation on availability of data.

Use of data: The office shared research reports and policy briefs linked to large-scale research with Government counterparts and other stakeholders. However, only two out of 21 research products completed since 2017 had been uploaded to the office's webpage. This was a missed opportunity for effective use of data for raising public awareness of children issues.

Agreed action 4 (medium priority): The office agrees to build on the office's current efforts, including the reorganization of the Research team and establishment of a taskforce, to ensure the results of research activities are properly disseminated (for example, through systematic uploading of reports to the office's webpage), and make effective use of data for public awareness creation.

Responsible staff members: Research and Evaluation Specialist and Chief Social Policy

Date by which action will be taken: April 2021

Results structure and reporting

Country programmes have a structure and framework that enables them to measure results and report on progress against targets. Like other country offices, Pakistan reported against expected results in a number of ways – in the Results Assessment Module (RAM),¹⁰ in situation reports, in its reports to donors, and in its own internal sectoral programme reviews.

The audit reviewed whether the office had adequate controls over the key risks in this area – mainly

⁹ The Multiple Indicator Cluster Survey (MICS) is a survey technique developed by UNICEF to provide rigorous data across a range of fields from households, from women, from men and concerning under-fives. MICS is designed to provide internationally comparable data on the situation of children and women. To assist this comparability, MICSs are carried out in global rounds corresponding roughly to the same period from country to country; thus MICS5, for example, was carried out in 2012-2015. MICS6 is now underway.

¹⁰ The RAM is an online portal into which UNICEF offices upload their results.

inadequate measurement and reporting of results, which can reduce transparency, and accountability to key stakeholders. The following was noted.

Results structure: A results structure defines the indicators, targets and baselines to measure and report on results, including both outputs and outcomes. It also shows a logical relationship between the expected programme activities (outputs) and the desired end results (outcomes).¹¹ Flaws in this structure can result in inaccurate assessment of results. These flaws could include inappropriate indicators, or targets that are not sufficiently disaggregated – for example, by gender; a lack of specific information on this will make it hard to measure progress on gender-related objectives.

The office had revised and improved its results structure following the 2020 midterm review. The audit found that the expected outputs were designed to produce the expected outcomes and the results structure was generally logical. Moreover, most indicators for outcomes and outputs were generally adequate to measure performance.

However, although the results statements had a strong equity focus, the selected indicators did not measure whether most disadvantaged children had been given opportunities to survive, develop and reach their full potential without discrimination, bias or favoritism. It was also noted that the results structure did not clearly outline gender-disaggregated baselines and targets; this reduced the office's capacity to report against the related SDGs and to support its commitment to gender equality (see also previous observation). The office said it was planning to finalize the revision to the results structure before 2020 year-end reporting.

Besides the regular country programme, the audit also looked at the indicators selected to measure progress against the outputs and outcomes established in the 2019 and 2020 Humanitarian Action for Children (HAC) Appeals. These generally focused on the beneficiaries' access to programme services, rather than their quality and timeliness. The absence of indicators that measure the quality of programme interventions could delay detection of any problems in this area.

Reporting: The audit reviewed the results reported by the office in the 2019 end-year Results Assessment Module (RAM) and found quality assurance over results reporting was insufficient. All five programme outcomes and eight out of the 19 programme outputs reported in the RAM had problems. The selected indicators did not fully measure the results statements; reporting was not fully done against the established targets; and the rating of indicators (achieved/not achieved) was not fully aligned with the actual achievement. For instance, the standard indicator "*Gender parity index for the primary education completion rate*" was rated as partially achieved for 2019 year-end, though the office achieved a gender parity index of 0.85 – which was below the country programme baseline from 2017 (0.86) and off-track against the 2022 target of 0.91. The same issue was found for the standard indicator "*Children 0-59 months vaccinated with polio through a UNICEF-supported programme during campaigns*". The office reported that this gap, noted during the mid-term review, will be addressed in the updated results framework.

The audit also checked whether a sample of nine humanitarian result statements was evidence-based (they were reported in situation reports issued to stakeholders). Eight out of nine result statements largely relied on partner reporting without the office's independent validation of the accuracy of data

¹¹ UNICEF programmes plan for results on two levels. 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 change that will significantly contribute to the achievement of an outcome. Thus, an output might include (say) the construction of a school or clinic, but that would not in itself constitute an outcome; however, an improvement in education or health arising from it would.

(e.g. through data audits). The office did not review the effectiveness of the information management systems that partners used for collecting and reporting results to UNICEF for humanitarian activities. This was due to gaps in the office's quality assurance review process.

This risked damaging UNICEF's credibility. It could also represent a missed opportunity to raise partner capacity in data and reporting.

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

- i. Finalize the revision to the results structure for quality assurance review by the regional office.
- ii. Include disaggregated targets and baselines for gender programming in the revised 2018-2020 result structure.
- iii. To strengthen evidence-based reporting, review the quality of key data reported by implementing partners to establish whether they can be relied upon. Build capacity of partners to address any key data gaps.
- iv. Reinforce quality assurance practices through guidance and training of staff, so as to ensure results are rigorously assessed and reported in the UNICEF Results Assessment Module.

Responsible staff members: Deputy Representative and Chief Planning and Monitoring

Date by which action will be taken: June 2021

Programme supplies and contracts for services

From January 2019 to August 2020 the office had procured for US\$ 158 million of programme supplies and services (including for construction activities). Institutional contracts for services (such as third-party service providers) accounted for 91 percent of the US\$ 158 million.

There are several key risks involved in an office's procurement of goods and services, including unrealistic planning, weak oversight, ineffective monitoring and late distribution of programme supplies to end-users. The audit reviewed whether these risks were properly mitigated by the Pakistan office. It found that the office had made effective use of COVID-19 emergency procedures to speed up the procurement of supplies. However, it also noted the following.

Planning: The office implemented only 51 percent of the 2019 procurement plan, because the planned procurement activities were not effectively aligned with the workplan. However, the office had reinforced the links between procurement planning and programme planning in 2020. As of 30 September 2020, it had procured 71 percent of what was planned.

Oversight of institutional contracts: The office issued 961 institutional contracts, amounting to US\$ 124 million, from January 2019 to August 2020. The terms of reference of 28 out of 29 institutional contracts were properly approved. However, the audit found some areas for improvement.

From January 2019 to August 2020, 217 institutional contracts amounting to US\$ 29 million (23 percent of total institutional contract value) had been amended for various reasons, including the COVID-19 lockdown, addition of new tasks, change of funding source, and security and logistic challenges. Of the 217 amended contracts, 48 were amended twice; five, three times; and one, five times. This could be due to inadequate design and negotiation of original contracts. Further, the office did not effectively manage contract amendments to avoid last-minute and post-facto extension and to secure needed approval. For instance, four out of 18 sampled contracts were extended after contract expiry dates, for between five days and two months. Three of the extensions had not been

approved at the right level (the reasons for this had not been recorded). This high percentage of contract extensions would have increased the office's administrative costs; moreover *post-facto* extensions can create contractual legal issues.

The audit also found that 275 institutional contracts with a total value of US\$ 28 million (22 percent of total institutional contract value) remained open beyond validity. A review of a sample of nine of these found they had remained open between 6 and 19 months after contract expiry because the contractor's performance evaluation had not been completed as required. If contracts are left open, any unused funds involved cannot be released for use in other programmes. Moreover, the contractor's performance evaluation should be done promptly as it is needed to inform potential future engagements.

The performance bonds for three out of four sampled construction contracts (amounting to US\$ 2 million) had not been extended before the issue of the certificate of substantial completion. Without a valid performance bond, the office would not be compensated if a contractor failed to perform the agreed services.

The audit also noted that, in two cases, the office's Supplier Evaluation Unit (SEU) reviewed the quality of contract submission before the award of contracts. It had noted a risk of high business exposure of the contractors (the contract value was greater than 30 percent of the contractor's annual revenue). The SEU had recommended that the office's Contract Review Committee (CRC) address this, but it had not done so. In one case, the CRC reviewed the submission before the SEU had completed the vendor evaluation. In another case, the SEU had recommended that the office should not work with a certain supplier, but the office decided otherwise – without completing a required 'Waiver form' stating why. Working with suppliers not recommended by the SEU has risks, and there was insufficient evidence that the office had the controls in place to mitigate them.

End-user monitoring: From 1 January 2019 to 13 October 2020, the office had dispatched US\$ 13 million-worth of programme supplies (such as cold-chain equipment and ready-to-use nutritional food) to partners for distribution to end-users.

An office should ensure that the right quantity and quality of supplies are delivered to the intended beneficiaries. However, the audit found that, while the Supply section did plan end-user monitoring visits, they were not integrated into the annual field monitoring plan. In practice, in 2019 the Supply section had conducted only one such visit, well below the 36 planned. In early 2020, the office had prioritized supply end-user monitoring. It drew up a checklist to describe the items to review during end-user monitoring visits and a template to help staff complete the visit report. However, the Supply section had not conducted any end-user monitoring since the onset of the COVID-19 pandemic.

The programmatic visit¹² report template also included a supply end-user monitoring section. But it was not always effectively used. The audit reviewed a sample of 15 programmatic visit reports from January 2019 to August 2020 that included supplies to end-users. It noted that in three reports, the supply end-user monitoring section was not completed; in two more, it was not completed due to a lack of up-to-date guidance on programmatic visits and inadequate staff training. Therefore, audit could not obtain sufficient appropriate evidence that the right quantity and quality of supplies had reached the intended beneficiaries to achieve programme objectives.

¹² A programmatic visit will review progress together with partners and establish whether activities are proceeding as planned, and identify any bottlenecks.

Further, the office did not use eTools¹³ or any other system to monitor the status of implementation of the recommendations arising from end-user monitoring visit reports. This reduced the value obtained from end-user monitoring visits and oversight. Inadequate end-user monitoring could weaken the office's ability to determine if appropriate programme supplies reached the intended beneficiaries.

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

- i. Ensure contracts are not left open after contract expiry and that the performance of contractors is promptly evaluated upon contract closure.
- ii. Manage contract amendments effectively, to avoid last-minute and *post-facto* extension, and to minimize administrative costs, potential legal issues and any potential disruption to programme implementation.
- iii. Ensure performance bonds are valid 30 days after issue of the certificate of substantial completion.
- iv. To minimize the risk of supplies not reaching intended beneficiaries, integrate planned supply end-user monitoring activities into the field-monitoring plan; adequately monitor programme supplies delivered to end-users; and ensure all related high-priority recommendations are properly followed up using eTools.

Responsible staff members: Senior Supply & Logistics Manager

Date by which action will be taken: April 2021

Assurance activities

The office paid direct cash transfers amounting to US\$ 47.5 million to implementing partners (US\$ 34.6 million to Government counterparts and US\$ 12.9 million to NGOs) during the period 1 January 2019 to 4 November 2020.

UNICEF country offices must ensure funds disbursed to partners are used for the intended purposes and must also monitor progress towards results. To this end, UNICEF and certain other UN agencies have adopted the Harmonized Approach to Cash Transfers (HACT). This is a risk-based framework under which offices assess the risk of a particular partner (a 'micro-assessment') and use the results to determine the most suitable cash-transfer method to be used, and the number and frequency of assurance activities. The latter include programmatic visits that assess the progress of activities and achievement of results and report any constraints. Other activities include spot checks of the partner's financial management, scheduled audits when required, and special audits according to need. The audit reviewed whether the key risk of not obtaining reasonable assurance on the use of funds had been properly mitigated.

The office had drawn up a risk-based assurance plan and conducted assurance activities, including programmatic visits, spot checks and scheduled audits. In 2019 these had exceeded the minimum required by the HACT framework. During the period of 1 January to 24 September 2020 the office had continued to carry out a significant amount of assurance work, including 95 (81 percent) out of 117 planned programmatic visits and 36 (80 percent) out of 44 planned spot checks. Since the onset of the pandemic, some had been carried out remotely.

¹³ 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.

The office had also contracted third-party field monitors (TPFMs) to carry out some programmatic visits, mainly in difficult-to-access areas. The audit found that the office had monitored the TPFMs' work properly, through periodic review meetings and weekly updates. It had also prepared robust checklists that were used by programme sections to review the quality of TPFM programmatic visit reports.

Recommendations arising from the assurance activities carried out by either the office's staff or external service providers (such as audit firms and TPFM) were generally sound and were recorded in eTools. However, the actions needed by partners to close recommendations were not clearly specified and recorded in eTools; neither was it clearly stated whether they had been carried out. This was mainly due to insufficient staff capacity or lack of adherence to the training on the use of eTools. The audit noted that five recommendations stemming from three HACT audits had been closed without evidence of actions taken by the corresponding partners. The office had also closed all three audit recommendations from three other HACT audits without obtaining sufficient appropriate evidence that corrective actions had been implemented by the partners.

Further, follow-up of open recommendations from assurance reports was not always timely. For instance, in two out of three audit reports that had qualified or disclaimer audit opinions¹⁴ and significant financial control weaknesses, the office had followed up eight months after the issue of the audit reports and the due dates of the audit recommendations. Delays of this sort could not only result in ongoing misuse of funds; it could also impede timely recovery of any ineligible expenses identified during the assurance activity, and delay any improvements needed to the financial management capacity of partners.

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

- i. Ensure all high-priority recommendations arising from assurance activities are followed up promptly and rigorously, to strengthen the capacity of implementing partners and minimize the risk of misuse of funds.
- ii. Further train and supervise staff to ensure priority actions needed are clearly specified and recorded in eTools, and are actually implemented by partners so as to support the closure of open recommendations.

Responsible staff members: Deputy Representative Operations and Operations Manager (Internal control)

Date by which action will be taken: June 2021

Partnerships management

The office worked jointly with 140 implementing partners, both Government counterparts and NGOs. During the period of 1 January 2019 to 4 November 2020 it paid direct cash transfers amounting to US\$ 47.5 million to these partners (US\$ 34.6 million to Government counterparts and US\$ 12.9 million to NGOs). Two Government partners, interviewed remotely, told the audit they were satisfied with

¹⁴ A disclaimer is issued when the auditor feels unable to give an opinion, for whatever reason (possibly because it has not had the information or documentation needed to form one).

the working relationships with UNICEF and with its support in preparation of programme documents (PDs)¹⁵ and in capacity-building generally.

The audit reviewed potential risks involved should there be inadequate selection of NGOs, ineffective partnership arrangements or difficult partners. It noted the following.

Management of partnerships: From January 2019 to September 2020, the office had prepared 65 programme documents (PDs) with NGOs for activities that took place in the period under audit. Sixteen PDs related to the COVID-19 emergency response. The audit sampled nine PDs and found that the outputs, indicators, targets and planned activities were generally sound. The office's Partnership Review Committee (PRC) functioned well; it made a proper review of the added value for children that would arise from each PD. The office chose 60 percent of its NGO partners from open or competitive selection. It also encouraged NGOs to register in the UN Partner Portal, an on-line platform that simplifies and harmonizes UN processes for the selection of partnerships.

In the view of the audit, risks involved in the management of partnerships were being controlled to a reasonable extent, and no recommendation is being made for this area.

Complex operating environment: In some districts, international NGOs (INGOs) and local NGOs are required to register with the Government to obtain a 'no-objection certificate' (NOC) at provincial level before they can implement programme activities. Though INGOs were exempted from obtaining a NOCs for COVID-19 relief work, the majority of COVID-19 activities were being implemented by local NGOs (13 out of 16 PDs related to COVID-19).

The office confirmed that 10 out of the 65 PDs with local NGOs developed from January 2019 to October 2020 had been amended (by cost and no-cost extension) because of delays in obtaining the NOCs. Delays varied from 40 days to 4.5 months. In one case, the planned start date set in the PD was 20 February 2019, but the partner started the work only on 24 June 2019 upon receipt of the NOC after a four-month wait. Late NOC authorization thus delayed implementation of programme activities.

The office stated that it had put in place a number of mitigation measures to minimize the impacts of the risk above on programme implementation. These were mainly: considering realistic timelines for deliverables during the project planning; including a clause in the agreement with the partner for processing payments to it only after obtaining NOC; and reviewing alternative options by the section when a partner is unable to secure a NOC. Given these actions taken by the office, the audit is making no recommendation in this area. However, the office will need to continue advocating to the Government that it minimize delays in issue of NOC, and will need to continue to monitor this risk.

¹⁵ Two main documents underpin an office's partnership with an NGO. The programme cooperation agreement, or PCA, is the formal partnership document. The programme document (PD) is produced by the partner and the relevant programme section in the UNICEF office, explaining what the proposed collaboration is for, and includes the budget and result framework. These documents are submitted together to the office's Partnership Review Committee (PRC), but although the PCA is the formal agreement, it is the PD which sets out what the partnership will do.

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. It conducted the audit remotely because of the COVID-19 pandemic that prevented on-site visit. 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 clients and helping them to strengthen their internal controls, governance and risk management practices in the way that is most practical for them. With support from the relevant regional office, the country office reviews and comments upon a draft report before the departure of the audit team. The Representative and their staff then work with the audit team on agreed action plans to address the observations. These plans are presented in the report together with the observations they address. OIAI follows up on these actions, and reports quarterly to management on the extent to which they have been implemented. When appropriate, OIAI may agree an action with, or address a recommendation to, an office other than the client's own (for example, a regional office or headquarters 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 auditing 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 in the Summary fall 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.