

Internal Audit of the Sierra Leone Country Office

September 2021

Office of Internal Audit
and Investigations



Report 2021/09

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Executive summary

The Office of Internal Audit and Investigations (OIAI) conducted a remote audit of the Sierra Leone Country Office from 15 February to 10 March 2021. The objective was to assess the office's governance, risk management and internal control processes over significant risk areas. The audit covered the period from 1 January 2020 to 28 February 2021 and was conducted in accordance with the International Standards for the Professional Practice of Internal Audit.

The audit focused on key risks including managing partnerships and cash transfers to support implementation of planned programme activities; enterprise risk management; prevention of sexual exploitation and abuse; and vaccines supply chains and systems strengthening.

Summary of results and actions agreed

The audit team noted several positive practices related to internal control processes. The office had established an office-wide anti-fraud strategy that outlined the activities and actions to be taken and included indicators that were regularly reviewed and followed up by senior management. The partners interviewed confirmed that the office had ensured the continuous implementation of planned programme activities and actively engaged its partners throughout the COVID-19 pandemic.

The office also took significant steps to enhance staff wellbeing and the working environment within the constraints imposed by the COVID-19 crisis. It facilitated teleworking for staff, including by providing appropriate technical equipment, distributed protective and disinfecting supplies to staff, and hired a staff counsellor and established a psychosocial support service. The audit did note some areas where risks could be better controlled. They include, amongst others, assurance activities, the management of cash transfers and the selection of implementing partners.

Regarding the office's activities aimed at obtaining assurance that partners were using cash transfers for intended purpose, the audit found significant delays in the office's third-party vendor finalizing spot-check reports. Whereas the office's principal implementing partner had transferred approximately 65 per cent of the funds that it received to sub-partners, the office's spot checks did not include procedures to verify the intended use of the funds by those sub-partners. Several programmatic monitoring reports did not include an assessment of progress made against set targets and several other monitoring reports did not include any indication that the monitoring team undertook activities to confirm whether the target population had received the benefits of the activities funded by UNICEF. These gaps exposed UNICEF to reputational risks and cash transfers to fraud, loss and/or misuse for unintended purposes. For example, delays in finalizing spot checks meant that the office was unable to promptly take appropriate corrective actions as needed. The office agrees to strengthen the management of direct cash transfers to effectively manage related risks.

The audit team noted that there was inadequate supporting documentation and information to determine whether the payments made to implementing partners were appropriate and that adequate risk mitigation actions were in place to ensure the correct use of the funds and/or to prevent their loss. The office agrees to strengthen its management of direct cash transfers through enhanced monitoring, quality assurance processes and capacity-building of implementing partners.

The audit also noted that rather than employ a competitive selection process, the office directly selected most of its implementing partners, which risked that the partners selected did not offer the best comparative advantage. The office might not also benefit from innovative approaches that new partnerships could bring to implementing programme activities. The office agrees to explore ways to expand the selection of implementing partners.

Overall audit conclusion

OIAI concluded that, subject to the implementation of the actions agreed, the governance, risk management and internal control processes over the areas audited were generally established and functioning during the period under audit. The Sierra Leone Country Office, the West and Central Africa Regional Office, and OIAI will work together to monitor implementation of the measures that have been agreed.

Objective and scope

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 to manage the key risks identified. The audit covered the period from 1 January 2020 to 28 February 2021. The audit team conducted the work remotely from 15 February to 10 March 2021. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Audit.

Background and context

The Sierra Leone country programme was approved by the UNICEF Executive Board in July 2019 and covers the period 2020-2023. It comprises five sectoral components: health and nutrition; water, sanitation and hygiene; basic education and learning; child protection; and evidence, policy and social protection. The total budget for the 2020-2023 country programme is US\$173.2 million, of which US\$39.8 million is from core resources for results (unrestricted funding to be used flexibly for children whenever the need is great) and US\$133.4 million from other resources.

The office operates in a challenging context where children are particularly vulnerable and make up a significant portion of the population. According to the 2015 Population and Housing Census, the population of Sierra Leone is 7.1 million, of which 53.1 per cent is under the age of 19. The country is vulnerable to floods, mudslides and drought, which are increasingly exacerbated by climate change. In 2019, Sierra Leone was ranked at 155 out of 162 countries on the Gender

Inequality Index¹. At 1,360 deaths per 100,000 live births, the country is estimated to have the highest maternal mortality ratio in the world.

The 2014 Ebola outbreak disrupted immunization and institutional health delivery efforts, leading to a significant proliferation of diseases. Nevertheless, immunization coverage has overall improved since 2010, with the proportion of children fully vaccinated before 12 months of age increasing from 46 per cent in 2010 to 68.7 per cent in 2017. COVID-19 has further impacted the health, security and overall economic development of Sierra Leone. Due to the pandemic, children are at significant risk of nutritional deprivation and women and girls at increased risk of gender-based violence.

The Sierra Leone Country Office is based in Freetown, the capital, and has two zone offices in two key regions of the country. The office has a total of 106 approved posts of which 95 are allocated to the main office in Freetown while the other 11 staff are in the field offices.

Audit observations

1. Implementation of HACT assurance activities

UNICEF country offices are required to ensure that funds disbursed to implementing partners are used for their intended purpose and activities are appropriately implemented. In this regard, the offices carry out assurance activities, including spot checks and programmatic visits, to monitor the use of funds and implementation of activities by partners. To satisfy the general assurance expectations of the HACT framework, assurance activities should cover all funds disbursed, including those channelled by implementing partners to sub-partners.

The audit team reviewed 30 of the 71 spot check reports, 24 of the 194 programmatic monitoring visit reports and 9 audit reports issued by the Sierra Leone Country Office and noted the following:

- There were delays in the finalization of spot-check reports produced by a third-party vendor. Whereas the office took an average of one month to finalize its own spot-check reports; the vendor took an average of five months to complete the 17 spot-check reports reviewed by the audit team. The delays in the vendor finalizing the reports, which were attributed to untimely responses by the implementing partners to requests for information, meant that the office was unable to promptly take appropriate corrective actions such as making sure that partners improve their management and accounting of cash transfers and that the partners return any funds in respect of ineligible expenses identified by the spot checks. The delays also meant the implementing partners did not have required documentation to support the reported expenditure and needed the additional time to generate and provide documentation to justify their use of cash transfers. Given that substantiating documents are more accurate and reliable when generated when the relevant transaction occurs, the delays provided scope for partners to provide and for the vendor to finalize spot-check reports based on insufficient documentation.

¹ The Gender Inequality Index (GII) measures gender inequalities in three important aspects of human development—reproductive health; empowerment; and economic status. It measures the human development costs of gender inequality. Thus, the higher the GII value the more disparities between females and males and the more loss to human development. Source:

<http://hdr.undp.org/en/content/gender-inequality-index-gii> [accessed 2 September 2021]

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- One implementing partner (the office's principal partner), which received US\$305,935 during the period under audit, used eight sub-partners to implement the agreed activities. This principal partner in turn transferred approximately 65 per cent of the funds to sub-partners. The audit team noted that, while this was an acceptable arrangement, the spot checks did not include appropriate procedures to confirm whether the sub-partners had used the funds for the intended purposes and implemented activities as agreed. There was thus the risk that integrity concerns of sub-partners would go undetected or that the funds transferred to sub-partners were not being used for the intended purposes and the non-implementation of activities was not being promptly detected and addressed.
 - Nine programmatic monitoring reports did not include an assessment of progress made against the targets established to measure the implementation of activities. The office therefore missed the opportunity to promptly identify any problems in the implementation of activities, including potential delays, and take corrective actions.
 - Another nine programmatic monitoring reports did not include any indication that the office's monitoring team undertook activities to confirm whether the target population received the benefits of the activities funded by UNICEF. Thus, the monitoring reports did not include information on whether programme inputs such as supplies, were delivered on time, were of good quality and/or were useful to the targeted population. The office therefore missed opportunities to properly identify and address gaps in the delivery and use of programme inputs. This risked that the office might continue to provide programme inputs that do not contribute to achievement of expected results.
 - Three spot-check reports did not include action plans of the implementing partners and/or office action plans to address the gaps noted. In nine other spot-check reports, no office staff member was assigned the responsibility to follow up with partners on their implementation of the spot-check recommendations. Agreement by management of implementing partners to take corrective actions and subsequent follow-up by responsible country office staff, are key to mitigating the risk that the partners will fail to implement adequate actions to address the gaps identified through assurance activities.
 - As of March 2021, the office had recorded 1,194 outstanding action points in eTools,² of which 1,185 were overdue (1,071 actions were raised during the previous country programme cycle). Eighty-nine overdue action points were rated as high priority. There were also 12 medium-risk action points related to assessments of the prevention of sexual exploitation and abuse that were overdue since October 2020. A delay in follow-up of assurance activity actions exposes programme resources to risks of loss or misuse, and, when actions are not taken on key matters, such as the prevention of sexual exploitation and abuse, this also creates a risk of reputational damage to UNICEF.

The audit assessed the 111 high-priority findings identified by spot checks undertaken during the period audited and found that the most common findings related to: insufficient or absent supporting documentation for incurred expenditures, non-competitive procedures for contracting

² eTools is UNICEF's organization-wide online system to support monitoring of implementing partners and programmes.

and the recording of expenditures (in FACE³ forms) on dates outside the period agreed for the implementation of activities. These findings suggested weak capacity among the implementing partners to use and account for the cash transfers. However, there is no evidence that the office took appropriate measures in response, for example, creating and implementing improvement plans for partners. Meanwhile, despite the high-priority findings of the spot checks, the office had continued disbursing funds to the associated partners, exposing the funds to heightened risk of loss and increasing risks to the achievement of results.

To manage sexual exploitation and abuse risks, UNICEF guidance requires that during programmatic visits, specific monitoring is conducted of partners rated as high-risk in respect of sexual exploitation and abuse. The audit team noted that the office made four programmatic visits to such high-risk partners but did not conduct beneficiary-level monitoring related to sexual exploitation and abuse. In this regard, the office missed opportunities to assess and manage the reputational risk to UNICEF.

The inconsistencies and gaps in HACT assurance activities occurred because the office had not implemented adequate and effective risk-mitigating measures, such as setting and implementing appropriate requirements and standards for spot checks, reporting on programmatic assurance activities, and ensuring oversight of assurance activities, including the closure of agreed actions.

Agreed action 1 (high priority): The office agrees to strengthen cash transfer management by implementing adequate and effective assurance activities and by taking actions to mitigate the risks identified through such activities. These actions should aim to:

- i. Ensure that assurance activities are: completed in a timely manner; are comprehensive and cover all funds released to a partner, including funds transferred by implementing partners to sub-partners; include assessment of progress against agreed targets; and include end-use monitoring of programme inputs.
- ii. Ensure assurance activity reports include action plans for the office and the implementing partner that address the gaps noted.
- iii. Assign accountability and responsibility for monitoring and follow-up of the implementation and closure of the recommendations arising from HACT assurance activities.
- iv. Use the common findings from assurance activities to determine key areas for capacity strengthening for implementing partners and develop and implement an improvement plan for them.
- v. Ensure that programmatic monitoring visits include an assessment of measures to prevent sexual exploitation and abuse for all high-risk partners.

Responsible staff members: Deputy Representative (Programme); Chief of Planning and Monitoring, Chief Planning and Monitoring; HACT Officer; Programme Section Chiefs; CO PSEA Focal Point.

Date by which action will be taken: March 2022

³ The Funding Authorization and Certificate of Expenditures (FACE) form is used by partners to request and liquidate direct cash transfers and by UNICEF to process the requests and the liquidations. The FACE form is also used by UNICEF to authorize implementation of activities within a specified period and to approve/pay the amount requested by the partner after it has implemented the activities agreed.

2. Management of direct cash transfers

Based on an assessment of a sample of 26 out of 400 direct cash transfer (DCT) payments to implementing partners, the audit team noted that there was inadequate supporting documentation and information to determine whether the payments were appropriate and that adequate risk mitigation actions were in place to ensure the correct use of the funds and/or to prevent their loss. This lack of supporting information is discussed in the examples below.

Payment to an implementing partner with high financial risk. A cumulative DCT of US\$372,000 was made to a civil society organization implementing partner for which significant financial management issues had been established through a micro-assessment carried out in 2017 and 2018. The audit team noted that there was no clear justification for using this implementing partner that was also directly selected by the office (see related observation below on selection of partners). There was thus the risk of losing funds and non-implementation of agreed activities.

Inconsistent reporting of expenditure information. The documentation to support DCTs, such as FACE forms and itemized cost estimate forms,⁴ did not always include the same expenditure categories. In two transactions reviewed, amounting to US\$164,000, the audit team could not establish whether the DCTs were correctly processed and paid because the expenditures were listed under different categories in the itemized cost estimate form and the FACE form and audit could not reconcile the information in the two documents. The use of different categories of expenditure information in documentation supporting the same DCT reflects an inadequate review of DCT payment forms by the office and suggests weak capacity to account for funds among the implementing partners. This exposed the office to the risks that DCT payments and liquidations would not be processed in a timely manner, and that the funds could be used for fraud or on activities that did not contribute to achieving planned results.

Incomplete or unsuitable supporting information. The office did not obtain the required complete and verifiable information from implementing partners in a timely manner to release DCTs. For example, in one case reviewed, the signature on the project cooperation agreement was different from the one used on the DCT financial documents. It took 86 days for the DCT to be processed because the partner did not provide an adequate explanation to support the payment. In this regard, the audit team notes that insufficient information in the DCT documentation results in extra workload for office staff and risks delaying the implementation of planned activities.

The gaps in managing cash transfers were attributable to inadequate monitoring and quality assurance controls over the processing of direct cash transfers and weak capacities among the implementing partners.

Agreed action 2 (medium priority): The office agrees to strengthen its management of direct cash transfers through enhanced monitoring, quality assurance processes and capacity-building of implementing partners. Specifically, the office should:

- i. Ensure that DCT requests and payments are justified and supported by appropriate documentation.

⁴ The itemized cost estimate form quantifies and provides an estimated cost for each input required for the implementation of a programmatic activity. It is also referred to as a detailed activity budget.

- ii. Implement risk mitigation actions for disbursements made to implementing partners with high financial risks.
- iii. Build the capacity of its key implementing partners to provide adequate, correct and timely information to facilitate the timely processing of DCT requests.

Responsible staff members: Deputy Representative (Operations); Chief Planning and Monitoring
Date by which action will be taken: December 2021

3. Selection of partners

During the period under audit, the office entered into partnerships worth about US\$6.5 million, which were formalized in seven small-scale funding agreements, 25 programme documents and seven humanitarian programme documents. The audit reviewed the method used to select partners to determine whether it allowed the office to assess the value for money of potential partnerships and identify partners that provided innovative approaches to programme implementation.

The implementing partners for half of the 32 small-scale funding agreements and programme documents put in place by the office during the period under audit (which accounted for a combined budget total of US\$3.4 million) were selected directly rather than by an open competitive selection process. The audit team also noted that some programme sections within the office relied on the direct selection method for over 70 per cent of their partners. A review of a sample of 10 programme documents, which had a combined total budget of US\$2.6 million, noted that for 7 programme documents, the rationale given for selecting the partners was their previous experience with UNICEF and to provide continuity to the programme. The audit team note that, while these were valid reasons for selecting a partner, there was no evidence that the office had considered the availability of other potential partners with similar or broader experience. There was therefore a risk that the results set out in programme cooperation agreements and programme documents may not be effectively achieved owing to the selection of partners that do not offer the best comparative advantage. In addition, the office risked not benefitting from innovative approaches that a new partnership could bring to effectively implementing programme activities.

Agreed action 3 (medium priority): The office agrees to explore ways to expand the selection of implementing partners through a competitive open selection process whenever feasible.

Responsible staff members: Deputy Representative, Programme
Date by which action will be taken: March 2022

4. Community health workers programme

The office and other development partners provided support to a community health workers (CHW) programme, which offered preventive, promotive and treatment health services through a network of nearly 15,000 community health workers. The community health workers were managed by the Government while the UNICEF office and development partners provided, among others, technical assistance, capacity building and incentive payments.

An audit review of the programme noted that in December 2020, the office made incentive payments of US\$1.2 million, covering six months of work in 11 districts, to 10,536 community

health workers and their peer supervisors. An analysis of the progress report provided by the Government showed major gaps in the monitoring of the programme. These included ineffective supervision of health care facilities, inadequate activity plans and a lack of use of supervision checklists developed for monitoring purposes. The lack of sufficient monitoring raised the risk that the programme activities were not being implemented as expected and ineligible community health workers and peer supervisors received incentive payments.

A cost-effectiveness analysis by the audit team revealed that every US dollar of incentive paid accounted for services for between 4.2 and 26.7 beneficiaries, depending on the district. The audit analysis also indicated that the average number of community health workers overseen by a single peer supervisor varied between 6.4 and 10.3. There were no explanations from the office regarding why there were such wide variations in both the number of beneficiaries per US dollar and the average number of community health workers overseen by a supervisor. These significant unexplained differences in terms of coverage raised the risks that community health workers might not effectively cover the areas assigned and/or that the incentives paid were not efficiently used. Furthermore, the fact that cost-effectiveness was not a consideration when deploying peer supervisors raised the risk that adequate supervision was not provided to community health workers.

The office acknowledged the weaknesses in the supervision of the community health workers as well as the need to consider cost-effectiveness in the distribution of community health workers, noting that these areas are the core elements of a revised community health worker policy, which was drafted in 2020. The office indicated that strengthening and institutionalizing the CHW programme in the government was a time-consuming process. For the period 2019-2020, it had established four milestones to: i) identify gaps and opportunities; ii) design the solution; iii) operationalize the solution; and iv) review and improve. While the office achieved the first two milestones, there was on-going support for the latter two.

Agreed action 4 (medium priority): The office agrees to support the government to ensure that:

- i. The community health workers programme is effectively monitored and that the monitoring gaps noted are addressed.
- ii. There is rationalization in incentive payments for beneficiaries' coverage and adequate supervision of the community health workers.

Responsible staff members: Chief of Health and Nutrition

Date by which action will be taken: December 2022

5. Prevention of sexual exploitation and abuse

UNICEF's main pillars of action on the prevention of sexual exploitation and abuse are: training of UNICEF and implementing partner staff; undertaking an assessment of all civil society organization implementing partners; supporting the implementing partners to address capacity gaps; and coordination and monitoring of the inter-agency response to the prevention of sexual exploitation and abuse. The audit found that the office had prioritized the prevention of sexual exploitation and abuse and had worked closely with several other actors and the national authorities to establish appropriate reporting systems and mechanisms to manage potential cases.

The audit team reviewed relevant documentation and interviewed a selection of office staff as well as selected partners to establish whether the country office, in coordination with other United Nations agencies, was effectively carrying out relevant activities on the prevention of sexual exploitation and abuse, such as training and assessing implementing partners' actions and management of relevant activities. The audit team did not note any significant issues in the design, planning and implementation of activities on the prevention of sexual exploitation and abuse. However, it did note that there was no case reported by the community on sexual exploitation and abuse and there were no specific statistics available on the cases managed overall. In view of the challenges of gender inequality and poverty in Sierra Leone, the lack of community reporting could be due to low awareness of or lack of trust in the reporting systems. This potential low awareness and/or lack of trust may result in cases not being reported and UNICEF and its partners not taking appropriate accountability measures. As noted above, the office assurance activities had not regularized the review of risks related to sexual exploitation and abuse, which suggested that additional work was necessary in that area.

Agreed action 5 (medium priority): The office agrees to, in coordination with other United Nations agencies as appropriate, assess the causes of low reporting of sexual exploitation and abuse by communities and ensure action is taken to address any gaps identified.

Responsible staff members: UNICEF Representative; Deputy Representative, Operations; Chief of Planning and Monitoring

Date by which action will be taken: June 2022

6. Simplification of processes

Almost half (48 percent) of the 557 FACE forms used to disburse funds during the period under review were for sums under US\$6,000 dollars. The office informed the audit team that the high number of small-scale transactions was because the office had accepted donor conditions that resulted in small payments. The large number of small-value FACE forms results in a heavy administrative workload for both programme and operations staff and may potentially reduce the office capacity to adequately control and supervise all fund disbursements. The high number of transactions involved are also more likely to result in errors.

Agreed action 6 (medium priority): The office agrees to review its transaction processing procedures and, as necessary, simplify them and reduce the volume of small-value transactions processed.

Responsible staff members: Deputy Representative, Operations

Date by which action will be taken: March 2022

Annex: 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. The audit was conducted remotely as the COVID-19 pandemic prevented an on-site visit.

OIAI is firmly committed to working with auditees and helping them to strengthen their internal controls, governance and risk management practices in the way that is most practical for them. With support from the relevant regional office, the country office reviews and comments upon a draft report. 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 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 practices. However, UNICEF 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 governance,

risk management and internal control processes to mitigate the significant risks in the areas audited 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 governance, risk management and internal control processes to mitigate the significant risks in the areas audited were generally established and functioning during the period under audit.

[Qualified conclusion, strong]

Based on the audit work performed, OIAI concluded that the governance, risk management and internal control processes to mitigate the significant risks in the areas audited needed improvement to be adequately established and functioning.

[Adverse conclusion]

Based on the audit work performed, OIAI concluded that the controls and processes over governance, risk management and internal control processes to mitigate the significant risks in the areas audited needed significant improvement to be adequately established and functioning.