Office of Internal Audit and Investigations

Report on the Internal Audit of the

UGANDA COUNTRY OFFICE

OCTOBER 2023

Report 2023/16

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EXECUTIVE SUMMARY

The Office of Internal Audit and Investigations (OIAI) conducted an audit of the Uganda Country Office, covering the period from January 2022 to May 2023. The audit itself was performed from 5 June to 21 June 2023 in conformance with the Code of Ethics and the International Standards for the Professional Practice of Internal Auditing. The overarching objective of the audit was to assess the adequacy and effectiveness of the governance, risk management and control processes across a selection of significant risk areas of the Country Office, including fraud risk management, social cash transfers, cash transfer assurance, service contracts, supply and logistics management, construction management, accountability to affected populations and protection from sexual exploitation and abuse. The descriptions of the specific risks evaluated are provided in the Audit Objectives, Scope and Approach section of this report.

Between January 2022 and May 2023, the Country Office paid a total of US$30.7 million by direct cash transfer (advance payment) to implementing partners (IPs) for implementation of UNICEF interventions. It also utilized approximately US$26 million worth of supplies and US$22 million of services, including US$13.6 million related to construction, to support the implementation of its programmes. The combined expenditure on cash payments to IPs, supplies and services accounted for approximately 57 per cent of the Country Office's total expenditure for the audit period. There were several risks around the transfer of cash to implementing partners and the management of supplies and services, including construction-related services. The audit therefore sought to determine whether and how the Country Office managed those risks.

At the time of the audit fieldwork, the Country Office was undergoing a Programme Budget Review (PBR) to realign its structure, staffing levels and programmatic priorities following a significant reduction in donor funding and increase in operating costs. The PBR submission proposed substantial headcount reductions and other cost-control measures that will bring additional strategic and operational risks, as well as opportunities, which will need to be carefully managed. The audit conducted a high-level review of the steps taken by Country Office management to date to address the identified risks. The audit team was mindful that there would be implications of the proposed restructuring for the Country Office's governance, risk management and control processes and took this into account in developing the proposed actions to address the identified audit issues.

Overall Conclusion

Based on the audit work performed, OIAI concluded that the assessed governance, risk management or control processes were ***Partially Satisfactory, Improvement Needed***, meaning they were generally adequate and functioning, but needed some improvement. The weaknesses or deficiencies identified were unlikely to have a materially negative impact on the performance of the audited entity, area, activity or process.

	Satisfactory
➡	***Partially Satisfactory, Improvement Needed***
	Partially Satisfactory, Major Improvement Needed
	Unsatisfactory

Summary of Observations and Agreed Actions

OIAI noted several areas where UNICEF Uganda's controls were adequate and functioned as expected:

- **Procurement of supplies and services:** In mid-2022, the Country Office implemented an eProcurement platform, which facilitated an efficient, effective supplier tendering process for locally procured supplies and services. The audit team reviewed the procurement process for 10 supply-related and 18 service contracts, and noted general compliance with UNICEF policies, ensuring competitive, transparent procurement and value for money. The ongoing management of service contracts also was evaluated and found to be adequate to ensure that required performance standards were met. While a few minor exceptions were noted, these were neither material nor systemic, and corrective actions, where necessary, were agreed with Country Office management.

- **Social cash transfers:** As part of OIAI's thematic review across several UNICEF country offices, the audit team reviewed the management of social cash transfers. In the period under review, the Country Office managed only one social cash transfer project, with limited scope and funding. The audit review of the management of the project and interviews with beneficiaries showed effective controls that ensured timely and full payment of cash to intended beneficiaries. Additionally, the audit team observed adequate controls over beneficiary data that ensured legitimacy of and adherence to the Country Office's targeting approach.

The audit team also made a number of observations related to the management of the key risks evaluated. In particular, OIAI noted:

- **Fraud risk management:** The Country Office developed appropriate mitigating actions for several fraud-related risks identified as 'high' risk during the annual risk assessment exercise. However, actions to mitigate fraud-related risks that were assessed as 'medium', for example misappropriation of supplies, were not recorded for tracking and monitoring, and the risk register was not reviewed or updated during the year. Additionally, no specific fraud-risk related information was shared with beneficiaries, financial service providers, or other vendors, potentially increasing the likelihood of fraud-related incidents within UNICEF-funded projects and of failure to detect or report them.

- **Assurance over the Harmonized Approach to Cash Transfers (HACT)**: The Country Office established an effective training process for internal spot-checkers, a quality review process for HACT assurance outputs and a standard operating procedure for the follow-up of assurance findings. However, there were weaknesses in the performance and recording of programmatic monitoring visits, for example, with respect to monitoring protection from sexual exploitation and abuse (PSEA), accountability to affected populations (AAP) and supplies, and in the follow-up of action points raised. While some of the identified issues may be partially attributable to the Country Office's piloting of the new field monitoring module of eTools, corrective actions are required to ensure adequate assurance over funds provided to implementing partners. The audit team also noted significant delays in the recovery of ineligible expenditure, requiring further efforts by the Country Office to address challenges faced by government partners in providing timely supporting documentation.

- **Distribution of programme supplies:** The audit team noted the Country Office's well-coordinated warehouse management and monitoring of supply distribution and the effective use of its access to the national logistical information system to enhance its monitoring of last-mile distribution. However, there were gaps in the conduct and documentation of supply end-user monitoring. This may affect management's visibility of the receipt and usability of supplies by intended beneficiaries, potentially hindering an effective assessment of programme impact and outcomes.

- **Accountability to Affected Populations (AAP):** The Country Office implemented several measures to enhance its AAP processes, including a clear accountability structure, strategy and action plan. There were references to AAP in key strategic documents and a consistent use of AAP-related key performance indicators in all partnership documents. The Country Office also made use of several feedback and data collection mechanisms, such as U-Reports and UNICEF-funded government call centres. However, there was limited beneficiary awareness of processes and tools for the collection of feedback and for raising complaints and no regular inclusion of AAP monitoring could be established from the audit review of programmatic monitoring reports. These shortcomings may reduce the Country Office's ability to make informed decisions and tailor programmatic activities to the needs of affected populations.

- **Protection from sexual exploitation and abuse (PSEA):** The Country Office developed a comprehensive PSEA action plan and achieved a high level of staff awareness of PSEA obligations through training and management communication. It also conducted partner SEA assessments and followed up on actions necessary to ensure that CSO implementing partners had their own PSEA policies and procedures in place. However, the appropriateness and ongoing functioning of those measures were not subsequently reviewed as part of the regular programmatic monitoring. The audit team also noted that information aimed at raising awareness of PSEA and the available reporting channels among UNICEF's beneficiaries and high-risk vendors had not been distributed. This may heighten the probability of incidents related to SEA taking place.

- **Construction management:** Construction projects were aligned with the strategic objectives of the country programme and the Country Office took appropriate steps to manage the risk of construction-related supplier non-performance. The Country Office also worked closely with beneficiary communities to ensure sustainability of the constructed facilities through ownership and continuous maintenance. There were, however, weaknesses in the monitoring of construction works and follow-up of actions arising from monitoring activities. This may hinder accountability, transparency and timely identification of issues, increasing the risk of delays, mismanagement and fraud, while also impeding progress tracking, impact evaluation, and informed decision-making for project improvement.

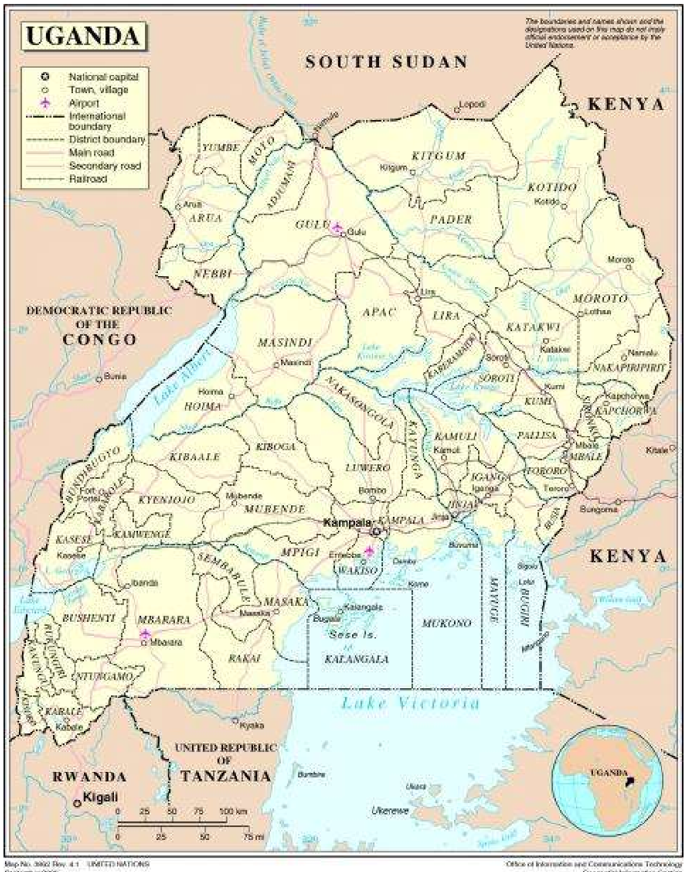
The table below summarizes the key actions agreed upon by Country Office management to address the residual risks identified and the ratings of those risks and observations with respect to the assessed governance, risk management and control processes. (See the definitions of the observation ratings in the Appendix.)

OBSERVATION RATING		
Category of Process	**Area or Operation and Key Agreed Action**	**Rating**
Risk management	**Fraud risk management (Observation 1)**: Develop mitigating actions for all risks; conduct regular reviews of the effectiveness of mitigating actions; and distribute fraud-related information to key service providers, vendors, contractors, and beneficiaries.	**Medium**
Control processes	**Cash transfer assurance (Observation 2)**: Ensure the execution of all minimum required HACT assurance activities; include all required elements in programmatic monitoring visits; strengthen	**Medium**

	recording, management and follow-up of action points; and reinforce capacity-building for key counterparts.	
	Construction management (Observation 3): Develop a detailed construction monitoring plan that contains, inter alia, the start and end date of each project, timetable or frequency for monitoring and supervision visits, and responsible parties; and ensure that action points and recommendations resulting from construction monitoring activities are adequately recorded, managed, followed-up and closed.	**Medium**
	Distribution of programme supplies (Observation 4): Establish a systematic supply end-user monitoring process as part of the regular programmatic monitoring visits, to ensure that the programme supplies reach the intended beneficiaries and contribute to the achievement of programmatic objectives.	**Medium**
	Accountability to affected populations (Observation 5): Strengthen beneficiary awareness of feedback mechanisms and tools in the supported interventions; include the possibility for submission of anonymous feedback, complaints and grievances; ensure that actions are taken based on feedback received; and consistently include AAP in regular programmatic monitoring.	**Medium**
	Protection from sexual exploitation and abuse (Observation 6): Enhance monitoring of PSEA implementation as part of programmatic monitoring by expanding and improving the monitoring tools and training staff involved in the PSEA monitoring process; expand beneficiary awareness of PSEA principles and reporting channels by distributing tailored informational material; and provide information and training to high-risk vendors and contractors.	**Medium**

Management is responsible for establishing and maintaining appropriate governance, risk management and control processes and implementing the actions agreed following this audit. The role of the OIAI is to provide an independent assessment of those governance, risk management and control processes.

With a population of 47.2 million, Uganda has one of the youngest and fastest-growing populations in the world. Fifty-seven per cent of its citizens are under 18 years of age, and the number of children is expected to double by 2040.[1] Rapid population growth, urbanization and the refugee influx continue to put pressure on the country's social service provision.



Over the past decade, Uganda has made considerable economic progress and achieved success in improving child survival and development, through the reduction of maternal and under-five mortality, stunting and AIDS-related deaths and overall improvements in immunization coverage. However, major challenges remain in areas of neonatal mortality, undernutrition, and access to safe water and sanitation. High population growth and limited investment in education have hindered improvements in educational outcomes, with low quality education, high dropout rates and issues related to safety, protection and inclusion in the educational process.

Gender-based violence and violence against children is widespread. Fifty-nine per cent of girls and 68 per cent of boys have experienced physical violence during their childhoods. Despite progress, child marriage and teenage pregnancy remain common: 40 per cent of girls are married before the age of 18 years and 25 per cent of teenage girls start childbearing before that age.[2] The COVID-19 pandemic has exacerbated those challenges.

Uganda continues to face worsening, simultaneous humanitarian crises. It is one of the world's largest refugee-hosting countries globally, with close to 1.4 million refugees from the Democratic Republic of the Congo, South Sudan, and the Great Lakes Region. Children make up 60 per cent of refugee populations. The growing frequency and impact of disease outbreaks increasingly challenge Uganda's under-resourced health care system. Climate-related events, such as floods and droughts, affect the health, nutrition, education and welfare of children and the resilience of their families.

Context of key risk areas covered in the audit

The UNICEF Uganda Country Programme Document (CPD) 2021-2025 is structured around the following programme outcome areas, which address both humanitarian and development needs:

[1] Uganda Country programme document, E/ICEF/2020/P/L.14, United Nations Children's Fund, Executive Board, Second regular session 2020
[2] Uganda Demographic and Health Survey 2016

child survival and development, basic education and adolescent development, child protection, social policy and programme effectiveness.

Due to the impact of the COVID-19 pandemic, the ensuing global economic challenges and considerable increases in operating costs, certain key assumptions on which the supporting Country Programme Management Plan (CPMP) was founded were no longer valid at the start of the 2021-2025 CPD implementation. The Country Office therefore conducted an early Mid-Term Review (MTR) in 2022 that included a review of the affordability of the office structure, reprioritization of CPD goals, and identification of focused and accelerated ways of achieving meaningful results for children. Following the MTR process, the Country Office submitted a proposal to the Regional Office's PBR for a 29 per cent reduction in posts (from 217 to 154) and a reduction in operating costs of approximately US$1.2 million. The PBR process was ongoing at the time of this audit. The audit team was mindful that there would be implications of any restructuring for the Country Office's governance, risk management and control processes in the areas audited.

Figure 1 below provides a breakdown of the country programme budget by programme outcome. Figure 2 shows the Country Office's expenditure by category. The total expenditure for the period from 1 January 2022 to 30 June 2023 was US$150.2 million. Supplies represent 17 per cent of that total, staff costs 24 per cent, service contracts (including construction services) 15 per cent, general operating costs 15 per cent, and cash transfers 24 per cent. The audit scope and selection of samples for audit testing took into account the relative level of activity in each programme component and category of expenditure.

Figure 1: Programme spending by outcome

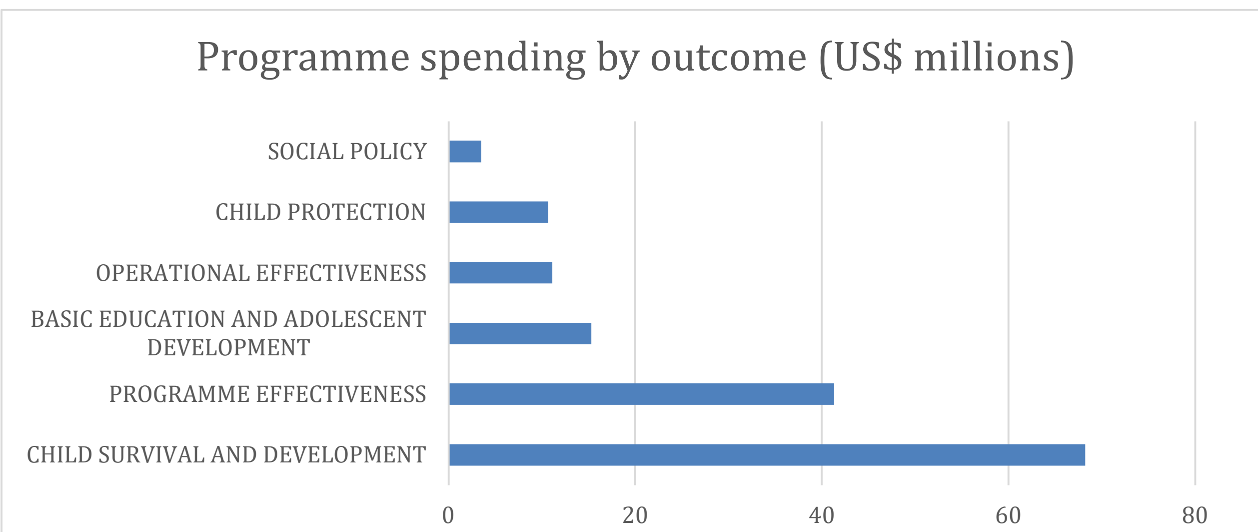
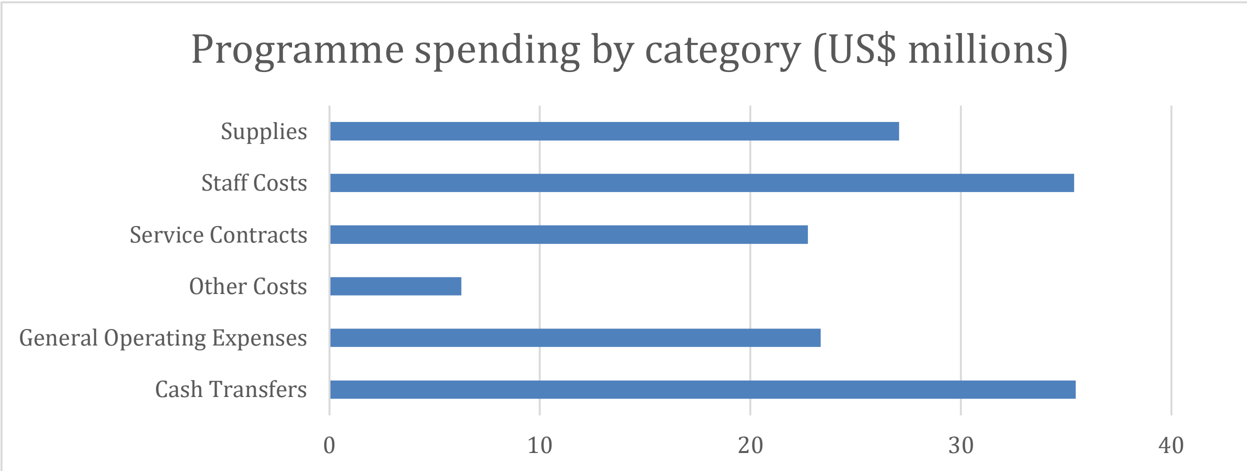


Figure 2: Programme spending by category



AUDIT OBJECTIVES, SCOPE AND APPROACH

The overarching objective of the audit was to assess the adequacy and effectiveness of the governance, risk management and control processes across a selection of significant risk areas of the Uganda Country Office, including: fraud risk management, social cash transfers, cash transfer assurance, service contracts, supply and logistics management, construction management, accountability to affected populations and protection from sexual exploitation and abuse.

The scope of the audit included the areas set out in the following table that were selected during the audit planning process based on an assessment of inherent risks.[3] The table below briefly describes the inherent risks in relation to the specific areas covered in the audit.

RISK AREA	DESCRIPTION KEY RISKS
Fraud risk management	The Country Office may not effectively identify and assess the risks of fraud and misconduct to its programmes and take effective measures to mitigate them.
Cash transfer assurance activities	The Country Office may not have adequate assurance that cash transfers made to IPs were used for their intended purposes.
Construction management	Inadequate construction management may result in suboptimal quality, inefficient and costly construction activities.
Supply and logistics management	Supplies may not be adequately managed to ensure their use for intended purposes, leading to loss of resources, non-achievement of results and reputational risk.
Accountability to affected populations	Inadequate accountability to affected populations creates a potential for power imbalance and the absence of voice and representation of those who are directly impacted by decisions, policies or actions.
Social cash transfers	Inadequate management and monitoring of social cash transfers may lead to the incorrect identification and selection of eligible beneficiaries and failure to ensure timely, accurate payments to the intended recipients.
Protection from sexual exploitation and abuse	Measures may not be adequate to mitigate the risk of beneficiaries, partners and staff being exposed to sexual exploitation and abuse (SEA), and of SEA incidents not being reported, with potential reputational or legal implications for the Country Office.
Service contracts	Inadequate procurement and management of service contracts may result in non-delivery of agreed-upon services, which can result in financial loss, inadequate value-for-money, operational disruption or damage to reputation.

The audit was conducted through remote preparatory interviews with Country Office management and an on-site visit from 5 to 22 June 2023, in accordance with the International Standards for the Professional Practice of Internal Auditing. For the purpose of audit testing, the audit covered the period from January 2022 to May 2023 and involved a combination of methods, tools and techniques, including interviews, data analytics, document review, tests of transactions, evaluations and validation of preliminary observations.

[3] Inherent risk refers to the potential adverse event that could occur if management takes no action, including internal control activities. The higher the likelihood of the event occurring and the more serious the impact would be should the adverse event occur, the stronger the need for adequate and effective risk management and control processes.

The key areas where actions are needed are summarized below.

1. Fraud risk management — Medium

The Country Office took steps to mitigate several fraud-related risks rated as 'very high' and 'high' during the annual risk assessment exercise. However, actions to mitigate 'medium' risks were not formally managed or monitored. While the audit team noted a high level of awareness and understanding of UNICEF fraud-related policies among staff and implementing partners, no specific fraud-risk related information was shared with beneficiaries, financial service providers or other vendors, increasing the likelihood of fraud-related incidents within UNICEF-funded projects and of failure to detect or report them.

UNICEF's anti-fraud strategy requires that every country office be responsible for identifying, assessing and mitigating the risk of fraud relevant in its particular context and for ensuring that all staff and partners understand their accountabilities for preventing, detecting and reporting fraudulent activity and are equipped to do so. The audit team evaluated the capacity, structure and governance of the Country Office's fraud risk management activities, including staff and partner communication and training, fraud risk assessment and the monitoring of appropriate mitigating controls, as well as the establishment and application of procedures for reporting allegations or suspicions of fraud or misconduct.

The Country Office management recognized fraud as one of the key contextual risks in its operating environment and put in place a clear accountability structure for fraud risk management that appeared to be well understood by all staff interviewed by the audit team. Most staff (86 per cent) completed the mandatory training on fraud prevention and detection. The audit team noted a generally positive tone at the top, through senior management's focus and communication on ethics, UNICEF values and fraud awareness. Audit procedures and interviews with management and staff confirmed the emphasis on control measures aimed at mitigating the risk of fraud, for example, segregation of duties, approval hierarchies and tracking of programmatic and operational indicators.

Following the PBR process, the Country Office is expected to undergo a significant reduction in staffing levels in most functional areas and structural changes which, if not carefully managed, may increase vulnerability to fraud. For example, downsized team structures may present challenges to effective segregation of duties and adequate monitoring controls; essential 'business-as-usual' control activities may be overlooked during the transitional period; and the impact of staff reductions on morale and motivation may heighten the risk of fraud or misconduct by affected employees. Management will need to design and implement adequate anti-fraud controls to ensure safeguarding of UNICEF's resources and reputation during and after the period of transition. OIAI is of the view that Country Office management should consider performing a review of the design and operation of key fraud-risk mitigation measures after completion of the restructuring exercise to identify any gaps in controls or vulnerabilities in the revised structure.

Per the audit objectives, control processes and activities were assessed in each area within the audit scope. Identified gaps are raised in the present report and improvement actions are recommended to develop or strengthen controls in each respective area. Notwithstanding those, the audit considers that addressing the following areas could further strengthen efforts to prevent fraud, promote a culture of integrity and safeguard the Country Office's resources and reputation.

- **Fraud risk assessment and mitigation:** The Country Office assessed fraud-related risks as part of its overall annual risk assessment exercise. Conducted mostly at management level, this involved identifying key risks to achievement of the Country Office's objectives and assigning ratings to each risk. For all 'high' or 'very high' risks, the risk register included appropriate mitigating action plans, with assigned owners and deadlines. However, no action plans were established for risks rated 'medium.' This meant, for example, that there was no evidence of any agreed action to mitigate the risk of diversion of supplies, which was rated as 'medium.' In addition, there was no formal, regular review to monitor progress with implementation of actions or the ongoing validity of the risk assessment. Failure to monitor fraud risk management activities may result in inadequate risk assessment and missed opportunities for risk mitigation and risk-informed decision-making.

- **Awareness of fraud reporting requirements:** The Country Office provided fraud-awareness training and information to implementing partners throughout the period under review, and all seven implementing partners visited by the audit team demonstrated an adequate understanding of fraud and fraud reporting requirements. While audit team discussions with service providers and beneficiaries at nine service delivery points and project sites indicated a basic understanding of the concepts of fraud, corruption, bribery and conflict of interest, there was more limited awareness of how to respond to fraud in the context of UNICEF funding. Interviewees did not have a consistent understanding of the need to report suspicions of fraud, or of the established reporting channels. No specific information or materials (such as posters or stickers) were provided to project/service delivery sites by the Country Office. Additionally, audit team discussions with management and staff indicated that no specific guidance had been provided to vendors and contractors outside of the regular contractual clauses. When beneficiaries or contractors are unaware of fraud reporting requirements, there is a significant risk that suspected fraudulent activities will go unreported and unaddressed. This may leave operations susceptible to various types of fraud, such as misappropriation of funds, corruption or misuse of resources.

AGREED ACTIONS 1

The Country Office agrees to strengthen its fraud risk management activities by:

i. Developing mitigating actions for all risks and ensuring regular review of the relevance of the design and effectiveness of risk mitigation measures;
ii. Strengthening fraud-related measures related to key service providers, vendors, contractors and beneficiaries.

Staff Responsible: Deputy Representative, Operations
Implementation Date: December 2023

2. Harmonized Approach to Cash Transfers (HACT) assurance — Medium

There were weaknesses in the performance and recording of programmatic monitoring visits, for example with respect to monitoring PSEA, AAP and supplies, and in the follow-up of action points raised. While some of the identified issues may be partially attributable to the Country Office's piloting of the new field monitoring module of UNICEF's eTools online platform, these needed to be addressed, to obtain sufficient assurance over funds provided to implementing partners. There *were also significant delays in the recovery of ineligible expenditure, requiring further efforts to strengthen the capacity of partners to support the direct cash transfer management process.*

During the period under review, the Country Office transferred US$30.7 million to 128 partners (105 government partners and 23 CSOs) including US$28.6 million (or 93 per cent) through direct cash transfers (DCTs). Sixty-six per cent (US$18.8 million) of the DCTs were to government partners. US$11.4 million of the total cash transferred (or 37 per cent) was to 41 high-risk rated partners. At the time of the audit, the Country Office was one of several business units that volunteered to pilot the Field Monitoring Module (FMM) in eTools,[4] ahead of its global implementation. The audit team acknowledges the proactiveness of the Country Office in piloting this tool for the benefit of the wider organization, but notes that this may have impacted the adequacy of HACT assurance during the pilot period, as outlined further below.

OIAI assessed the Country Office's planning, execution, quality assurance and follow-up of HACT assurance activities. The Country Office prepared a cash transfer assurance plan including spot checks, programmatic monitoring visits (PMVs) and scheduled audits, which was periodically updated. There was also an effective training process for staff who performed spot checks and a well-designed quality assurance process. A standard operating procedure had been developed to guide the follow-up of assurance findings.

Based on the audit work conducted, OIAI also noted the following areas requiring attention.

- **HACT assurance coverage:** The audit team noted that nine implementing partners were not covered by the minimum required programmatic visits in 2022 despite being included in the HACT assurance plan. The Country Office was unable to explain why the required visits had not been conducted. Failure to obtain sufficient assurance over significant cash transfers to IPs limits visibility of the achievement of intended results and may lead to mismanagement of resources.
- **Quality of programmatic visit reports:** Eight of 12 programmatic monitoring visit reports reviewed by the audit team did not adequately capture all the required elements, including mandatory information related to PSEA and AAP. Four of the sampled reports were rejected following the internal quality assurance process and 10 lacked evidence of any supervisory review. Management asserted that PMVs were conducted for most partners in the period under review using the FMM module, which did not enable full details of the monitoring activities to be captured in the reporting template. While the Country Office had appropriately reported these issues to the Headquarters division managing the FMM pilot, it did not take any other steps to ensure the adequacy of the assurance process, for example, by recording the necessary information outside of the system.
- **Management of action points:** Based on a review of 10 spot check reports and three audit reports, the audit team noted that in eight cases, high priority findings were either not recorded or only partially recorded in the action point module for tracking purposes. Additionally, in four of the 12 PMV reports reviewed by the audit team, the action points were not recorded or only partially recorded in eTools for tracking and follow-up. In total, at the time of the audit fieldwork, 63 of 357 action points (or 18 per cent) were overdue, including 43 rated as 'high' priority. A significant number of action points also were closed without adequately documented follow-up. Management explained that the built-in workflows in FMM did not allow for adequate review or ensure segregation of duties for proper closure by the appropriate managers. However, no alternative steps were taken by

[4] eTools is UNICEF's corporate HACT assurance tool for recording and following up programmatic monitoring activities.

the Country Office to obtain assurance that the identified weaknesses had been addressed and risks mitigated.

- **Ineligible expenditure:** The Country Office developed a standard operating procedure for the follow-up of assurance findings, including the management of ineligible expenditure. However, the audit team noted that all ineligible expenditures recorded in eTools during the period under review was still outstanding at the time of the audit fieldwork and the majority of IPs with identified ineligible expenditure were still receiving DCTs. The Country Office explained that most of those partners were government partners that faced ongoing challenges providing supporting documentation on a timely basis. Audit team discussions with a key partner confirmed this. As the Country Office cannot classify unsupported amounts as ineligible until supporting documents are reviewed, the follow-up and recovery of funds can take an extremely long time, sometimes up to two years. Delays in the recovery of ineligible expenditure may increase vulnerability to fraud, corruption, or misuse of funds and result in diverted or tied resources that could be used in other activities. The Country Office was unable to provide the total value of ineligible expenditure for the period under review.

The PBR process and the subsequent downsizing may have a negative impact on the conduct, documentation, quality review and follow-up of HACT assurance activities. Given the significant number of active implementing partners (128) and programmatic locations (120+), the Country Office may face resource constraints to conduct sufficient monitoring activities, which may increase programmatic and financial risks. Management will need to consider how best to ensure an adequate level of assurance both during the transition period and after completion of the downsizing process.

AGREED ACTIONS 2

The Country Office agrees to:

(i) Ensure that the necessary quantity and quality of HACT assurance activities are performed, in view of the ongoing pilot testing of the Field Monitoring Module of eTools, and in consultation with the Regional Office. This requires conducting and finalizing an adequate number of monitoring visits, covering the required areas, and effectively following up the resulting action points.

(ii) Continue efforts to strengthen the capacity of (government) counterparts in DCT management, accounting and provision of supporting documentation.

Staff Responsible: Programme Specialist, Quality Assurance; Chief PME

Implementation Date: June 2024

3. Construction management — Medium

Construction projects were aligned with the strategic objectives of the country programme and the Country Office took appropriate steps to manage the risk of supplier non-performance. The Country Office also worked closely with beneficiary communities to ensure sustainability of the constructed facilities through ownership and continuous maintenance. There were, however, weaknesses in the monitoring of construction works and follow-up of actions arising from monitoring activities.

During the period under review, the Country Office managed 108 WASH-related construction sites with a total value of US$2.8 million. These construction works focused primarily on drilling of boreholes, construction of latrines and water delivery in schools and health centres in 21 priority districts. There was also a contract worth US$12.2 million for the construction of new common office premises in Kampala for the UNICEF Uganda Country Office and the World Food Programme, scheduled for completion in 2024.

The audit assessed the adequacy and effectiveness of the Country Office's governance and management of the WASH construction projects, including the selection of projects, procurement of local services and monitoring of the construction works, to ensure the timely delivery of high-quality outputs and effective use of funds in support of programmatic objectives. With respect to the new office premises, the construction work was in the early stages at the time of the audit. The audit therefore evaluated the management of key risks related to the planning, procurement and supplier selection processes for that project.

Justification for construction projects and selection of implementation modalities: There was a clear alignment of the WASH construction projects with the Country Office's programmatic objectives and results, as outlined in the 2021-2022 and the 2023-2024 Child Survival and Development (CSD) rolling workplans. The construction sites were selected and work was planned in close cooperation with the government counterparts in the UNICEF priority districts.

All construction projects were implemented 'directly,' meaning that the Country Office engaged private-sector contractors to undertake the construction work, managed and supervised by UNICEF staff. OIAI considered the selection by the Country Office of the direct implementation modality to be appropriate.

At the time of the audit, there were seven WASH-related positions in Kampala and five in the field offices, all part of the Child Survival and Development (CSD) Section. The staffing and capacity appeared adequate to manage the construction projects portfolio as recommended by the applicable policy.

Procurement and management of construction contracts: Based on a review of procurement for five construction works, the audit team noted that the planning and procurement for locally contracted construction works complied with the applicable policies. For the construction of the new office premises, the procurement process was well documented and performed in compliance with the procurement procedures. The audit team also noted that the Country Office had established an appropriate project management governance structure.

The Country Office included indemnification tools in all contracts, for example, bank guarantees, performance bonds or withholding of final payment, to ensure satisfactory completion of the work and resolution of all issues noted after handover. It also took steps to ensure ownership by local government, communities or beneficiaries of facilities handed over to them, to sustain their maintenance, for example, the creation of operations and maintenance teams in schools.

Monitoring of construction activities: The Country Office relied heavily on partners and contractors for monitoring construction projects, from the quality inspection of materials to the finalization of the projects. Contractors were contractually obliged to provide regular progress reports (e.g., every two weeks). Regular monitoring of WASH projects was generally achieved through a DCT provided to the local district government office, which was then responsible for ensuring that monitoring visits were conducted and progress formally certified before payment of each instalment. UNICEF WASH staff were expected to conduct site visits at critical stages of the works (e.g., at handovers, drilling, test pumping and pump installation works).

There was, however, no comprehensive monitoring plan or schedule outlining the monitoring activities for each project/site and no list of visits already executed per project/site. While audit team interviews conducted with WASH staff and two local government WASH officers confirmed that on-site monitoring was generally performed every week or every two weeks, there was no available evidence of consistent documentation and follow-up of the site visits. The sample monitoring documentation provided by the Country Office ranged from formal reports to informal text messages. Each site had a site book where the monitors provided findings/observations and instructions to mitigate the findings. The follow-up of observations made during site visits was done individually, often informally, and there were no consistent records of the follow-up process.

UNICEF staff visits were generally formalized in trip reports or monitoring reports, which outlined the progress made and included observations, but there was no consistent follow-up (e.g., through the action points functionality in eTools). The Country Office maintained a contract monitoring matrix that provided basic data for each of the contracts and project sites. However, some information was missing (e.g., dates of contract signatures, expected completion dates, locations or coordinates, monitoring results).

In interviews with the audit team, management expressed confidence that the certification process for each instalment payment was a strong risk management tool, as no payment could be issued without a thorough verification of progress and certification by the local government officers, contractors and UNICEF WASH project managers. However, based on the audit review of a sample of eight contractor progress reports, UNICEF monitoring reports and site records, the audit team noted that while the reports provided an overview of individual projects, there was no overview of the entire construction portfolio. In the absence of comprehensive documentation, the audit team was unable to substantiate the regular performance of monitoring activities or the comprehensive follow-up of observations/action points resulting from the monitoring activities. Inadequate documentation of monitoring of WASH construction sites may hamper accountability and transparency, as it is difficult to track and assess the progress, quality and compliance of the construction activities, resulting in increased risks of mismanagement, fraud and corruption. Additionally, it may lead to challenges in the timely identification of issues or deviations from project plans, making it difficult to identify the need for course correction or improvements.

AGREED ACTIONS 3

The Country Office agrees to:

i. Develop a detailed construction monitoring plan that contains, among other things, the start and end date of each project, timetable or frequency for monitoring and supervision visits to each project, and responsible parties; and
ii. Ensure that action points and recommendations resulting from construction monitoring activities are adequately managed, followed-up and closed.

Staff Responsible: Focal points from Section; Supply Officer

Implementation Date: February 2024

4. Distribution of programme supplies **Medium**

During the period under review, the Country Office managed its warehouse and monitored supply inventories effectively and implemented measures to ensure that beneficiaries understood the importance and correct use of the distributed supplies. Additionally, the Country Office took advantage of its access to the national information system to enhance its monitoring of the last-mile distribution. However, there were gaps in the conduct and documentation of supply end-user monitoring by the Country Office, limiting visibility of the receipt and effective utilization of supplies by the intended beneficiaries.

The value of stock held in the warehouses at the time of the audit was US$5.2 million. The Country Office delivered US$7.9 million worth of supplies directly to 33 IPs and issued US$9.1 million worth of supplies from its warehouse to 97 IPs. The remaining supplies were for the Country Office's own use or were prepositioned.[5]

The audit assessed the planning and management of supplies and logistics, including warehousing and inventory controls, release orders and handover of inventory to partners. The audit also included a site visit to UNICEF's warehouse in Kampala. Additionally, effectiveness and reliability of the Country Office's monitoring practices related to the distribution and utilization of supplies by end users were assessed, to determine whether the controls are adequately designed and implemented to ensure that supplies reach the intended beneficiaries in a timely manner and are used in line with programmatic objectives.

Overall, the audit team noted an effective supply planning process and effective controls over inventory management and warehousing. The Country Office used its access to the national information system to monitor the distribution of supplies to the last mile. The beneficiaries interviewed by the audit team in four different project sites confirmed the receipt of UNICEF-funded supplies and confirmed that the Country Office or the implementing partners provided information on the importance and correct use of the supplies.

However, the audit team was unable to obtain evidence to demonstrate consistent and regular performance of supply end-user monitoring as part of programmatic monitoring visits. The audit team's review of 10 programmatic monitoring visit reports of projects with a significant supply component did not indicate any specific and focused monitoring of supplies from an end-user perspective. The template in use did not specifically require or include a field for recording supply end-user monitoring activities.

Without regular supply end-user monitoring, there is a lack of visibility of the receipt of supplies by the intended beneficiaries, as well as of the utilization and effectiveness of the supplies provided, and management may not be aware of any issues or challenges faced by end-users in accessing or utilizing the supplies. Additionally, the absence of consistent monitoring reduces the Country Office's ability to assess the impact and outcomes of its programmes.

[5] Prepositioned supplies refer to strategically positioned stockpiles of essential items or resources in advance, typically in locations prone to disasters or areas with limited access to resources. These supplies are stored in warehouses to enable rapid response and delivery during emergencies or crises, for the provision of immediate assistance to affected populations.

AGREED ACTION 4

The Country Office agrees to establish a consistent supply end-user monitoring process as part of the regular programmatic monitoring visits, to ensure that programme supplies reach the intended beneficiaries and contribute to the achievement of programmatic objectives.

Staff Responsible: Chief PME; Supply & Logistics Manager with Senior Logistics Associate
Implementation Date: March 2024

5. Accountability to affected populations — Medium

The Country Office has taken significant steps to integrate AAP into its strategic and partnership documents and has established several mechanisms for the collection of beneficiary feedback to inform future programmatic interventions. However, at the field level, there was a need to improve beneficiary access to, and understanding of, feedback and grievance mechanisms, and to incorporate AAP into regular programmatic monitoring activities.

UNICEF subscribes to the Inter-Agency Steering Committee's (IASC) and Core Humanitarian Standards definition of Accountability to Affected Populations (AAP), which is that AAP is a commitment by humanitarians to use power responsibly to take account of, give account to, and be held to account by the people humanitarians seek to assist. UNICEF's 2022-2025 AAP strategy articulates the goal as: 'To ensure that affected children and families participate in the decisions that affect their lives, are properly informed and consulted, and have their views acted upon.'

One of UNICEF's four strategic objectives for AAP requires that all country offices integrate AAP into their plans, with appropriate technical and financial support in place to support this effort. In this regard, OIAI noted that the Uganda Country Office had taken significant steps to enhance its consideration of AAP in programming. For example, it had developed an AAP strategy and a two-year AAP workplan and allocated accountability for AAP implementation. The audit team noted that implementation was in progress and being monitored at the time of the audit. In 2020, an internal multi-sectoral exercise was undertaken to map the existing AAP activities and mechanisms in all programmatic interventions as a basis for determining the need for further efforts. The results were subsequently reflected in the AAP action plan. The Country Office also provided training in AAP principles for staff and implementing partners.

The audit team noted clear references to AAP in key strategic and programmatic documents, such as the Country Programme Document, Humanitarian Action for Children, Inter-Agency Uganda Country Refugee Response Plan 2022-2025, as well as in partnership documents such as Programme Cooperation Agreements, Programme Documents and the 2023-2024 Rolling Work Plans. All programme documents since 2022 included AAP indicators and there was evidence that the indicators were in use and being reported by partners during the audit period.

The Country Office established a number of feedback mechanisms to gather data and information from affected populations and allow communities to provide feedback on various aspects of the programmatic interventions. They included the U-Report (an online feedback tool first developed and piloted by the Uganda Country Office), two hotlines in government ministries (funded by the Country Office), humanitarian and thematic/sector polls and partner reporting. Feedback and the resulting action points from those tools, primarily the U-Report, is tracked monthly by the Emergency Management Team and regular follow-up is conducted and documented. OIAI's review of documentation (e.g., U-Report polls analysis, social listening reports and surveys) provided evidence of extensive review and analysis of feedback and data received from those tools. Their subsequent incorporation into programme design was evident in documentation related to a sample of interventions. Examples included the adaptation of a WASH programme on open-air defecations based on feedback from U-Report polls and the use of U-Report surveys to improve communication to beneficiaries related to PSEA and the UNICEF-funded child helpline.

Based on the audit work conducted, the audit team noted the following areas where the Country Office could improve its AAP implementation and monitoring.

Awareness of feedback channels: In its nine field visits to project sites and service delivery points and in meetings with beneficiaries, the audit team noted mixed understanding and awareness of processes and tools for the collection of feedback and for raising complaints and grievances. Some beneficiaries acknowledged a degree of feedback collection by implementing partners and/or local government officials, and occasional participation of UNICEF staff, and that some degree of action was taken based on the feedback. However, the audit team noted very mixed opinions among the beneficiaries consulted. Additionally, the audit team noted the absence of UNICEF materials or information (such as posters or stickers) outlining feedback channels. Only one site was observed to have an anonymous feedback collection tool (feedback box), and it did not appear to be in use at the time of the audit.

Monitoring of AAP implementation: The audit team also noted a lack of monitoring of AAP implementation in the programmatic monitoring reports. While some information on engaging with beneficiaries was noted, in the 20 sampled programmatic monitoring visit reports, the audit team did not identify any specific comments, observations or findings related to AAP. The template used by the Country Office staff to conduct programmatic visits did not include any specific fields to encourage the monitoring of AAP implementation.

OIAI acknowledges the challenges in designing and implementing effective feedback mechanisms in the Uganda operating context and the type of interventions implemented, as well as the efforts made by the Country Office to design feedback collection tools and mechanisms. While an excellent tool, the U-Report is only available online and the feedback received has limited representative value due to various constraints (lack of online access for most potential beneficiaries, no access to electronic tools, illiteracy, etc.). Reliance on partner and/or government reporting may not fully capture all issues, for example, on the quality of services provided by the partners themselves. Therefore, OIAI considers that the Country Office should look for solutions to ensure partner accountability for activities implemented by the partners through awareness raising measures, and regularly solicit feedback from its beneficiaries to enable individuals and communities to provide input and raise complaints. Consistent feedback collection can facilitate consideration of the necessary actions in the subsequent programming.

Inadequately designed and implemented AAP mechanisms may lead to implementation of programmes that do not address the needs and priorities of the affected communities and may therefore erode trust and undermine the credibility of UNICEF's efforts. This may also increase the risk of misallocated resources, mismanaged aid and potential corruption or misappropriation of funds.

AGREED ACTIONS 5

The Country Office agrees to strengthen AAP implementation by:

i. Strengthening beneficiary awareness of feedback mechanisms and ensuring that actions are taken based on the feedback. Awareness can be raised through information materials and posters in the supported interventions; and by including means for the submission of anonymous feedback, complaints and grievances in all projects;
ii. Consistently including AAP monitoring as part of regular programmatic monitoring by ensuring the use of adequate monitoring tools.

Staff Responsible: Emergency Specialist; Programme Specialist SBC; and Chief PME
Implementation Date: June 2024

6. Protection from sexual exploitation and abuse (PSEA) — Medium

The Country Office developed a comprehensive PSEA action plan and achieved a high level of staff awareness of PSEA. It also conducted partner SEA assessments and followed up necessary actions to ensure that CSO implementing partners had their own PSEA measures in place. However, the appropriateness and ongoing functioning of those measures was not subsequently reviewed as part of the regular programmatic monitoring. There were opportunities to enhance the awareness of PSEA and available reporting channels among beneficiaries and high-risk vendors.

The audit team evaluated the Country Office's assessment of SEA risks within the local context and the implementation and monitoring of mitigation actions. It also reviewed the measures to ensure that all staff as well as implementing partners, vendors and consultants whose work involves direct interaction with vulnerable communities are equipped to prevent and respond to SEA, and that at-risk communities have access to and are aware of safe reporting channels.

In view of the heightened risk of SEA in Uganda, a country-wide PSEA risk assessment was performed in 2022 by a consultant commissioned by the United Nations Country Team. The UNICEF Country Office did not therefore conduct its own specific PSEA risk assessment during the period under review. The Country Office's risk register did, however, include two PSEA-related risks, albeit without mitigating actions, as both were rated 'medium.' Adequate measures were included in the Country Office's rolling PSEA action plan and there was evidence of periodic monitoring to ensure progress with implementation.

The Country Office established clear accountabilities and responsibilities for PSEA and the audit team's discussions with staff indicated that staff training, as well as management's tone at the top, were effective in ensuring awareness of PSEA and related reporting requirements. The audit team noted that a comprehensive SEA assessment was performed by the Country Office with respect to all CSO implementing partners, as required by UNICEF's PSEA policy. All CSOs and almost one-third of the government IPs received PSEA training. Staff members interviewed by the audit team at all seven implementing partners visited during the audit fieldwork demonstrated general awareness of PSEA matters.

The audit team noted the following opportunities to enhance the Country Office's management of PSEA.

- **Monitoring of PSEA implementation**: The Country Office did not consistently use its programmatic monitoring activities to monitor implementation of PSEA measures, as recommended by the applicable procedure. The audit team reviewed 10 programmatic monitoring visit reports in eTools and noted only limited review of PSEA implementation at IP and/or project site level. Although the electronic template includes three specific data collection requirements for PSEA, there is little information on the details, observations made and any actions necessary. The template includes pre-set responses to all three PSEA-related questions, which are not mandatory, and does not include space to provide any further details, which limits the value of responses. Effective monitoring can provide assurance on the adequacy and effectiveness of PSEA measures.

- **Beneficiary awareness of and access to reporting channels:** During visits to nine UNICEF service delivery/programme sites, the audit team verified the awareness of a cross-section of beneficiaries regarding PSEA matters and available reporting channels. Discussions were held with 4 hospital staff, 4 teachers, 12 parents, 10 local community members and 16 beneficiaries of cash transfers and their caregivers. The feedback was mixed, and while there was a general awareness of what SEA represents, beneficiaries' understanding of the reporting requirements and available channels was poor. Most regarded local community leaders as the 'go to' reporting channel and none of the beneficiaries interviewed by the audit team was aware of UNICEF or other UN reporting lines, or the Government's Child Helpline funded by UNICEF. The audit team noted a lack of UNICEF informational materials or signage on SEA reporting at all sites visited. While posters and other printed materials had been prepared in multiple local languages, these had not yet been distributed at the time of audit fieldwork. Limited beneficiary awareness increases the risk of underreporting of SEA, continued harm to beneficiaries, missed prevention opportunities, diminished trust and reputational consequences.

- **Vendor awareness:** Although the Country Office issued standard UNICEF contracts for services including clauses related to the zero-tolerance PSEA policy, no additional information or training on PSEA was provided to service providers, including higher-risk contractors such as construction workers. Lack of awareness of PSEA by service providers and contractors may increase the risk of SEA, especially in vulnerable and remote communities where the Country Office places heavy reliance on third-party contractors for construction projects.

At the time of the audit, responsibility for PSEA planning and monitoring, as well as implementation of the PSEA action plan, was assigned to the Country Office's Gender Specialist. The Country Office informed OIAI that a new PSEA P4 post, funded by UNICEF HQ, was soon to be created and that this additional resource would significantly strengthen the Country Office's management and coordination of PSEA activities.

AGREED ACTIONS 6

The Country Office agrees to strengthen its PSEA management by:

i. Enhancing the tools for monitoring implementation of PSEA actions and ensuring that staff are trained in the PSEA monitoring process;

ii. Expanding beneficiary awareness of PSEA principles and reporting channels by developing and distributing informational material tailored to the different beneficiary communities and in the applicable languages; and
iii. Providing information and training to high-risk vendors and contractors such as construction workers.

Staff Responsible: Chief PME; Gender/PSEA Specialist; and Supply Manager

Implementation Date: March 2024

7. Country Office sustainability

The Country Office had conducted an in-depth review of its ability to deliver the 2021-2025 country programme with the current office structure and level of resources. This culminated in a proposal to the PBR for a significant staff reduction and a revision of programmatic priorities. At the time of the audit, the PBR was close to completion and the Country Office was preparing to implement the planned changes. The PBR exercise showed Country Office management's awareness of the operational, programmatic and people-related risks associated with the restructuring exercise. An ongoing focus on transparent, structured risk identification and management will be essential to ensure successful implementation of the changes required to support delivery of planned programmatic goals within a well-controlled and affordable organizational structure.

Due to the impacts of the COVID-19 pandemic, the war in Ukraine and the ensuing global economic challenges, the Uganda Country Office suffered a substantial reduction in funding from the start of the 2021-2025 country programme. At the same time, operating and staff costs increased significantly. The Country Office's existing organizational structure was approved on the basis of the more favourable funding environment at the time of the previous country programme (2015-2020) and a PBR proposal to reduce headcount at that time was not approved. With the unexpected deterioration in the external funding and economic environment, certain key assumptions were therefore no longer valid, prompting Country Office management to conduct an early Mid-Term Review (MTR) in 2022. This included a review of the affordability of the office structure, reprioritization of its programmatic goals, and identification of focused and accelerated ways of achieving meaningful results for children. Following the MTR process, the Country Office submitted a proposal to the Regional Office's PBR for a 29 per cent reduction in posts (from 217 to 154) and a reduction in operating costs of approximately US$1.2 million. Steps were also taken during the audit period to strengthen budgetary controls and management visibility of the Country Office's financial position and ongoing sustainability.

As the PBR exercise was in progress at the time of the audit, the audit work was limited to a high-level review of the PBR submission and the ongoing change management process. The audit team also took into account the likely impact of the proposed restructuring on the Country Office's capacity to ensure sufficient levels of control over key risks in the areas audited. OIAI was mindful that any audit recommendations would need to be relevant to and achievable in the future down-sized office structure.

The audit found that the PBR submission was based on sufficient analysis to support the recommendations, and the minutes of meetings with the Regional Technical Review Team provided evidence of robust review of key operational and programmatic factors. This included consideration of the impact of a reduced Country Office structure on essential internal controls and relevant mitigation measures, for example, segregation of duties and fraud risk management.

The audit team noted the efforts made by the Country Office management team to ensure that the PBR process was fair, transparent and inclusive, for example, through close engagement with the Staff Association, regular staff consultation and the use of a change management consultant. Staff interviewed by the audit team appeared to be generally satisfied with the approach taken and understood the rationale for the PBR. The Country Office management team was cognizant of the impact of any restructuring process on staff motivation and had a strong focus on ensuring that all required staff support mechanisms were in place during the PBR discussion and following its approval.

Soon after the audit fieldwork, the PBR proposals were approved, and the Country Office commenced implementation, including giving notice to affected staff. Recruitment was in progress to fill vacancies in key management positions in Resource Mobilization, Operations and HR, required to implement the change process. There were plans for a working group to review and revise the fundraising strategy, with support from a consulting firm.

The proposed substantial headcount reductions and other cost-control measures will bring risks, as well as opportunities, that will need to be carefully managed and monitored during and after implementation of the changes. OIAI acknowledges the steps taken to date by the Country Office to mitigate the operational, programmatic and people-related risks in order to ensure its sustainability. As implementation progresses, a continued focus on transparent, structured risk identification and management, combined with effective governance and oversight mechanisms, will be essential to support delivery of the revised programmatic goals within a well-controlled and affordable organizational structure.

APPENDIX

Definitions of Audit Observation Ratings

To assist management in prioritizing the actions arising from the audit, OIAI ascribes a rating to each audit observation based on the potential consequence or residual risks to the audited entity, area, activity, or process, or to UNICEF. Individual observations are rated as follows:

Low	The observation concerns a potential opportunity for improvement in the assessed governance, risk management or control processes. Low-priority observations are reported to management during the audit but are not included in the audit report. Action in response to the observation is desirable.
Medium	The observation relates to a weakness or deficiency in the assessed governance, risk management or control processes that requires resolution within a reasonable period to avoid adverse consequences for the audited entity, area, activity, or process.
High	The observation concerns a fundamental weakness or deficiency in the assessed governance, risk management or control processes that requires prompt/immediate resolution to avoid severe/major adverse consequences for the audited entity, area, activity, or process, or for UNICEF.

Definitions of Overall Audit Conclusions

The above ratings of audit observations are then used to support an overall audit conclusion for the area under review, as follows:

Satisfactory	The assessed governance, risk management or control processes were adequate and functioning well.
Partially Satisfactory, Improvement Needed	The assessed governance, risk management or control processes were generally adequate and functioning but needed improvement. The weaknesses or deficiencies identified were unlikely to have a materially negative impact on the performance of the audited entity, area, activity, or process.
Partially Satisfactory, Major Improvement Needed	The assessed governance, risk management or control processes needed major improvement. The weaknesses or deficiencies identified could have a materially negative impact on the performance of the audited entity, area, activity, or process.
Unsatisfactory	The assessed governance, risk management or control processes were not adequately established or not functioning well. The weaknesses or deficiencies identified could have a severely negative impact on the performance of the audited entity, area, activity, or process.

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