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Office of Internal Audit and Investigations

Report on the Internal Audit of the Niger Country Office

DECEMBER 2023

Report 2023/20

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EXECUTIVE SUMMARY

The Office of Internal Audit and Investigations (OIAI) conducted an audit of the Niger Country Office, covering the period from 1 January 2022 to 2 June 2023. The audit was conducted from 15 May 2023 to 2 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 over a selection of significant risk areas of the Niger Country Office, including fraud risk management, cash assistance to beneficiaries, supply and logistics, construction and safety and security. The descriptions of the specific risks evaluated are provided in the Audit Objective, Scope and Approach Section of this report.

The Niger Country Office works with a significant number of government entities and civil society organizations (CSOs). During the period audited, the Country Office transferred approximately US$57.2 million to partners for implementation of the Country Programme. This represented 30.6 per cent of total expenditure. The Country Office spent approximately US$72.2 million on programme supplies and US$58.9 million on services, which represented 25 per cent and 24 per cent, respectively, of total expenditure. There were several risks around supply and logistics, construction management, and the transfer of cash to implementing partners. The audit therefore sought to determine whether and how the Country Office managed those risks.

Overall Conclusion

Based on the audit work performed, OIAI concluded that the assessed governance, risk management or control processes were partially satisfactory, major improvement needed, meaning that the weaknesses or deficiencies identified could 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 the following areas where UNICEF Niger’s controls were adequate and functioned well:

- **Security**: The Country Office security team monitored the changing security context effectively and shared necessary information with management to allow timely, effective decision-making about staff security matters. Relevant operating standards were applied to ensure the security of all UNICEF premises and appropriate measures were taken to facilitate the transportation of supplies. Country Office management also advocated at the United Nations Resident Coordinator/Country Team level for increased capacity in the United Nations Department of Safety and Security Office to strengthen security in Niger.

- **Service contracts**: During the audit period, the Country Office spent approximately US$8.3 million on service contracts, related primarily to safety and security, facility maintenance and repair, and transportation and logistics. The Country Office conducted transparent sourcing and selection of vendors and objective assessments of their performance. These control processes provided reasonable assurance that services were delivered on time and complied with applicable procedures.

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 an anti-fraud strategy outlining the roles and responsibilities of staff and defining preventive measures in an action plan. It also achieved a high completion rate for mandatory staff training courses and established an anti-fraud taskforce to help strengthen overall fraud risk management. Despite operating in a high fraud risk environment, the Country Office's fraud risk assessment did not adequately cover all potential types of fraud or risks related to specific activities as a basis for determining appropriate mitigating actions. Gaps in the implementation and follow-up of cash transfer assurance activities contributed to a failure to reliably identify, assess, mitigate and report fraud 'red flags', as required by UNICEF's Anti-Fraud Policy. There also were insufficient assurance mechanisms to enable the Country Office to verify that supplies were delivered and cash assistance was paid in full and on time to the right beneficiaries.

- **Cash transfer assurance activities**: The Country Office did not adequately track and follow up findings and recommendations from cash transfer assurance activities. A significant amount of ineligible expenses from scheduled audits and spot checks for the period 2021-2022 was outstanding, exposing the Country Office to the risk of fraud and non-recovery of funds. High-priority findings from audits and spot checks were not taken into account in the assessment of partner risk ratings in 2023. This resulted in cash transfers to some implementing partners that had received a qualified, adverse or disclaimer audit opinion or had significant ineligible expenses.

- **Construction risk management**: Construction-related risks were not reviewed or updated during the period under review, despite the challenging local context. Regular assessment of risk at the overall portfolio and individual project levels is essential as a basis for ensuring adequate management, monitoring and mitigation of risks associated with the Country Office's significant construction portfolio. The Country Office did not request performance guarantees from construction companies, nor did it enforce penalty clauses. This increased the risk of fraud, delays and sub-optimal construction works.

- **Protection from sexual exploitation and abuse (PSEA)**: While the country context indicated a heightened risk of SEA, the Country Office had not successfully implemented all relevant mitigation measures, due to a lack of specialist resources. For example, there was limited oversight of the partners' assessment process to ensure that relevant SEA risks were identified, assessed and mitigated. Not all partners had received the required PSEA training and there was no systematic review of SEA on programme monitoring visits, due to inadequate guidance and failure to include PSEA in the reporting template.

The table below summarizes the key actions management has agreed to take 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)**: Perform an annual fraud risk assessment covering all risk categories, major programmes and activities; Conduct training/communication to ensure that staff (including those with monitoring and assurance roles) are aware of red flags and will promptly report all suspicions or allegations of fraud or misconduct to OIAI for advice or investigation, as appropriate	High
Controls processes	**Cash transfer assurance activity (Observation 2)**: Implement all minimum HACT assurance activities and use the results to adjust implementing partner risk ratings, as required, to determine the appropriate cash disbursement modality; Follow up high-priority recommendations to ensure timely action by the Country Office	High
	Protection from sexual exploitation and abuse (Observation 3): Finalize the recruitment of the PSEA specialist to ensure identification, assessment and mitigation of relevant SEA risks and to oversee partner SEA assessment processes; Provide PSEA training to staff and embed PSEA questions in the programmatic visit report template	High
	Construction management (Observation 4): Ensure that construction-related risks are regularly assessed, and that adequate mitigating actions are agreed and monitored; Consult Supply Division to explore whether the performance guarantee requirement can be adapted to the local context; Clarify and communicate the terms of reference of the construction taskforce, including its objectives, ways of working and roles and responsibilities	High
	Cash assistance to beneficiaries (Observation 6): Establish a coordination mechanism to ensure sufficient oversight of cash transfer programmes and to assess lessons learned to improve existing and inform future cash programmes; Ensure that risks related to all cash interventions are regularly assessed and documented, and mitigating actions monitored and updated to reflect evolving risks; Strengthen oversight of the payment process and grievance mechanism managed by partners	High
	Supply and logistics management (Observation 8): Establish a comprehensive and coordinated process for supply end-user monitoring, including training for staff and partners; Strengthen logistics planning and assess resource allocation to improve the efficiency and timeliness of delivery and management of warehouse space; Assess and implement measures to ensure that temperature-sensitive goods are properly stored or distributed to beneficiaries within three months	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.

Country context and operating environment

Niger is a vast country located in the heart of the Sahel region. In 2022, the country's population was estimated at 26 million people, with 47 per cent under the age of 14 years and 83 per cent living in rural areas. Classified as extremely low income, Niger's economy is not well diversified and depends primarily on agriculture, which accounts for 40 per cent of its GDP.[1]

Niger is faced with high population growth, increasingly frequent natural disasters and the effects of climate change. The coronavirus pandemic brought additional health challenges to the country. Armed conflict continues to create significant security risks in areas that border Burkina Faso, Chad, Mali and Nigeria, contributing to population displacement. In those regions, the sporadic intervention of authorities reduces the availability of essential social services, increasing the fragility and accentuating the marginalization of vulnerable persons.

The confluence of conflict, climate change, increasing political instability, lack of sustainable development opportunities, and poverty in the Sahel region led to the declaration in July 2022 of a Level 2 (L2) emergency in Niger. This is the second highest level of the United Nations humanitarian emergencies classification. Activation of an L2 emergency enabled the Country Office to apply simplified administrative procedures, such as for recruitment of personnel, establishment of partnerships and procurement of supplies and services, where this facilitated a more timely, efficient response.

Context of key risk areas covered in the audit

With an overall budget of US$284.4 million, the 2019-2022 country programme was structured around seven outcome areas: health; nutrition; water, sanitation and hygiene (WASH); education; child protection; social inclusion; and adolescents and social norms. The current 2023-2027 country programme has a budget of US$372.5 million, built around similar components: health; nutrition; WASH; education; child protection; and social protection.

The expenditure by programme outcome for the audit period, from 1 January 2022 to 2 June 2023, is shown in Figure 1.

[1] World Bank Niger Overview, Niger: Development news, research, data | World Bank

Figure 1: Programme spending by outcome, 1 January 2022 - 2 June 2023

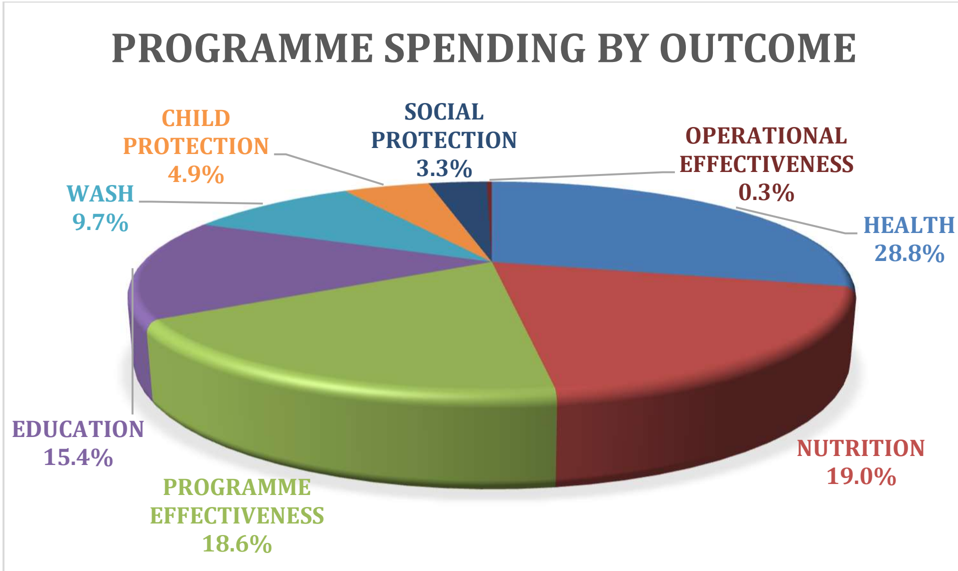
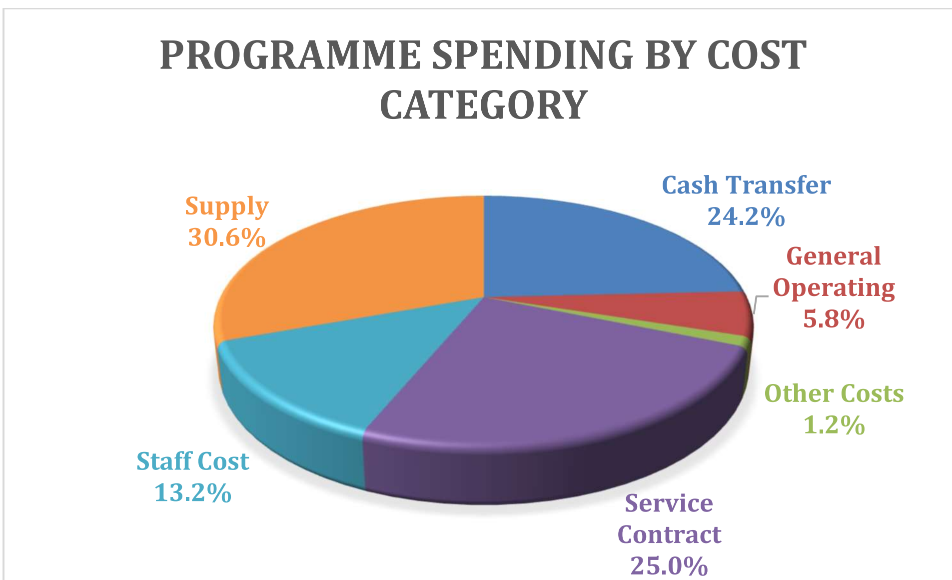


Figure 2 provides a breakdown of the Country Office expenditure by type, for the same period. The risk areas covered in the audit include all four major expenditure categories.

Figure 2: Country office expenditure by type, 1 January 2022 - 2 June 2023



The Niger Country Office has 211 posts. Of these, 127 are based in the main office in Niamey and 84 in the field offices in Maradi, Diffa, Tahoua, and Agadez. There are warehouses in Niamey, Maradi and Tahoua.

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 over a selection of significant risk areas of the Niger Country Office, including fraud risk management, cash assistance to beneficiaries, supply and logistics, construction and safety and security.

The audit scope included key areas, set out in following table, that were selected during the audit planning process based on an assessment of inherent risks.[2] The table below briefly describes the inherent risks in relation to the specific areas covered in the audit.

RISK AREA	KEY INHERENT RISKS EVALUATED DURING THE AUDIT
Fraud risk management	A lack of awareness and accountability may lead to insufficient fraud prevention and detection measures. Insufficient monitoring and reporting of fraud allegations and irregularities may lead to inadequate responses, failure to deter future fraudulent activities and loss of funds.
Cash transfer assurance activities	The Country Office may not properly plan and execute spot checks, audits and programmatic visits, resulting in failure to identify or to promptly address issues that might prevent implementation of planned activities and unintended use of cash transfers, including fraud, waste, misuse and inefficiencies. Cash transfers utilized during the audit period amounted to US$57.2 million, or 24 per cent of total fund utilization.
Management of service contracts, including construction	The procurement and management of contracts for services (including construction) in the country context carries increased levels of inherent risk related to fraud, waste or abuse of UNICEF resources. Insufficient in-house technical expertise increases the risks related to complex construction activities. During the period under audit, the Country Office had contracts for services, including construction, valued at US$58.9 million.
Cash assistance to beneficiaries	Poor payment processing and mitigating payment verification and grievance mechanisms may result in the full cash transfer amount not being paid on time.
Accountability to Affected Populations (AAP)	Inadequate AAP measures could prevent the affected children and their families from participating in the decisions that affect their lives.
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.
Supply and logistics management and end-user monitoring	Inadequate planning may lead to delays in the distribution of supplies to partners and beneficiaries. Poor storage of supplies in warehouses may result in deterioration of essential supplies, hampering programme implementation. Inadequate and uncoordinated supply end-user monitoring may lead to children and their families not receiving the supplies they need.
Workforce planning and recruitment	Inadequate planning of human resource needs and inefficient recruitment processes may impact the Country Office's ability to achieve its planned activities efficiently, effectively and with appropriate risk management and oversight.
Safety and security	Given the dynamic local context and security risks, effective and efficient security management is key to preventing injury and/or loss of lives and/or assets.

[2] Inherent risk refers to the potential adverse event that could occur if management takes no actions, 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 audit was conducted from 15 May 2023 to 2 June 2023 in accordance with the Code of Ethics and the International Standards for the Professional Practice of Internal Auditing. For the purpose of audit testing, the audit covered the period from 1 January 2022 to 2 June 2023. The audit involved a combination of methods, tools and techniques, including interviews, data analytics, document review, tests of transactions, evaluations and validation of preliminary observations.

The key areas where actions are needed are summarized below.

1. Fraud risk management — High

The Country Office had developed an anti-fraud strategy and provided regular training to staff and partners. It needed to undertake a more comprehensive assessment of the risks and controls related to all categories and areas of potential fraud and use the results of the assessment to strengthen fraud risk management. It also needed to revise and communicate the arrangements for handling fraud allegations, to ensure appropriate follow-up or investigation, as appropriate.

The Niger Country Office operates in an increasingly challenging environment, with economic, social and security-related factors contributing to a heightened risk of fraud. The Country Office had developed an anti-fraud strategy that set out the roles and responsibilities of management and staff members and the key fraud prevention, detection and reporting measures. The strategy was aligned with the global corporate anti-fraud strategy. The audit evaluated the adequacy of the Country Office's approach to assessing and managing the risk of fraud in this context, including ensuring that staff and partners understand their accountabilities for fraud risk management and are equipped to prevent, detect and report any suspected fraudulent activity.

Fraud risk assessment: The Country Office conducted a fraud risk assessment in 2022; however, it did not consider all categories of fraud risks, such as corruption, bribery and conflict of interest, or all potential areas of fraud, including cash transfers to partners, cash assistance to beneficiaries, procurement, distribution of supplies and construction. As a result, OIAI's audit of these and other areas with an inherently high risk of fraud indicated that the Country Office did not ensure sufficient controls were put in place and management oversight was provided to prevent or promptly detect and report fraud, should it occur. While corporate procedures were available to help manage risks in areas such as cash assistance to beneficiaries, procurement and construction, comprehensive fraud-risk assessment would provide the basis for the Country Office to identify context-specific measures to mitigate the fraud risks to which it was exposed.

Fraud risk awareness: UNICEF's anti-fraud strategy includes measures such as fraud awareness training for staff and the display of whistleblower hotline posters at programme sites, aimed at increasing fraud prevention and reporting. The audit team noted that whistleblower hotline posters were not displayed at the offices of either of the implementing partners visited. During the audit period, 99 per cent of staff completed the mandatory ethics and fraud awareness training, the Country Office provided annual fraud awareness training for all staff and there was regular communication on fraud-related matters in staff meetings. The Country Office also conducted several anti-fraud workshops for partners. Audit discussions with selected staff and partners indicated that those activities were successfully creating awareness among staff and partners. However, no assessment had been undertaken of how successful the training was, for example, in ensuring that staff successfully identified and reported red flags in their day-to-day actvities,

Fraud monitoring and reporting: UNICEF's anti-fraud policy requires UNICEF staff and non-staff personnel[3] to report all reasonable suspicions of fraud or misconduct involving UNICEF to the Director of OIAI as soon as possible, for advice or investigation, as appropriate. The audit team noted that the Country Office's arrangements for handling fraud allegations meant that this

[3] 'Non-staff personnel' includes any person who is working with UNICEF as a United Nations Volunteer, on a stand-by arrangement in emergencies or internship, but does not include individual consultants or contractors.

requirement of the strategy would not always be complied with. For example, the Country Office established an anti-fraud taskforce whose primary role, according to its terms of reference, included supporting the Representative in making decisions concerning fraud and misconduct allegations and informing donors and staff members appropriately. The taskforce also conducted investigations into allegations, which is outside the Country Office's mandate and may result in inappropriate management of fraud allegations.

The audit team also noted that the Country Office maintained a log of fraud allegations, but only one of the five allegations recorded in the log since 2021 was escalated to OIAI for investigation. In three of the cases that were not escalated, the Country Office commissioned special audits of the implementing partners concerned without first consulting with OIAI, as required by UNICEF's HACT procedure. In the remaining case, the Country Office conducted a review of documentation and did not escalate the allegation at all.

UNICEF requires the involvement of Headquarters in the management of fraud allegations and the use of specialized skills, available only in OIAI to ensure proper and consistent responses globally. The arrangements put in place by the Country Office therefore created a significant risk to the effective handling of fraud allegations. The arrangements also created a risk of management overreach and impunity. Inappropriate handling of allegations may result in fraud going undetected, financial loss due to an inability to recover, inconsistent response to fraud, and increased reputational risk with donors globally.

The Country Office had developed standard operating procedures for reporting and managing fraud allegations, but they had not been updated to reflect organizational changes in UNICEF relevant to escalation of allegations.

AGREED ACTION 1

The Country Office agrees to:

i. Assess the risks and related controls in all areas that are susceptible to fraud and implement an action plan and relevant management oversight mechanism to address any gaps or significant control weaknesses.
ii. Implement a methodology for assessing the ongoing effectiveness of anti-fraud training and use the results to enhance the staff and partner training and communication programme, for example, ensuring that red flags for fraud and misconduct are understood and can be identified by staff, in particular those with responsibilities for monitoring and assurance activities.
iii. Revise and communicate the processes and SOP to ensure that handling of all fraud allegations, is in full compliance with the corporate requirements of UNICEF's anti-fraud policy, including that staff and non-staff personnel report all reasonable suspicions of fraud or misconduct involving UNICEF to the Director of OIAI as soon as possible for advice or investigation, as appropriate.

Staff Responsible: Deputy Representative, Operations; Risk and Compliance Specialist; IPM Specialist

Implementation Date: March 2024

2. Cash transfer assurance activities — High

The Country Office needed to strengthen the implementation and oversight of HACT assurance activities and ensure that the results are used to inform partner risk management and to recover ineligible expenditure. At the time of the audit, ineligible expenditure amounted to US$3.7 million.

The Harmonized Approach to Cash Transfers (HACT) requires that assurance activities, including programmatic visits, spot checks and audits, be conducted for all partners receiving more than US$2,500 from UNICEF, to ensure proper use of cash transfers for agreed programme activities and effective management of the associated fiduciary risks. During the period under audit, the Country Office transferred US$55.5 million to 209 partners, including US$20.8 million to 93 'high' or 'significant' risk partners. The audit team evaluated the adequacy of the Country Office's application of HACT assurance tools, to ensure that cash transfers are used for intended purposes and ineligible expenses identified and recovered.

The Country Office established a HACT assurance plan and monitored the status of the assurance activities on a monthly basis at the Programme Management Team and Country Management Team meetings, prompting actions to ensure implementation of the agreed plan. However, based on the audit work done, OIAI concluded that the selection of partners and programme activities for assurance activities was not fully risk-based and did not maximize coverage of higher-risk partners and activities.

Partner risk rating: A risk rating is used to determine the cash transfer modality for each partner and the frequency of spot checks, programmatic visits and audits. The rating should be reviewed following an audit with a qualified or adverse opinion or disclaimer and significant high priority findings, which may include ineligible expenditure. In 2021-2022, spot checks and audits identified US$3.7 million of ineligible expenditure related to 34 partners. Thirteen of the 34 partners also had audit reports with a disclaimer or adverse or qualified opinion. This meant that their risk rating should have been increased to ensure more frequent assurance activities. However, the Country Office did not revise the risk rating of six of those partners, which remained 'low' or 'medium' in both 2022 and 2023. The audit team noted that cash was still transferred to one of those partners, even though it had US$0.8 million of ineligible expenditure. Failure to adjust partner risk ratings to reflect negative audit results reduces the extent of future assurance activities and may increase UNICEF's exposure to financial loss, misuse of funds, and non-implementation of activities.

Spot checks and audits: A minimum of one spot check is required for all implementing partners reporting annual expenditure of more than US$50,000 from funds provided by UNICEF. In 2022, the HACT assurance plan indicated that 113 spot checks were required. The Country Office completed 127. However, six partners, with combined expenditure of US$2 million, that should have received at least one spot check each, were not covered. The HACT assurance plan also indicated that only 7 of the 19 required audits were completed in 2022, although two additional, unplanned audits were performed.

Programmatic visits: Programmatic visits provide assurance with respect to the status of programme implementation compared to the agreed workplan and the reliability of programme results reported by implementing partners. In 2022, the Country Office completed 420 programmatic visits, 105 more than the 315 minimum required. However, programmatic visits were not completed for 53 partners with cash transfers totalling US$5.9 million. Of those, 21 (with a total of US$2.6 million) had a risk rating of 'high' or 'significant'. Conversely, 19 visits were conducted for 13 partners that did not meet the requirement for a programmatic visit, as the cash transfer was less than US$2,500.

Failure to undertake sufficient risk-based assurance activities reduces the Country Office's opportunity to verify whether partners have used the funds provided to them for intended purposes and adequately manage the risks of fraud, waste and abuse relating to the cash transfers. Performing spot checks, audits and programmatic visits for lower risk partners and activities may not maximize the coverage of assurance activities given the Country Office's limited resources. The Country Office recognized that the minimum required programmatic visits were not performed, as staff did not fully understand the HACT procedures. This meant that staff did not record the results of programmatic visits in eTools[4] and supervisors were therefore unable to approve them. During the audit period, the Country Office conducted workshops to address this need for training on HACT procedures.

Follow-up of recommendations from assurance activities: UNICEF requires country offices to use eTools to facilitate more efficient, transparent tracking and follow-up of assurance activities and related recommendations. The audit team's review of eTools data noted that 659 of 723 high-priority actions were still open. Some actions were marked as 'Done' with no further detail, making it impossible for programme Chiefs to assess whether the actions taken were sufficient. This was due to the same need for staff training in HACT procedures noted above and a lack of oversight by programme Chiefs. Failure to follow up action points from assurance activities may result in increased exposure to financial loss, misuse of funds and non-implementation of activities.

Outstanding ineligible expenses from assurance activities: As mentioned above, ineligible expenditure of US$3.7 million was identified in audits and spot checks during 2021-2022, the majority related to government partners. The Country Office authorized the re-audit of 2020-2021 activities amounting to US$1.6 million for seven partners. At the time of this audit, five of those audits had been finalized, resulting in US$1.4 million being reclassified as eligible expenditure, and US$0.1 million had been reimbursed. An allegation of fraud was raised by the audit firm against two government partners that were re-audited. The Country Office informed OIAI of the allegation and has taken some actions, including stopping cash transfers to partners with significant ineligible expenditure and sending them requests for reimbursement. At the time of this audit, the Country Office also was in communication with the Government to discuss the way forward, including reimbursement.

Use of third-party monitoring resources: Despite operating in a high-risk environment, the Country Office had not evaluated the possibility of engaging third-party resources to monitor programme activities in areas that were inaccessible to UNICEF staff for security reasons. Supplementing internal staff with external field-monitoring resources is a common practice by UNICEF country offices facing similar access challenges. Reliance was placed on partner reporting in these areas, resulting in a lack of visibility of programme implementation and objective assurance that activities were being implemented as intended.

AGREED ACTION 2

The Country Office agrees to:

i. Strengthen implementation and oversight of HACT assurance activities to ensure that the assurance plan maximizes coverage of higher-risk partners and activities and complies with relevant corporate policies.

[4] eTools is UNICEF's organization-wide online platform to help staff manage partnerships and monitor programmes.

ii. Implement a plan to ensure that the selection of the most appropriate cash disbursement modality includes a review of the HACT risk rating of all implementing partners with high priority findings and ineligible expenses.
iii. Take steps to ensure that high priority actions are properly reviewed, promptly implemented and closed in eTools.
iv. Determine the cost and benefit of engaging third-party monitors to perform programmatic visits, especially in areas with security and access constraints; In doing so, consult with the Regional Office to learn from the experience of other country offices.

Staff Responsible: Deputy Representative, Programmes; Chief PME; IPM Specialist

Implementation Date: June 2024

3. Protection from Sexual Exploitation and Abuse — High

Despite the development of a PSEA action plan and establishment of field office focal points, further efforts were required to strengthen the management of partner-related PSEA risk, including the performance and follow-up of PSEA assessments of CSO partners and field monitoring activities.

The audit assessed whether controls were adequate and operating effectively to ensure that the risk of SEA within the local context was understood and that sufficient mitigating actions were planned, implemented and monitored. It also reviewed measures to ensure that all staff, non-staff personnel and partners are equipped to prevent and respond to SEA and that at-risk communities have access to and are aware of safe reporting channels.

PSEA risk assessment and action plan: The Country Office operates in a context where there is an increased risk of SEA, which is heightened by the humanitarian context. The Country Office's 2022 risk register addressed SEA risks related to children but did not capture risks related to other stakeholders such as staff, partners and adult beneficiaries. The Country Office was aware of the need for a more comprehensive risk assessment to ensure identification and mitigation of all SEA risks in the country context and attributed this omission to the lack of human resources with the necessary skills to coordinate and oversee the management of SEA risks. A PSEA action plan was developed in late 2022, following establishment of a PSEA focal point network. The actions identified had clearly allocated responsibilities and timelines. However, the late development of the plan meant that several actions planned for 2022 were carried forward to 2023. There was no management review of progress with implementation of the action plan.

PSEA capacity building: The 2022 PSEA action plan included PSEA training for all UNICEF staff and partners. All staff had completed the mandatory PSEA training course. However, training on PSEA was provided only to some partners in 2022. Additional training is scheduled to be undertaken in the second half of 2023 once the new PSEA specialist is on board. In audit interviews, a CSO partner and government partner involved in cash transfers to beneficiaries stated that their staff had not received any PSEA training. Two other partners interviewed by the audit team explained that they would only report an allegation to UNICEF once it was investigated and substantiated internally. One of those partners had received UNICEF training but prioritized its own internal procedures. The other was due to receive training in 2023. This approach is contrary to the requirement for partners to immediately report any alleged SEA incidents and means that UNICEF may not receive all reported SEA allegations, therefore increasing the risk of under-reporting by partners. Effective PSEA training is critical to increase partners' awareness of the need for SEA risk mitigation measures and of UNICEF's reporting requirements.

With respect to reporting channels, the Country Office had recently set up an internal email address for reporting of PSEA cases, which was included in posters to be distributed internally and at partner sites in 2023. The audit team observed those posters in the UNICEF offices but not at the partner sites visited in Maradi, Tahoua and Niamey. The audit team was informed that this was due to delays in distribution of the posters.

PSEA measures of implementing partners: A PSEA assessment should be conducted for all prospective civil society partners before a partnership is established. Upon completion of a PSEA assessment, any partner with a high or moderate risk rating is required to develop an action plan to address gaps in its capacity to prevent and respond to potential SEA incidents. The PSEA focal points in every section were tasked with performing the assessment for their section's respective partners. A staff member in the Planning, Monitoring and Evaluation section also was assigned to support the focal points during this process.

The audit team reviewed the adequacy of five partner PSEA assessments conducted during the audit period and found that four partners were adequately assessed. The Country Office assigned a low-risk rating to the fifth partner, but OIAI was unable to find sufficient evidence to support that rating. There was no evidence that the partner was actively raising awareness with beneficiaries about the reporting mechanisms; no evidence that a referral procedure existed; and no evidence of a policy or procedure for investigating SEA or safeguarding violations. The audit team also noted that one of the four partners that required an action plan did not have one, and in four cases the date of the assessment was not clear. This is important, as the assessment date determines both the deadline by which any moderate- or high-risk partner is required to reduce its risk rating and the timing of the next assessment. Inadequate assessment and follow-up of partner SEA risk ratings increased the Country Office's exposure to SEA risks and reduced its ability to ensure implementation of relevant mitigation measures.

UNICEF requires country offices to assess the adequacy of partners' PSEA policies, procedures and systems during programmatic visits. In a sample of five programmatic visit reports reviewed by the audit team, there was no evidence of any review of PSEA measures. The report template did not include a section for staff to report on SEA. Failure to monitor partner implementation of PSEA performance limits the Country Office's ability to take necessary actions to ensure that all partners are equipped to mitigate the risk of SEA in the communities they serve.

Staff structure: UNICEF Emergency Procedures require a full-time, dedicated PSEA Specialist/Focal Point for countries in an L2 Emergency. In July 2022, the Niger Country Office designated a Child Protection Officer to be the PSEA focal point, on top of existing responsibilities. In August 2022, a network of PSEA focal points in every section was established. Funds were approved for a dedicated PSEA specialist for a period of two years and, at the time of the audit, the role description was being finalized. As progress with implementation of the Country Office's PSEA strategy had been constrained by the lack of suitably qualified human resources, establishment of this new position will be key to establishing the necessary capacity and processes to manage SEA-related risks.

AGREED ACTION 3

The Country Office agrees to:

i. Complete recruitment of the PSEA Specialist to accelerate implementation of PSEA processes and capacity building and to strengthen coordination and oversight of PSEA activities.
ii. Conduct a comprehensive assessment of all SEA-related risks as a basis for ensuring that the PSEA action plan includes mitigating actions for all relevant risks. The risk register and related mitigating actions should be reviewed frequently by Country Office management to ensure their ongoing relevance and to monitor progress.
iii. Provide additional training to implementing partners working in the communities. The training should include the reporting process for SEA allegations.
iv. Revise the PSEA partner assessment process to ensure that risk ratings are appropriate, action plans are in place (where necessary) and monitored, and information in the corporate system is accurate.
v. Include PSEA questions in the programmatic visit report template and ensure those performing programmatic visits are adequately trained in PSEA matters.

Staff Responsible: Deputy Representative, Programmes; PSEA Specialist; IPM Specialist
Implementation Date: June 2024

4. Construction management — High

Despite clear programme goals for construction activities, the Country Office needed to strengthen its assessment and mitigation of construction risks and to clarify exactly how the newly established construction taskforce would support the enhancement of construction-related activities.

At the time of the audit, the Country Office managed a substantial portfolio of construction activities at 148 sites, with a total value of US$29.1 million. The audit aimed to assess the adequacy and effectiveness of the Country Office's planning, management and oversight of construction activities, as well as the adequacy of capacity and technical expertise, to ensure effective use of funds in support of programmatic objectives.

Justification to engage in construction works: The audit team noted that construction activities were included in the formally signed workplans, primarily in health, nutrition, education and WASH programme activities, and found that the supporting strategy notes provided sufficient justification for the Country Office to engage in construction works, in line with the applicable policy. This was especially important, given that the Country Office operates in a complex environment with technical and financial limitations in the local market for construction companies and that access to construction sites by UNICEF staff is limited by the security risks in many parts of the country.

Selection of implementation modality: UNICEF's global Supply Division issued guidance to country offices on whether to implement construction activities by 'direct' management of private-sector contractors, CSOs or other United Nations organizations or by 'indirect' implementation through partnerships with government, CSOs or United Nations organizations. The 'direct' modality was recommended for higher value (more than US$100,000), more complex projects requiring greater capacity and expertise. The Niger Country Office conducted most construction activities through direct implementation. During the audit period, only five implementing partners managed UNICEF construction activities indirectly, with programme documents amounting to US$1 million. OIAI considered the implementation modalities selected by the Country Office to be appropriate.

Internal capacity and accountabilities: The Country Office's Construction Unit was headed by a construction specialist professional staff member, supported by two national staff construction engineers. Accountabilities and responsibilities were clearly established. The internal resources were supplemented by engineering firms that managed day-to-day construction activities. In February 2023, the Country Office established a taskforce to help improve construction planning and implementation and to provide oversight of all construction activities. The taskforce was scheduled to meet every two weeks but had only met three times in the four months since its inception. The audit team noted that the taskforce did not have any terms of reference setting out its objectives, responsibilities and modus operandi. It was not clear whether the taskforce was an interim measure to accelerate implementation of key control measures or a permanent body to supplement the Construction Unit. While the Country Office had a significant construction portfolio with some important contextual challenges, there was a need to ensure that this was a justifiable use of resources and, if so, that the objectives, roles and responsibilities of all relevant parties were clearly defined and communicated. At the time of the audit, the Country Office had begun to develop a Standard Operating Procedure to clarify roles and responsibilities of construction-related activities.

Selection of construction companies: OIAI reviewed a sample of 10 directly implemented construction contracts totalling US$8.7 million to determine whether the construction companies were selected using a competitive process. The audit team noted that, overall, the planning and procurement process for locally contracted construction services, as well as engineering firms, was performed in compliance with the applicable policies. Upon notification by the audit team, all members of the Contract Review Committee who had not yet completed the mandatory UNICEF procurement training did so before the end of the audit fieldwork.

Contract management: Country offices planning to spend more than US$100,000 annually on construction or rehabilitation of UNICEF premises or Education, Health, Child Protection or WASH facilities[5] are subject to Local Procurement Authorization (LPA) from Supply Division prior to initiating procurement (for direct implementation) or partner selection (for indirect implementation). The LPA serves to verify that country offices have conducted the necessary risk assessment and due diligence, and to identify the need for support by Supply Division's specialist construction unit. Eight of the ten construction contracts reviewed by the audit team met the threshold for the LPA requirement and the Country Office correctly requested and received the LPA prior to selection of construction companies. While each LPA request included a risk assessment, this was not reviewed or updated to reflect new risks that were identified during the construction process. The audit team also noted that the Country Office's risk register did not include any construction-related risk, despite the value of its portfolio, the operating context, and the high-risk nature of construction work. This was due to lack of in-house capacity at the time. Failure to update a risk assessment on construction could lead to increased exposure to fraud, inadequate mitigation of risks and untimely response, resulting in sub-optimal quality or incomplete construction, cost overruns, and reputational risk with respect to donors and beneficiaries.

[5] For WASH this requirement applies only to sanitation facilities in schools and to water treatment facilities above US$500,000.

During the period under review, 61 of 107 construction sites (or 57 per cent) experienced significant delays. Most were related to the construction of health centres, meaning that beneficiaries could not receive services as planned. Delays were mainly due to external factors, including security issues, unfavourable climatic conditions, and changes in the definition of needs or sites by government partners. All 10 of the contracts reviewed by the audit team included mitigation measures to ensure that construction companies met the agreed quality and time standards. Nevertheless, construction activities were delayed in 9 of the 10 contracts. In all instances, the Country Office retained 10 per cent of the contract value during the defect liability period.

The contract terms require that, if a construction company requests an advance payment, it should provide a guarantee. A performance guarantee was included in 8 of the 10 contracts reviewed. However, the Country Office did not collect the performance guarantee because of the financial weakness of construction companies in Niger. In two contracts, the Country Office did not enforce any of the penalty measures even though there were significant delays. In two other construction contracts, the contract terms were revised to include payment on 10 per cent completion. Failure to apply mitigation measures left the Country Office with no remedy to address significant delays, which resulted in beneficiaries not receiving services as planned.

Oversight of construction activities: The Country Office engaged engineering firms to conduct quality control and supervision of construction activities. The Construction Unit monitored the status of construction works using an Excel activity log that was updated from the engineering firms' weekly reports. A review of the activity log determined the selection of construction sites for bi-weekly field visits conducted by Construction Unit staff. The audit team reviewed a sample of reports submitted by the engineering firms for eight construction contracts and found that they were detailed and clear. The other two contracts reviewed by the audit team were monitored through programmatic visits and by the relevant regional government agency, which provided detailed reports on the status of construction activities, including approval to hand over completed works. These controls provided reasonable assurance that construction activities were meeting expected quality standards.

AGREED ACTION 4

The Country Office agrees to:

i. Regularly assess and record construction-related risks, and implement a plan to ensure adequate mitigating actions are agreed and monitored, to ensure timely implementation.
ii. Consult Supply Division to determine whether the performance guarantee requirement should be modified to mitigate construction-related risks in the local context and implement the agreed requirement.
iii. Based on a review of the justification and purpose of the construction taskforce, revise its terms of reference, including its objectives, ways of working and the roles and responsibilities of its members and interested parties and communicate these revisions to all relevant staff.

Staff Responsible: Deputy Representative, Operations; Deputy Representative, Programmes; Supply & Logistics Manager

Implementation Date: June 2024

5. Cash transfers to implementing partners — Medium

Delays in processing the disbursement and liquidation of cash transfers to implementing partners negatively impacted programme activities and the timely achievement of planned programme outputs.

Disbursement of cash transfers: During the period under audit, the Country Office transferred US$57.2 million, including US$56.5 million in direct cash transfers (DCTs) to implementing partners. Government partners received US$39.9 million while CSOs received US$17.3 million. The Country Office conducted quarterly reviews of several key performance indicators, including timeliness of disbursement and status of DCTs. The audit team selected a sample of 20 FACE[6] forms to assess the review and approval process as well as the timeliness of disbursement. The controls over the requesting and approving processes were operating effectively. However, 12 of 20 cash transfers were disbursed after the 14-day deadline. In 2022, 24 per cent of all cash transfer disbursements were delayed. This led to delayed implementation of activities for beneficiaries. In one instance, it caused a delay in the provision of ongoing services to at-risk children by social workers. In another instance, a workshop to strengthen the capacity of health workers in the identification of acute malnutrition had to be postponed by two months. In addition to negatively affecting programme implementation, slow transfer of cash to implementing partners may strain relationships with partners that are key to successful achievement of results.

Liquidation of cash transfers: The Country Office monitored the status of cash transfers on a monthly basis during Programme Management Team and Country Management Team meetings and sent alerts to sections to chase outstanding DCTs. At the time of the audit, US$3.9 million in DCTs was more than six months overdue. Delays in liquidation of DCTs were due mainly to delays in programme activities due to security issues, suspension of disbursements pending reimbursement by partners of ineligible expenditure identified in audits and spot checks, and internal processing delays. Some partners had insufficient operating capacity to implement activities funded by multiple donors. While some contributing factors were not within UNICEF’s direct control, it was important for the Country Office to analyse and address the root causes of internal processing delays, as failure to liquidate DCTs reduces the degree of assurance that funds were utilized for their intended purposes and may expose the Country Office to a higher risk of misuse of funds and fraud.

AGREED ACTION 5

The Country Office agrees to analyse the root causes of internal processing delays affecting the timely disbursement and liquidation of direct cash transfers and establish and implement an action plan to address them.

Staff Responsible: Deputy Representative, Programmes; Deputy Representative, Operations

Implementation Date: June 2024

[6] Funding Authorization and Certification of Expenditures (FACE)

6. Cash assistance to beneficiaries **High**

There were limitations in the Country Office's ability to ensure that the right amount of cash assistance was paid to the intended beneficiaries on a timely basis. This was due to a lack of coordination between the Country Office's different social cash transfer programmes and gaps in oversight of the payment process and grievance mechanisms.

Cash transfer programmes provide vulnerable children, adolescents and their caregivers with access to financial support in the form of money (physical cash or e-cash) to meet their essential needs, most often during a humanitarian response. The audit aimed to determine whether there were efficient, effective controls in place to ensure that intended beneficiaries received the full cash transfer amount on time. The audit team noted the following:

Coordination of cash programmes: During the period under review, three different programme sections implemented cash transfer programmes. These included a pilot programme, managed by the Government, that had disbursed US$2.3 million since its start in May 2022, to beneficiaries affected by drought. There was also a rapid response programme, established in September 2022, to provide a total of US$0.9 million to support vulnerable girls and primary school pupils to remain in education. Initially implemented through CSO partners, this programme was transferred to a government partner due to high operating costs and to build the government partner's capacity. A humanitarian cash transfer programme for a total of US$0.7 million was implemented through CSOs in different regions of the country to support families displaced by natural disasters. The Country Office was planning to implement more cash programmes in the new country programme.

In interviews with the Country Office's senior management and relevant programme section Chiefs, the audit team noted that there was no full overview of the different cash assistance programmes. Each programme section was operating its cash programme independently. There was a missed opportunity to improve cash assistance processes through knowledge sharing and lessons learned. This was due to a lack of coordination of cash programme activities across the different programme sections.

Risk assessment: Timely, structured assessment of risks related to proposed and ongoing cash transfer programmes helps country offices to anticipate challenges and plan more effectively for successful distribution of cash assistance to beneficiaries. The audit team selected two cash assistance programmes to determine whether an adequate risk assessment had been conducted during the planning stage and reviewed during implementation. The drought-related programme had a risk register that was developed before its start. However, it was not reviewed or updated. The residual risk ratings in the register, related to oversight of the payment process and grievance mechanisms, were not aligned with OIAI's own assessment. For example, with respect to 'beneficiaries who received a lower entitlement amount or do not receive money but are recorded as having received it,' the risk was assessed as low, yet OIAI concluded that the proposed mitigating actions were not sufficient to address the risk. With respect to the education programme, the audit team was unable to find evidence of any risk assessment. This was due to insufficient staff training to emphasize the importance of good risk management practices.

Cash payment to selected beneficiaries: For both programmes reviewed by the audit team, payments are made to the government partners through DCT and cash is distributed to beneficiaries by a third-party financial service provider selected by the government partner. Despite not having direct control of these government-managed programmes, the Country Office contributed to the targeting, validation and registration of beneficiaries to ensure that appropriate criteria for the selection of the recipients of cash assistance were established and respected. However, the Country Office did not exercise any oversight of the payments made to beneficiaries or the reconciliations performed by the government partners. The Country Office had visibility only of the total amounts paid, placing full reliance on the partners' reconciliation processes.

Programmatic visits should cover all key stages of the delivery chain, including physical distribution of cash to beneficiaries. With respect to the education programme, programmatic visits were not conducted at the time of the cash distribution. No spot check was conducted for the programme. For the education programme, a programmatic visit was conducted for two of three cash distributions.

One programme section contracted a third-party monitoring consultant to oversee the correct distribution of cash by direct attendance at cash distribution sites. The consultant was given a list of the individual beneficiaries and the amount of cash to be paid to each one. The audit team noted that the consultant's reports provided only general comments and did not confirm whether the beneficiaries and amounts paid matched the list provided. This was due to lack of capacity in the Supply and Logistics section, resulting in inadequate oversight of the contracting process.

The weaknesses in oversight of the payment process were indicative of the same need for training in the management of risks related to cash transfer programmes noted above and meant that the Country Office could not determine whether the intended beneficiaries were each paid the appropriate amount. This increased the risk of fraud, diversion, misappropriation or theft of funds.

Grievance mechanisms: Easily accessible and transparent grievance redress mechanisms contribute to the success of a cash transfer programme, helping to reduce corruption and providing avenues for beneficiaries who have been denied appropriate benefits. As the funding agency, UNICEF is accountable for ensuring that grievance mechanisms are in place and working.

For the drought-related programme, there were two main grievance mechanisms managed by the government partner: a recently established toll-free hotline and the village complaints management committee. For the education programme, complaint committees (composed of parents, teachers and implementing CSOs) were established and beneficiaries could also report complaints via WhatsApp. However, the Country Office had no means of viewing the complaints filed by beneficiaries or the timeliness of any response, and neither programme section had attempted to verify whether the grievance mechanisms were effective. Inadequate oversight over grievance mechanisms could lead to lack of accountability to beneficiaries and failure to provide a timely or adequate response to complaints, increasing UNICEF's exposure to fraud and reputational risk.

AGREED ACTION 6

The Country Office agrees to:

i. Establish a coordination mechanism to ensure sufficient oversight of cash transfer programmes and to assess lessons learned to improve existing and inform future cash programmes.
ii. Implement an action plan that will ensure that risks related to all cash interventions are regularly assessed, documented, and mitigating actions monitored and updated to reflect evolving risks.

iii. Strengthen the oversight of partners' cash transfer payment and reconciliation processes.
iv. Establish a mechanism for the periodic assessment of the effectiveness of grievance mechanisms, and request and review periodic reporting of complaints from beneficiaries.

Staff Responsible: Deputy Representative, Programmes; Chief, Social Policy; Chief, Education; Chief, Emergency; Risk and Compliance Specialist
Implementation Date: June 2024

7. Accountability to Affected Populations (AAP) — Medium

The Country Office needed to develop and implement a systematic and coordinated approach to AAP to enable children and families affected by humanitarian situations to participate in the decisions that affect their lives.

UNICEF's 2022-2025 AAP strategy articulates the goal of ensuring that affected children and families participate in the decisions that affect their lives, are properly informed and consulted, and have their views acted upon. In practical terms, this requires all country offices to integrate AAP into their plans, with appropriate technical and financial support, and to ensure that country programmes are informed by the views, participation and feedback from communities.

The audit team reviewed the Country Office's AAP governance structure, the inclusion of AAP in the Country Office's results frameworks and in programmatic monitoring processes, and the feedback collection, complaints and grievance mechanisms. Based on the audit work conducted, the following points were noted.

AAP strategy and results framework: At the time of the audit, the Country Office had not yet developed an AAP strategy for effective, harmonized and coordinated integration of AAP into its programmes, systems and processes. AAP had yet to be systematically included in the results frameworks of the programme sections, including programme strategy notes, workplans and programme documents. While the Country Office had developed an AAP workplan, at the time of the audit, this had not yet been validated and approved by the Country Management Team. The Country Office was planning to establish AAP focal points in every programme section, coordinated by the existing Emergency Task Force.

Feedback collection: At the time of the audit, there was no overview of feedback mechanisms established by individual programmes. Two partners visited by the audit team in Maradi and one in Niamey confirmed that feedback was collected from beneficiaries in UNICEF programmes; however, they stated that the Country Office was not leveraging the mechanisms being used by its partners.

Recruitment of a consultant for the development of the AAP strategy and operationalization of the plan to strengthen AAP was ongoing. The consultant's brief included developing indicators and monitoring mechanisms, a strategy for building partners' capacity in AAP and mapping and analysing participation and engagement mechanisms. Failure to design and implement a systematic AAP approach increases the risk that UNICEF loses the confidence of the populations it serves and that its programme interventions may not be relevant to the needs of those affected by humanitarian crises.

AGREED ACTION 7

The Country Office agrees to:

i. Implement an AAP strategy and action plan that includes integration of AAP principles in all the Country Office's programmes and results frameworks. This should be the basis for finalization, approval and implementation of the AAP workplan.

ii. Map the AAP mechanisms established both by the Country Office and its partners and assess their effectiveness before incorporating them into the workplan.

Staff Responsible: Deputy Representative, Programmes; Chief SBC; Chief Emergency
Implementation Date: March 2024

8. Supply and logistics management — Medium

Gaps in end-user monitoring processes and challenges in logistics and warehouse management reduced management's oversight of the storage and movement of goods and the degree of assurance that necessary supplies were being received on a timely basis by the intended beneficiaries.

In the period under review, the Country Office procured goods worth US$18.7 million, including printed materials, educational kits, vehicles and solar panels. At the time of the audit, total stock of US$14.35 million was held in three warehouses, located in Maradi, Niamey and Tahoua. The audit evaluated the controls related to supply and logistics planning, warehousing and inventory management and distribution of supplies to partners and beneficiaries. The audit team visited UNICEF's warehouses in all three locations.

The audit team found that supply planning was timely and there was good collaboration between sections. The Country Office also was monitoring the effective, efficient implementation of the 2023 supply plan. With respect to the other areas in the audit scope, the following points were noted:

Delays in delivery to partners: During 2022 and the first quarter of 2023, supplies related to 744 of 1,748 release orders[7] (or 43 per cent), amounting to US$13.2 million, were shipped between 31 to 309 days later than planned. This was due to various factors, including input by the programme sections of unrealistic delivery dates and delays in approval of release orders, consolidation of shipments, and verification of government partners' readiness to receive the supplies at their premises. The transport companies contracted under LTAs did not always have sufficient capacity for large simultaneous shipments.

Warehouse management: During the visit to the Niamey warehouse, the audit team noted that goods worth more than US$39,000 were stored outside the warehouse, due to a lack of space, exposing them to a greater risk of theft or deterioration. The risk of theft was exacerbated by recent damage to the perimeter fence, which was yet to be repaired by the owner of the warehouse. As at 22 May 2023, the warehouse in Niamey held stock valued at US$11.9 million, but, with a single warehouse assistant, it was not adequately staffed to ensure effective inventory

[7] A release order is an outbound delivery to issue stock out of the warehouse.

management. The audit team noted that another warehouse assistant was employed in the Diffa field office, even though the field office had no warehouse.

Inadequate logistics planning and resource allocation led to delays in delivery of supplies to partners and inadequate management of warehouse space. This negatively impacted programme implementation as supplies intended for beneficiaries were not delivered on time.

Storage of Ready-to-use Therapeutic Food (RUTF): As at 22 May 2023, therapeutic foods represented US$6 million, or 44 per cent of the total value of stock held in UNICEF warehouses in the country. According to the report from the expert meeting on RUTF in 2019,[8] RUTF loses some nutritional value when stored for three months or more at temperatures higher than 30 degrees Celsius. During its three warehouse visits, when the external temperature was over 40 degrees Celsius, the audit team noted that RUTF was stored mainly in areas with no temperature control. Similar storage conditions were observed at two of the partner sites visited by the audit team where RUTF stock was held. The audit team also noted that US$2.4 million of RUTF was stored in the warehouses for three or more months. The Country Office explained that RUTF was stocked for partners due to their low storage capacity and risk of theft. There also was an increase in RUTF procurement during the year to secure stocks in the face of high global demand. Inadequate storage conditions increased the risk that the RUTF may lose its nutritional value or be damaged before delivery to beneficiaries, resulting in beneficiaries not receiving the needed nutrients or other potential health risks, as well as reputational risk for UNICEF.

Supply End-User Monitoring (SEUM): SEUM was carried out by different sections on an ad hoc basis as part of programmatic visits and other activities, such as the visit in 2022 by Regional Office staff for the review of nutrition SEUM. The audit team reviewed the programmatic visit reports related to seven partners to determine whether SEUM was conducted and found that only one of the seven reports included SEUM. There was no coordinated, systematic approach for the assessment of the quantity, quality, effectiveness, appropriateness and timeliness of delivery of supplies to beneficiaries and staff had not been trained in SEUM. This was due to a focus on other priorities and resource constraints arising from the significant increase in procurement activities from US$9.6 million in 2021 to US$18.4 million in 2022. The lack of a coordinated and systematic approach, lack of training and insufficient oversight resulted in the Country Office being unable to determine with reasonable assurance whether the supplies provided by UNICEF to implementing partners had reached the intended beneficiaries.

AGREED ACTION 8

The Country Office agrees to:

i. Establish a comprehensive and coordinated process that embeds supply end-user monitoring into existing monitoring mechanisms and ensures there is an appropriate level of feedback from the beneficiaries on UNICEF-provided supplies.
ii. Provide guidance and training to staff and partners, as applicable, on end-user monitoring processes.
iii. Take steps to strengthen logistics planning and assess resource allocation to improve the efficiency and timeliness of delivery and management of warehouse space.
iv. Assess and implement measures to ensure that temperature sensitive goods are either properly stored in its warehouses or are distributed to beneficiaries within three months.

[8] https://www.unicef.org/supply/media/3316/file/RUTF-technical-expert-meeting-report-02-03092019.pdf.pdf

Staff Responsible: Deputy Representative, Programmes; Deputy Representative, Operations; Supply & Logistics Manager

Implementation Date: June 2024

9. Workforce planning and recruitment — Medium

In view of the planned workforce expansion, the Country Office needed to conduct a skills gap review to support its HR planning, and an analysis of recruitment delays to ensure adequate staff capacity to deliver the new Country Programme.

In October 2022, as part of the development of the 2023-2027 Country Programme, the Country Office underwent a Programme Budget Review (PBR). It developed a new Country Programme Management Plan and Accountability Framework to demonstrate how the new Country Programme would be resourced and managed. The PBR found the workforce structure to be generally satisfactory and affordable.

The Country Office operates in a complex environment, with significant security-related risks, making it less attractive to some UNICEF staff than other, safer duty stations with better provision of schooling, medical and other essential services. This created risks related to staff recruitment and retention and therefore to the Country Office's ability to operate at full capacity. During the period under review, there were numerous instances where a recruitment process had to be restarted due to the low number of applicants or lack of suitable candidates. In view of these risks and their potential impact on the Country Office's ability to deliver its programme goals, the audit team evaluated the controls related to planning of human resource needs and recruitment processes.

Workforce planning and risk management: The audit team noted that, despite the significant challenges and their impact, the risks related to workforce planning and recruitment were not included in the Country Office's risk register. However, recruitment and staff wellbeing were made priorities in the Country Office's 2023-2024 Annual Management Plan. In January 2023, the duty station was reclassified from C (non-family) to E (family) in an effort to attract suitable candidates. It was too early for the audit team to assess the impact of these recent initiatives.

At the time of the audit, 73 of the Country Office's 211 approved positions (or 35 per cent) were vacant, including seven at managerial level. Most of the vacancies arose from the approval by the PBR of 57 new positions in late 2022. A recruitment plan was developed in late 2022, based on available funds and the priorities established through consultation with programme sections and hiring managers.

Skills gap analysis: During the PBR preparation, the Country Office started an exercise to map existing workforce capabilities to future skills requirements. As the exercise was not completed, the proposed Country Office workforce structure was not supported by any recent skills gap analysis that would inform the recruitment strategy and ensure that the Country Office is equipped to achieve its programme goals.

Recruitment delays: In 2022, recruitment for 41 positions was conducted. Recruitment times ranged from 24 to 381 days, with 26 recruitment exercises (or 63 per cent) exceeding the 60-day target. Eighteen of those 26 took between 100 and 381 days to complete. The Country Office did not analyse the causes for the delays in the recruitment process and did not therefore have any action plan to address them. This was due to a lack of capacity in the Human Resources (HR) section.

At the time of the audit, five of the eight positions in the HR section were vacant, including the HR Manager, although this position was expected to be filled in June 2023. The three HR staff members were each responsible for managing HR matters for a portfolio of programme sections. Recruitment activity was monitored using a shared Excel document and a monthly status report provided to the Country Management Team. The Regional Office provided support for specific tasks, for example, review of recruitment panel compositions and test scoring, but was not able to provide any further support to supplement the Country Office's own HR resources.

Failure to identify and address root causes of lengthy or unsuccessful recruitment exercises led to further delayed or inefficient recruitment processes, which may result in non-achievement of programme activities and planned results; missed opportunities to improve efficiency, consistency and highlight good practices; and a negative impact on the morale of staff faced with heavier workloads to cover for vacant positions.

AGREED ACTION 9

The Country Office agrees to:

i. Conduct a skills gap analysis to ensure that the Country Office's HR structure is fit-for-purpose to manage and support delivery of the new Country Programme and ensure that it is reviewed and updated periodically.
ii. During the first annual review of the new Country Programme, assess staffing needs vis-à-vis the results framework, and develop a workforce roadmap and action plan, using the results of the skills gap analysis as an input.
iii. Analyse and address the root causes of delays in recruitment processes, seeking support from the Regional Office, as appropriate.

Staff Responsible: Deputy Representative, Programmes; Deputy Representative, Operations; HR Manager

Implementation Date: March 2024

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 as a whole. 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 of time 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 as a whole.

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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