

# Office of Internal Audit and Investigations

## Report of the Internal Audit of SOUTH SUDAN COUNTRY OFFICE

DECEMBER 2023

Report 2023/21

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# EXECUTIVE SUMMARY

The Office of Internal Audit and Investigations (OIAI) conducted an audit of the UNICEF South Sudan Country Office (SSCO), covering the period from January 2022 to May 2023. The audit was performed from 22 May to 9 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. These included governance and risk management; prevention of sexual exploitation and abuse (PSEA); cash transfers and assurance activities; accountability to affected populations (AAP); supplies and warehouse management; and construction management. The descriptions of the specific risks evaluated are provided in the Audit Objective, Scope and Approach section of this report.

During the period covered by the audit, the SSCO incurred approximately US\$297 million in programme expenditure and transferred cash amounting to US\$93.5 million to 130 implementing partners, of which approximately US\$8 million was used for construction activities. The SSCO also transferred supplies worth approximately US\$72 million to those implementing partners.

The SSCO operates in a challenging environment. Large areas of the country are inaccessible during the rainy season. Ongoing security challenges and poor infrastructure make monitoring programme activities more difficult and increase the risk of fraud and misuse of funds and supplies.

## Overall Conclusion

Based on the audit work performed, OIAI concluded that the assessed governance, risk management, and control processes were **Partially Satisfactory, Major Improvement Needed**, meaning that weaknesses or deficiencies identified could have a materially negative impact on the performance of the audited entity, area, activity or process. (See the Appendix for [definitions of the conclusion ratings](#).)

	Satisfactory
	Partially Satisfactory, Improvement Needed
	Partially Satisfactory, Major Improvement Needed
	Unsatisfactory

## Summary of Observations and Agreed Actions

OIAI noted areas where UNICEF SSCO's controls were adequately established and functioning well. For example, controls over donor reporting and programme evaluation were assessed as adequate and, based on review of samples, functioned well. OIAI also made a number of [observations](#) related to the management of key risks evaluated during the audit. Some of these observations are summarized below:

- **Fraud Risk Management:** In its risk register<sup>1</sup>, the SSCO identified several fraud-related risks. However, responsibilities to manage the identified risks were not assigned, and no mitigating controls were implemented to reduce the likelihood or impact of critical risks. Inadequate

<sup>1</sup> A risk register is a repository for all risks identified and includes additional information about each risk, e.g., nature of the risk, risk rating, reference and owner, and mitigation measures.

management of fraud risks could lead to loss of resources through misappropriation and elevate the risk of reputational damage to the organization.

- **Cash Incentives for Programme Support:** The SSCO paid individuals who volunteered as health workers and teachers a total of US\$23 million in cash incentives. The audit noted that the number of volunteers receiving incentives was not verified, resulting in payments that exceeded the number of volunteers prescribed by the Ministry of Health (MoH). Civil society organization (CSO) partners responsible for supervising and monitoring volunteers and associated services did not effectively carry out their duties. This elevated the risk of payment for services to non-existent volunteers.
- **Cash Transfer Assurance Activities:** The SSCO did not implement adequate controls to ensure that cash transfers to implementing partners were used for the agreed purposes. Planned spot checks and programmatic visits to assess project progress were not always conducted for partners who were considered high-risk. The results of visits and spot checks were not consistently uploaded in the eTools management system and consequently, follow-up corrective actions were not always initiated in a timely manner.
- **Procurement Planning:** While the SSCO prepared supply programme plans for 2022, actual procurement exceeded the projected value by more than 50 per cent (US\$43.4 million). An explanation for this supply variance was not documented. Also, during this period, supplies worth US\$55.9 million were released to implementing partners whose capacity to store and distribute them was not assessed. Whilst procurement planning is a key control to help achieve economy and efficiency in the procurement and distribution of supplies, the SSCO did not have an adequate process for regular review and revision of the approved plan to reflect changes in stock levels and needs.
- **Warehousing and Distribution of Programme Supplies:** The SSCO did not assess the capacity of implementing partners to manage and control supplies. This risked entrusting supplies to implementing partners who lacked the appropriate capacity to safeguard them from loss or misuse and promptly distribute them to the intended end-users. Additionally, the SSCO's stock record-keeping was inadequate and in need of improvement.

The table below summarizes the key actions agreed upon by SSCO management to address the residual risks identified and the ratings of these risks and observations regarding the assessed governance, risk management and control processes.

OBSERVATION RATING		
Category of Process	Area or Operation and Key Agreed Action	Rating <sup>2</sup>
<b>Risk management</b>	<b>Fraud Risk Management (Observation 1):</b> Strengthen fraud risk management by prioritizing preventative measures, identifying actions to manage risks, assigning management responsibilities, and ensuring mandatory training is completed by all eligible parties.	<b>High</b>
<b>Controls processes</b>	<b>Cash Transfer Assurance Activities (Observation 2):</b> Develop a detailed timetable for the execution of planned assurance activities and monitor execution of activities against the timetable and	<b>Medium</b>

<sup>2</sup> See the [definitions of the observation ratings](#) in the Appendix.

	templates to increase consistency in the quality and contents of documentation and reporting with respect to assurance activities	
	<b>Cash Incentives for Programme Support (Observation 3):</b> Periodically validate and confirm the volunteer health workers who receive incentives; and strengthen the monitoring of payments and services provided by volunteers.	High
	<b>Procurement Planning (Observation 4):</b> Implement an agile process whereby the procurement plan is regularly reviewed and revised as needed to reflect changes in stock levels and needs, appropriately approved, and ensure deviations from the latest approved plan are adequately justified.	Medium
	<b>Warehousing and Distribution of Programme Supplies (Observation 5):</b> Assess warehousing capacities of implementing partners and take appropriate actions to address any gaps identified before entrusted supplies to those partners; and take appropriate measures to strengthen stock record-keeping at UNICEF warehouses.	High
	<b>Accountability to Affected Populations (Observation 10):</b> Finalize and operationalize the AAP Action Plan and ensure that there is an established complaint mechanism for all programmes with a feedback process.	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.

# CONTEXT

According to the 2022 UNICEF Country Office Annual Report, South Sudan is going through the worst humanitarian crisis since it gained independence in 2011, with children being the most affected. Recurring floods, droughts, and climate change-induced weather events; a deepening economic crisis; and sub-national and politically motivated conflicts have expanded the needs of 8.9 million people, including 4.7 million children, 2.1 million women and 1.3 million people with disabilities. About 90,000 South Sudanese fled to neighbouring countries due to the humanitarian crisis. Considerable internal displacement has further strained scarce resources, livelihoods and basic services and increased protection risks and intercommunal tensions. In addition, in 2023, the country faced an influx of refugees fleeing the violence in Sudan.

One in ten children in South Sudan are not expected to reach their fifth birthday, with rates higher among boys than girls. Neonatal mortality rates have remained static in the past decade and account for more than 40 per cent of deaths for children under five. Most child deaths are due to preventable diseases, such as diarrhea, malaria, and pneumonia.

Inadequate water, sanitation, and hygiene (WASH) facilities and practices contribute to poor health and nutrition conditions. About 86 per cent of the population is not using safely managed water, and 63 per cent of drinking water at household level is contaminated. Some 75 per cent of households practice open defecation, with only 10 per cent having an improved sanitation facility and six per cent having a designated place for handwashing with water and soap available.



## Context of key risk areas covered in the audit

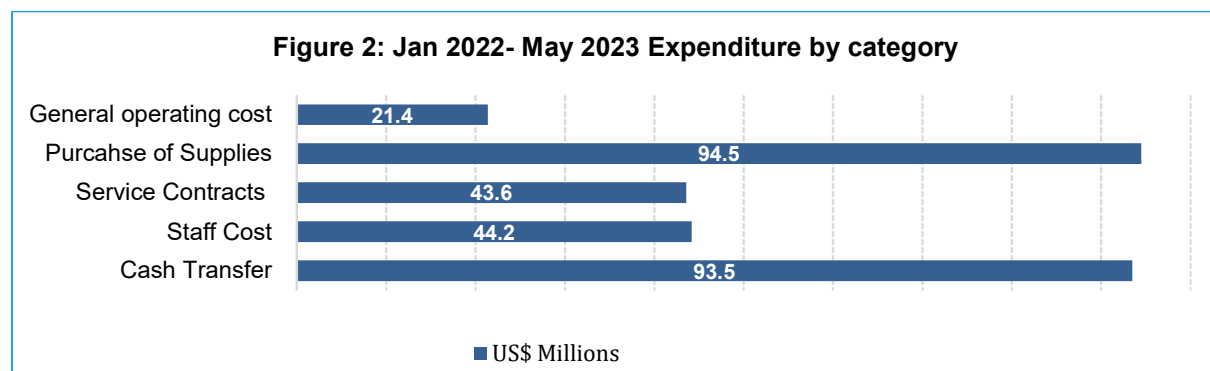
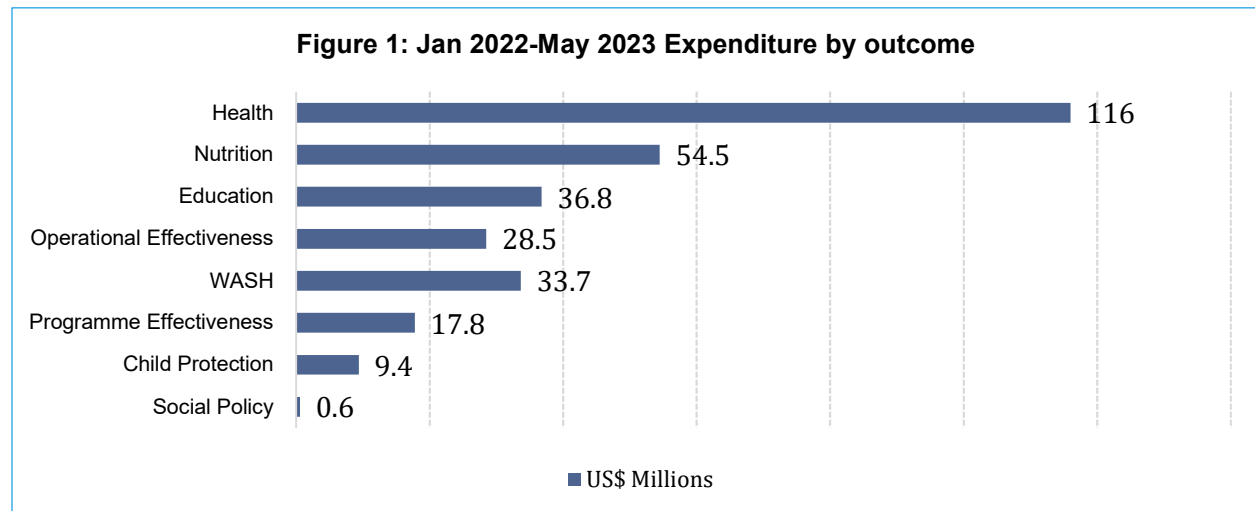
Between 2019 and 2022, the country faced multiple emergencies, and the SSCO programme for the same period was significantly underfunded. As a result, it obtained a loan of US\$5.7 million from the UNICEF Division of Financial and Administrative Management (DFAM) in 2021 to help pay staff salaries and other related costs. This loan was payable in three equal instalments of US\$1.9 million annually in 2023, 2024 and 2025. In 2022, the SSCO introduced a leaner structure after a series of right-sizing exercises. The SSCO's financial situation has since stabilized, and as of June 2023, part of the loan (US\$0.8 million) had been reimbursed, with another reimbursement of US\$1.9 million planned before the end of the year.

During the period covered by the audit, the SSCO was responding to an L1 emergency - the lowest level of the United Nation's humanitarian emergencies classification. The declaration of an L1 emergency enabled UNICEF to increase its resources and logistical support to the SSCO. It facilitated the employment of several simplified administrative procedures, such as streamlined processes for recruiting personnel, establishing partnerships, and procuring supplies and services. It also allowed for consolidated assurance activities regarding the execution of UNICEF interventions and partners' use of resources provided to them.

South Sudan experienced an influx of refugees in 2023 - in April 142,962 people, including 63,569 children and 39,157 women, entered the country - due to the humanitarian crisis in neighbouring Sudan. This further exacerbated funding constraints faced by the country office.

The SSCO is operating under a new Country Programme Document 2023-2025, which introduces decentralized work plans and outlines activities to be implemented at each field office. The work plans will be achieved using the approved fit-for-purpose structure comprising eight field offices. As of August 2023, the SSCO had 266 posts (56 international professionals, 94 national officers and 116 general service posts) with 16 vacant posts (seven international professionals, ten national officers and five general service staff). Programme implementation was also supported by 28 consultants, four United Nations Volunteers and 58 Third-Party Monitors.

The following two charts outline the South Sudan Country Office programme spending by outcome and category for the audited period (January 2022 to May 2023).





# AUDIT OBJECTIVES AND SCOPE

The 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 SSCO which included governance and fraud risk management; cash transfers and assurance activities including Harmonized Approach to Cash Transfers (HACT) assurance; supplies and logistics management; constructions management; accountability to affected populations (AAP) management; and PSEA management.

The audit scope included key areas selected during the audit planning process based on an assessment of inherent risks<sup>3</sup>. The table below briefly describes the inherent risks related to the specific areas covered in the audit.

RISK AREA	KEY INHERENT RISKS EVALUATED DURING THE AUDIT
<b>Governance</b>	Country office statutory committees may not exist and may not function properly. There is inadequate delegation of authority to ensure an effective and efficient functioning of all activities and operations.
<b>Fraud Risk Management</b>	The country office may not effectively identify and assess the risks to its programmes and take effective measures to mitigate them.
<b>Cash Transfers and Assurance Activities</b>	The country office may not have adequate assurance that cash transfers to implementing partners were used for their intended purposes.
<b>Supply and Logistics Management</b>	Supplies/services may not be used for intended purposes, leading to loss of resources, non-achievement of results, and reputational risk.
<b>Construction</b>	Inadequate construction management may result in suboptimal quality and inefficient and costly construction activities.
<b>Accountability to Affected Populations</b>	Inadequate AAP creates a risk that humanitarian and development actions will not consistently and effectively address the immediate needs of affected people, reduce their vulnerability, enhance their resilience, and support the right to life with dignity.
<b>Prevention of Sexual Abuse and Exploitation</b>	Inadequate management of PSEA may expose UNICEF to reputational risks and put vulnerable segments of the population such as women and children at risk.

The audit was conducted from May 2023 to June 2023 in accordance with the Code of Ethics and the International Standards for the Professional Practice of Internal Auditing. The audit scope covered activities during the period January 2022 to May 2023. The audit methodology included interviews, data sampling and analysis, document reviews, and transaction testing.

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<sup>3</sup> 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.



# OBSERVATIONS AND MANAGEMENT ACTION PLAN

The key areas where actions are needed, including the audit team's overall risk ratings, are presented below.

## 1. Fraud Risk Management

High

The ultimate responsibility for preventing, detecting and reporting fraud lies with the management of each country office. Management must take measures to identify, assess and mitigate fraud risks related to its objectives and particular context. UNICEF's global anti-fraud strategy combines the policy, procedures, guidance, and tools for use by offices to strengthen their prevention, detection, and response activities. The audit assessed the adequacy of the SSCO's fraud prevention, detection, and response activities which included an assessment of how the SSCO considered and managed fraud risk.

The audit team noted positive fraud risk management actions on the part of the SSCO. Since 2022, several implementing partners have been trained in fraud awareness. Additionally, the audit team reviewed all the SSCO programme documents and contracts, including risk mitigation and fraud prevention provisions. Moreover, the audit team found that the SSCO's measures may have contributed to a higher rate of potential fraud-related reporting seen in the SSCO compared to other country offices. For example, between January 2022 and May 2023, 11 possible cases of fraud were reported by the SSCO.

The SSCO's risk register included 20 fraud-related risks, of which five were rated high and six as medium. However, the register did not include some areas identified by SSCO as being susceptible to fraud. Examples of such areas include danger pay, guest house use, and incentives payment to health and education volunteers. Additionally, no specific measures were developed to manage the fraud-related risks for the five areas rated as high and the six rated as medium.

### AGREED ACTION 1

The country office agrees to develop and implement an action plan to strengthen fraud risk management, including strengthening the processes for assessing risks and identifying key mitigating measures, expediting the establishment of a risk management committee, and increasing senior management awareness of fraud.

**Staff Responsible:** Deputy Representative Operations

**Implementation Date:** April 2024

## 2. Cash Transfers Assurance Activities

Medium

*The country office did not provide the audit team with sufficient evidence to objectively assess the adequacy and effectiveness of its assurance activities related to payments made to implementing partners. Gaps in cash transfer assurance activities expose programme funds to the risk that they may not be used as intended.*

During the period audited, the SSCO transferred approximately US\$93.5 million to implementing partners under HACT. HACT is a framework for assessing the risks associated with individual implementing partners and utilizing the assessed level of risks. It supports the country office in determining how payments should be made regarding activities assigned to partners and the

types and frequency of assurance activities to be implemented. The audit team assessed the adequacy and effectiveness of the SSCO's HACT assurance activities.

**Execution of spot checks and programmatic visits plans:** During the audit period, the SSCO conducted more assurance activities than planned. In 2022, the SSCO conducted 28 per cent more spot checks than the number it had planned to conduct by completing 86 spot checks compared to the planned 67. That same year, the SSCO achieved a 142 per cent completion rate for its planned programmatic visits. During the audit period, the SSCO completed 50 spot checks compared to the 68 scheduled for 2023. The audit team does not have data on the number of programmatic visits conducted in 2023.

Notwithstanding the many spot checks and programmatic visits conducted, the audit team found that many partners in the SSCO's assurance plan had either not been spot checked or received programmatic visits. There were 30 high risk partners in the assurance plan who received and liquidated cash for approximately US\$ 5.2 million but had not been spot checked as planned. This included 19 partners rated as high/significant risk by the SSCO, for which approximately US\$2.4 million of the US\$2.8 million they received had been liquidated. A total of 58 partners, included in the assurance plan for 2022 and 2023, received cash transfers totaling US\$11.9 million but had not received programmatic visits. This included 12 partners rated as medium, significant, or high risk that received Direct Cash Transfers totaling US\$7.4 million between August 2022 and February 2023. The SSCO stated that most of these partners without assurance activities have been included in the office assurance plan for the third quarter of 2023, but such plan did seem to exist as the Office failed to provide to the audit. The absence of a detailed timetable creates a risk to effective plan monitoring and timely execution assurance activities.

**Quality of programmatic visit reports:** A review of 25 programmatic visit reports noted that 15 reports (60 per cent) did not indicate which outputs, indicators and targets were evaluated and did not describe the progress made by partners toward implementing planned activities. Programmatic visits for nine partners who received supplies did not include the results of monitoring activities related to supplies handling and distribution. Also, the 16 reports did not indicate any feedback from the affected population on the quality of services provided to them and 17 reports tested were not reviewed and approved by the designated supervisors, demonstrating undocumented quality assurance process over programmatic reports.

**Official records of assurance activities:** The audit team found that reports of 85 of the 450 programmatic visits conducted by the SSCO were not uploaded in eTools. This meant that the actions stemming from the visits could not be subjected to the level of monitoring expected by UNICEF. This is particularly important in an environment where staff frequently take rest and recuperation breaks and other staff cover their responsibilities in an acting capacity. Without such monitoring, there was an elevated risk that identified gaps were not effectively addressed.

## AGREED ACTION 2

The country office agrees to strengthen its assurance activities by:

- i. Implementing a detailed timetable for executing planned assurance activities and monitoring the execution of the activities against the timetable.
- ii. Adopting templates to increase consistency in the quality and contents of documentation and reporting with respect to assurance activities.
- iii. Putting in place internal controls to ensure consistency in quality review and approval of assurance reports by the relevant staff members.
- iv. Putting in place internal controls or strengthening existing controls to ensure consistency in uploading the results of assurance activities in eTools

**Staff Responsible:** Chief PMER/IPM specialist

**Implementation Date:** March 2024

*Payments were made to more health workers than the number on the lists provided by government ministries. Civil Society Organization (CSO) partners who received cash for onward payment of health workers appeared not to have always performed their assigned tasks, including supervising and monitoring social workers.*

In 2022 and 2023, the country office received about US\$93 million to implement essential health services and education programme activities in hard-to-reach regions of South Sudan. About US\$17 million was used to pay incentives and salaries to about 4,850 health workers in two states and three administrative areas. An additional US\$6 million was used to incentivize 8,500 volunteer teachers in 10 states. Health workers and teachers were paid through CSO partners (as cash transfers) and through two financial service providers. The audit assessed the adequacy of country office controls around the identification of volunteers, payment of incentives and monitoring of services provided by these volunteers to ensure transparent and effective payment of incentives. The following were noted:

**Payments:** The audit team noted gaps in its review of processes for identifying payees and monitoring payments. Payments were made based on the list of health workers and teachers provided by the ministries, which contain workers on the government payroll and volunteers working in hard-to-reach areas. While the education section undertook visits to verify and validate the number of volunteers and salaried teachers, the SSCO did not provide the audit team with evidence of visits conducted by the health section to verify and validate the number of workers provided by the Ministry of Health. The audit team identified inaccuracies in a list of potential incentive recipients that contributed to the payment of more than the number of health workers prescribed by MoH for each health facility. For example, at Bor State Hospital, 236 staff were paid against the prescribed number of 131 staff. At the Menime Primary Health Care Clinic, 32 staff were paid against the list of 21. SSCO officials informed the audit team that it had made several attempts to count the health staff that benefitted from these incentives but was warned that the staff would withhold their services. The audit team did not consider this a plausible explanation for continuing to make payments to an unverified number of staff. While acknowledging the SSCO's deployment of Third-Party Monitors (TPMs) since 2022, the audit team noted that the terms of reference of the TPMs did not require them to validate the list of workers that were paid incentives. These gaps posed a risk that the SSCO was paying incentives to volunteers and staff who might not exist and who were not providing services to the communities.

**Monitoring:** CSO partners who received cash for payment related to health workers did not always meet their assigned activities, which included supervising and monitoring health workers in various hospitals where they were assigned. At one CSO and three health facilities visited by the audit team, there was no evidence that supervision and monitoring activities were implemented. The audit noted that three spot check reports by the country office had raised concerns about the lack of evidence showing that the volunteers and workers receiving incentives were providing services to the communities. However, the audit did not offer any evidence that gaps noted by the spot checkers have been addressed by the office. Though the office recruited TPMs to monitor several hospitals, the audit team reviewed three TPM reports, and it was not clear whether the TPMs verified the number of health workers receiving incentives. The reports focused mainly on verifying drug usage at hospitals, quality of health care received, equipment functionality and other infrastructure.

Additionally, the audit team noted that CSO partners periodically released payments to individuals for onward payment of health workers without adequate documentation of those transactions. For example, in one CSO partner's payment report for Bor State Hospital in December 2022, the same individual signed multiple times in different names to acknowledge receipt of funds. The audit team was informed that the individual who signed multiple times was the head of the hospital, and the names used were those of the entitled health workers. It was unclear why

individual health workers were not required to appear in person to collect their payments, given that they were working daily at the hospital, which was only a short walking distance from the CSO's office. This approach to the payment of health workers created a heightened risk of fraud.

**Invoicing:** The audit noted that the invoices of financial services providers did not contain the names of the health workers and teachers to whom the payments had been made. The office explained that the names were stored offline due to the document size. However, OIAI could not ascertain the accuracy and completeness of these names. The approach used by the CSO partner for disbursing funds to health workers and the failure of the SSCO to ensure that invoices include the names and contact information of those health workers as well as the evidence of the supervision and monitoring activities undertaken by the CSO partners created a heightened risk of fraud. There was also inadequate monitoring by the SSCO. For example, from January 2022 to May 2023, the country office conducted only one programmatic visit and one joint monitoring visit with the Ministry of Education to some schools with teachers who were paid the incentives. Without proper monitoring and supervision, there is a risk that amounts are lost/paid to non-existent individuals.

### AGREED ACTION 3

The country office agrees to:

- i) Validate and confirm accuracy of the lists of health workers who are receiving or expected to receive incentive payments and ensure that such lists are used to pay incentives to the workers. Introduce biometric-based payment systems or equivalent tools to reduce the risk of fraud in the payment process.
- ii) Strengthen its monitoring of payments to and services provided by the volunteers through field visits.
- iii) Strengthen oversight and monitoring of CSO partners responsible for the supervision and monitoring of volunteer workers.
- iv) Require CSO partners responsible for the monitoring, supervision and payment of volunteers and health workers to provide adequate details of work performed by them and recipients of cash incentives. Upload details of each invoice in VISION.

**Staff Responsible:** Deputy Representative Programme/Chief of Health Section

**Implementation Date:** April 2024

## 4. Procurement Planning

Medium

*Even though UNICEF considers procurement planning a key control to help achieve economy and efficiency in the procurement and distribution of supplies, controls around the plan were inadequate and needed strengthening.*

From January 2022 to April 26, 2023, the SSCO procured goods valued at US\$94.5 million. The audit noted that at the beginning of 2022, the country office prepared a supply plan for the procurement of supplies worth about US\$44 million; however, the actual procurement value was significantly more than the approved plan, as shown in the table below.

**Table: Comparison of actual supply procurement to planned for 2022**

Programme	Planned (US\$)	Actual (US\$)	Difference (US\$)	Change
Health	16,489,469	56,273,767	(39,784,298)	241%
Nutrition	12,930,207	22,976,565	(10,046,358)	78%
WASH	8,971,156	1,558,631	7,412,525	83%
Education	3,842,689	2,924,652	918,037	24%
Other	1,626,897	3,517,409	(1,890,512)	116%
<b>TOTAL</b>	<b>43,860,418</b>	<b>87,251,024</b>	<b>(43,390,606)</b>	<b>99%</b>

The audit team recognizes that deviation from a plan can occur, no matter how carefully developed. Lower than the expected utilization of supplies and changes in future supply needs can sometimes warrant deviations from an approved supply procurement plan. Even though UNICEF considers procurement planning as a key control to help achieve economy and efficiency in the procurement and distribution of supplies, the SSCO did not have an adequate process for regular review and revision of the approved plan to reflect changes in stock levels and needs. As a result, the office was procuring supplies based on an obsolete and out-of-date procurement plan.

## AGREED ACTION 4

The country office agrees to implement an agile process that requires that the procurement plan is be regularly reviewed and revised as needed to reflect changes in stock levels and needs, appropriately approved by the Country Management Team, and ensure supplies are procured according to the latest approved supply plans. The country office should also ensure that deviations from the latest approved plan are justified, well-documented and approved by designated staff.

**Staff Responsible:** Supply & Logistics and ICT teams.

**Implementation Date:** June 2024

## 5. Warehousing and Distribution of Programme Supplies

High

*The SSCO did not assess the capacity of implementing partners to manage and control supplies. This risked entrusting supplies to implementing partners who lacked the appropriate capacity to safeguard them from loss or misuse and promptly distribute them to the intended end-users. Additionally, the SSCO's stock record-keeping was inadequate and needed improvement.*

Vendors delivered all supplies to UNICEF's warehouse located in Juba. From there, the SSCO distributed the supplies to its warehouses in the field offices and implementing partners. During the period audited, supplies worth approximately US\$73 million were distributed – US\$55.9 million in supplies were distributed to implementing partners and US\$16.79 million in supplies were delivered to SSCO field offices' warehouses. The audit sought to assess the adequacy and effectiveness of supply planning, warehousing, and distribution to beneficiaries.

**Supplies delivered to implementing partners:** The audit noted the following related to the management of supplies by IPs:

- The required capacity assessment of implementing partners to store, safeguard, and distribute the supplies was not conducted by the country office. This risked entrusting supplies to implementing partners who lacked the appropriate capacity to safeguard them from loss or misuse and promptly distribute them to the intended end-users. Audit visits noted in one implementing partner warehouse that the supplies were poorly stacked and arranged, creating risks to prompt detection of potential loss of the supplies. In another warehouse visit, the implementing partner could not explain the difference of 120 bottles of medical supplies between the stock cards and the physical count. The audit team noted other inadequate controls that included the lack of up-to-date records of the released supplies from the IPs warehouses and the lack of evidence of receipts of supplies by the implementing partners' programme staff. Regarding the latter, the audit team noted that warehouse personnel initiated the release of nutrition supplies from the implementing partner warehouse without the prior approval of the relevant implementing partner's programme staff.
- There was no evidence to support monitoring by the SSCO to ensure that supplies distributed from CSO warehouses were authorized.

- IPs did not store supplies within the temperature ranges recommended by the manufacturers. One implementing partner informed the audit team that a solar-powered system that was supposed to provide electricity to regulate temperature was not functional and that they faced resource limitations in addressing power outages. This issue might have been identified and corrected had regular warehouse assessments been conducted.
- Stock cards were not maintained for supplies received in a government warehouse, which made it impossible for programme managers and the audit team to verify the correct recording of the receipt and release of supplies.

**Prepositioned supplies delivered to implementing partners:** The audit team found that the SSCO released supplies for immediate distribution to beneficiaries at the same time as it delivered prepositioned supplies – intended to be used in the event of an emergency or urgent situation. In programme documents reviewed by the audit team, the SSCO agreed to pay the implementing partner US\$115,051 to manage supplies (Rub Hall Management). The audit team, however, noted that these supplies were released to implementing partners from the UNICEF Juba warehouse and not the implementing partner as agreed. Relatedly, the audit team found that the SSCO did not always provide the recipient implementing partner with clear information regarding whether the supplies were intended for prepositioning or for immediate use.

The audit team noted that the prepositioned supplies were not recorded in UNICEF accounting system - they were expensed upon dispatch to implementing partners, implying that UNICEF had relinquished control of the supplies or transferred ownership to the IPs. Furthermore, the SSCO did not include in its annual supplies inventory report the quantities and value of these prepositioned supplies. For example, as of December 2022, 6,915 cartons of ready to use therapeutic food (RUTF) were stored on behalf of UNICEF in implementing partner warehouses, but this supply was not included in the SSCO's 2022 inventory reporting. The audit team explored this issue further and determined that SSCO's expensing of prepositioned supplies generally conforms to UNICEF Headquarters expectations.

**Supplies in the country office's warehouses:** The audit team found that the SSCO's stock record-keeping was inadequate and needed improvement as follows:

- In one warehouse visited by the audit team, there was a mismatch whereby the SSCO's physical count of supplies in the presence of the audit team showed 1,681 more cartons of RUTF than the quantity in VISION. In another warehouse, 1,500 mosquito nets could not be traced to VISION. Initially, the warehouse staff could not explain the difference related to RUTF. Subsequently, in response to the draft report, the SSCO stated that some stock cards were unavailable at the time of their physical count; however, they still did not provide a plausible explanation concerning the discrepancy between UNICEF corporate accounting system and the result of their physical count conducted in the presence of the auditor. The SSCO explained that the 1,500 mosquito nets belonged to a third party; however, it did not provide the audit team with any evidence to support the ownership of these items.
- In another warehouse visited, there were 2,228 cartons of expired soap valued at US\$47,169.

The staff of the SSCO and implementing partners attributed the gaps described above to: (1) lack of capacity and training of implementing partners warehouse staff, resulting in inadequate inventory management processes; (2) incomplete design of programme documents such that they did not include all key information supporting the warehousing and distribution of supplies; and (3) gaps in end-user monitoring visits by country office staff to the IPs' storage facilities.



## GREED ACTION 5

The country office agrees to strengthen the management of programme supplies by:

- i) Conducting warehousing capacity assessments of implementing partners that received and/or expect to receive significant amounts of supplies as well as undertaking appropriate activities like training implementing partners to address identified capacity gaps and helping them to develop and maintain appropriate systems for recording and accounting for receipt and distribution of the supplies.
- ii) Identifying and taking appropriate measures to strengthen stock record-keeping at its own warehouses to minimize scope for discrepancies between UNICEF corporate accounting system and physical inventory.
- iii) Ensuring clear communication with implementing partners regarding whether supplies released to them are for immediate use or storage (prepositioning).

**Staff Responsible:** Sr. Supply & Logistics Manager

**Implementation Date:** May 2024

## 6. Construction Management

Medium

*Inadequate capacity assessment of construction contractors and monitoring of construction created the risk of delayed projects and the development of projects that did not meet the required standards.*

From January 2022 to May 2023, the country office spent US\$32.2 million on construction contracts, of which US\$21.8 million were direct constructions by the SSCO and US\$10.3 million through implementing partners. The audit sought to assess the adequacy and effectiveness of the SSCO's planning, management, and oversight of construction activities, as well as the adequacy of capacity and technical expertise, to ensure the effective use of funds in support of programmatic objectives and noted some gaps as discussed below.

**Direct construction:** The audit noted that the implementation of about US\$6.5 million of construction projects was delayed and did not fall within grant expiration periods. For example, a grant for the construction of a water treatment plant was received in July 2019, but the construction contract was only signed in August 2022 (over two years delay). The project completion date was August 2023 but as of June 2023, the completion rate was only 40 per cent with the grant planned to expire in July 2023. In another example, a grant for the construction of 25 schools was received in 2019 with an expiration date of August 2023, but work did not begin until December 2021. Only 15 schools were completed as of May 2023. The country office informed auditors that the delays experienced were primarily due to significant flooding across the country in 2021 and 2022 as well due to changes requested by the government on the school construction sites. While the grant was extended to 2025 by the donor at the request of UNICEF, delays arising from impacts of weather and government changes should be anticipated and be factored into construction project work plans particularly in a country where it is understood that some activities are only possible at particular times of the year. Non-management of such factors exposes the SSCO to reputational risks regarding its capacity to manage programme activities.

Six construction projects totaling US\$2.2 million were initiated without a comprehensive needs assessment and adequate stakeholder consultations. This resulted in implementation delays and multiple contract amendments, some resulting in cost overruns. For example, the construction of 25 schools witnessed significant delays due to back-and-forth discussions between various parties. During the audit team's field visit to one of the construction sites for school rehabilitation,



the beneficiaries raised concerns that they were not part of the needs assessment which resulted in some misunderstanding between the beneficiaries and the contractor as some of the critical elements were not included in the rehabilitation package.

Construction contracts were also issued to contractors without the requisite experience and capacity. For example, under contract #43355318 for the construction of a water treatment plant to the value of US\$3.2 million, the vendor stated in their technical submission that they did not have prior experience in executing such projects and yet they were selected because of a lower financial bid. Though the office had recruited an engineering firm to design and supervise the project, the construction was delayed because the vendor could not source the required materials on time. The source of construction materials and logistical challenges were not factored in the proposal submitted by the vendor.

**Construction projects implemented through partnership agreements:** From January 2022 to May 2023, the SSCO signed 59 agreements for various construction projects to be executed by implementing partners. Audit reviewed 11 of agreements totalling US\$6.9 million noted areas for improvement.

First, eleven agreements did not have adequate specifications for the projects. For example, one agreement only referred to the construction of temporary emergency sanitation facilities. The types of facilities, dimensions and possible designs were not referenced in the programme document. Not specifying the type, nature and design of construction projects risked that the constructions would not serve the programme objectives and meet community expectations. This could result in a waste of resources on constructions that may not be used as intended. The lack of precise specifications could also result in disputes with implementing partners regarding the expected construction outputs.

Second, the audit did not find any evidence that SSCO had assessed the technical capacity of four implementing partners that received US\$7.2 million to engage in construction. This exposed the country office to the risk that funds are transferred to implementing partners that may not implement the construction in time and/or to the expected standards. UNICEF procedures on construction projects, requires that country offices undertake a technical capacity of implementing partners before signing programme documents for construction projects.

**Monitoring of construction projects:** UNICEF's procedure on construction projects requires that the country office should only engage in a construction project if there is appropriate in-house capacity to support technical assessment, project planning, procurement, implementation, and oversight of the project. The SSCO had recruited three construction engineers with responsibilities for planning, participation in the selection of construction vendors and supervision of construction activities. Monitoring of direct construction activities mainly was done by independent consulting firms.

The audit noted gaps in the country office's monitoring of constructions made through the IPs. For example, the audit review of five programmatic visit reports noted that the reports did not state clearly whether the construction completed by partners was according to agreed standards.

Inadequate monitoring of construction activities could result in the construction of low-quality projects, delays in contract execution and cost overruns.

## AGREED ACTION 6

The country office agrees to take appropriate action to ensure:

- i) Construction contracts are issued in a timely manner and that they are implemented within grant validity periods.
- ii) Comprehensive needs assessments involving all the relevant parties and adequate feasibility studies and project designs are conducted before construction contracts are signed.
- iii) Technical capacity assessments of implementing partners and vendors are conducted for their execution construction projects within the agreed periods.
- iv) There is a functioning monitoring process over construction projects assigned to implementing partners (indirect constructions).

**Staff Responsible:** Chief Health/Engineering focal point

**Implementation Date:** March 2024

## 7. Partnership Management

Medium

*There were delays in finalizing programme documents with CSO implementing partners and releasing funds to implement the activities assigned to them. Additionally, partners' performance reviews were not always completed promptly, and the required regular review of their work was not always conducted in a timely manner.*

Between January 2022 and May 2023, the SSCO worked with 150 implementing partners, including 114 CSOs and 36 government implementing partners. During this period, the SSCO completed 185 programme documents with CSO partners. The audit sought to assess the adequacy and effectiveness of relevant controls to ensure the selection of the right partners and the establishment of partnerships in a timely manner.

**Development of programme documents and transfer of cash:** UNICEF partnership procedures require that a programme document should be finalized (i.e., signed by both parties) within 15 working days in humanitarian situations, and, within 45 working days for regular partnerships. However, 27 per cent of humanitarian programme documents and 32 per cent of regular programme documents were completed after the recommended key performance indicators. Furthermore, the country office did not promptly release funds to implementing partners following receipt of relevant requests from the CSO partners. For example, the audit team noted that out of the total cash transfers of US\$93.5 million, about 16 per cent (US\$14.5 million) was processed three months before the grant expiration dates and about three per cent (US\$2.3 million) related grants already expired. The office explained that most of these delays were caused by certification rights not timely provided to Certifying officer, FACE forms not correctly prepared resulting to multiple corrections, partners outstanding DCT and capacity constraints.

Delays in establishing programme documents and transferring funds to partners meant that the relevant interventions could not be delivered in a timely manner. For example, programme activities for the establishment of new learning spaces in Bor South were delayed by more than three months due to the late signing of the programme document. Six partners visited by the audit mentioned that the country office delayed the release of requested cash, which delayed the implementation of the activities agreed upon. The delays also risked the SSCO losing time-sensitive donor funding.

**Outstanding DCT:** The SSCO did not always promptly obtain CSO partners' reports on their utilization of the funds provided to them which was explained by the office to be due to delays in

programme implementation caused by limited accessibility, security and inter-communal conflicts. For example, reports on utilization of US\$5.6 million (or 11 per cent) transferred to CSO implementing partners during the audit period had been outstanding for more than six months – these included reports for approximately US\$1 million outstanding for more than nine months. Delays in accounting for cash transfers present a risk that they may be misused and that corrective actions may not be taken in a timely manner.

**Partnership evaluation:** Partnership evaluation is critical to ensuring that results for children are being achieved as planned. During January to September 2022 the SSCO closed 34 partnerships – as at the time of this audit, the performance evaluations for ten of these partnerships had not been complete. Notwithstanding, the SSCO signed new agreements with the ten partners to implement additional activities. This meant that the SSCO overlooked taking appropriate measures to manage risk the implementation of UNICEF interventions effectively.

**Routine review of partners' work:** While the SSCO stated it regularly reviewed the quarterly progress reports of partners to assess the status of implementation of agreed activities, the audit team noted that these reports were not always promptly received by the SSCO. For example, as of 31 May 2023, 36 per cent of the 67 progress reports expected for first quarter of 2023 had been overdue by 60 days.

## AGREED ACTION 7

The country office agrees to strengthen its partnership management by:

- i) Establishing efficient and effective review processes that mandate the timely completion of partnership agreements and release of funds to implementing partners only when required agreements and evaluations are completed.
- ii) Monitoring and ensuring that grant funds are spent and accounted for within the grant periods agreed with donors.
- iii) Ensuring partnership reviews are completed in a timely manner and are uploaded in eTools;
- iv) Ensuring that implementing partners' quarterly progress reports are submitted and reviewed in a timely manner.

**Staff Responsible:** Chief PMER

**Implementation Date:** June 2024

## 8. Prevention of Sexual Exploitation and Abuse

Medium

*The country office operates in an environment with a high risk of sexual exploitation and abuse. PSEA risks related to working with CSO partners were not adequately managed, which resulted in elevated reputational risk to UNICEF.*

From January 2022 to May 2023, the SSCO conducted PSEA assessments for 109 CSO partners, of which one was rated as a high PSEA risk partner and 74 as moderate risk partners. From a review of actions undertaken by 11 CSO partners following these assessments, the audit noted that five CSO partners did not take action to address the identified gaps. In addition, PSEA gaps identified in assessments were not adequately addressed by the country office during programme visits.

The SSCO had planned that in 2022 (subsequently postponed to the first quarter of 2023), it would have rolled out a UNICEF PSEA reporting system and the implementation of the United Nations Victims Assistance Protocol, including developing standard operating procedures for referral and provision of services to SEA survivors. However, after the audit in May 2023, these activities were still pending.

The gaps and omissions noted could result in reputational damage to UNICEF.

## AGREED ACTION 8

The country office agrees to:

- i) Integrate in PSEA monitoring activities in programme monitoring activities of CSOs and ensure that CSOs implement agreed actions identified in PSEA assessments; and
- ii) Put in appropriate mechanisms to ensure all planned PSEA activities are implemented.

**Staff Responsible:** Chief PMER/PSEA Specialist

**Implementation Date:** December 2023

## 9. Accountability to Affected Populations

Medium

*The country office had not finalized its AAP Action Plan – this may result in the objectives of AAP not being met by the SSCO.*

The Country Programme Management Plan (CPMP) noted that the country programme is being “implemented in a complex and challenging environment with multiple inter-related crises, including disease outbreaks, food and nutrition crises, conflict, and economic meltdown, all of which are exacerbated by gender inequality, climatic shocks, limited government financial and human resource capacity and policy uncertainty.” Therefore, South Sudan’s population is vulnerable to various risks. UNICEF’s vision of AAP is that in an environment in which the country programme is being implemented children, women, and men supported through UNICEF’s actions can hold UNICEF to account for promoting and protecting their rights and generating effective results for them, considering their needs, concerns, and preferences, and working in ways that enhance their dignity, capacities, and resilience. The allocation of US\$491 million to AAP for the 2022-2025 programme cycle is an indication of the importance that UNICEF attaches to AAP in South Sudan. The audit reviewed the overall governance set-up of AAP; its inclusion in the country office’s strategic, programmatic, and humanitarian documentation; incorporation in the programmatic monitoring processes; as well as the setup and functioning of the mechanisms for feedback collection, complaints, and grievances and noted the following:

The audit noted that the SSCO does not have a comprehensive and robust feedback and complaint mechanism that seeks the views of communities and addresses complaints and stakeholder dissatisfaction. Instead, programme sections had different ways of collecting and acting on feedback from affected populations. For example, in the health section, both a Stakeholder Engagement Plan and an Environmental and Social Management Framework were developed for use in the South Sudan Covid-19 Emergency Response and Health Systems Preparedness Project. This included a Grievance Redress Mechanism, where communities could proactively provide feedback on the project’s effects through email and telephone (English and Arabic) and had an elaborate follow-up and reporting system. The nutrition section had a shared hotline with another United Nations entity and had other means of collecting feedback from communities, for example, through visits by nutrition monitors and quarterly progress reports from implementing partners. However, the education section had neither a hotline nor a regular and systematic way of collecting feedback from affected populations after programmes had been designed. During a field visit to Bientu, the audit noted that a learning structure constructed by UNICEF did not have a ramp to facilitate access for disabled students or teachers. This was not considered at the project’s design stage because of insufficient consultation with the community.

## AGREED ACTION 9

The country office agrees to finalize and operationalize its AAP Action Plan and ensure that there is an established complaint mechanism for all programmes with a feedback process that increases participation by communities in the design, monitoring and evaluation of interventions.

**Staff Responsible:** Chief Field Operations

**Implementation Date:** December 2023

# 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:

<b>Low</b>	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.
<b>Medium</b>	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.
<b>High</b>	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:

<b>Satisfactory</b>		The assessed governance, risk management or control processes were adequate and functioning well.
<b>Partially Satisfactory, Improvement Needed</b>		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.
<b>Partially Satisfactory, Major Improvement Needed</b>		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.
<b>Unsatisfactory</b>		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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