

Internal Audit of the Republic of Congo Country Office

April 2020

Office of Internal Audit
and Investigations



Report 2020/03

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Summary

The Office of Internal Audit and Investigations (OIAI) has conducted an audit of the Republic of Congo country office. The audit sought to assess the office's governance, risk management and internal controls. The audit team visited the office from 4 to 11 November 2019, and the review covered the period from 1 January 2018 to 11 November 2019.

The UNICEF country programme

The Republic of Congo is a lower middle-income country. Its total population in 2018 was 5.2 million people, with a child population over 2.2 million. The initial 2014-2018 country programme was extended by a year to align with the National Development Plan, which was launched in 2018, and the UN development assistance framework (UNDAF) for the country, which has been extended until 2019. The country plan aimed to contribute equitably to the rights of children, in particular the most vulnerable, in the following priority areas: child survival and development; education; protection and vulnerability reduction; anti-discrimination; and the generation and use of factual data and knowledge for evidence-based programmes and advocacy.

The Executive Board-approved budget for the 2014-2018 country programme (extended till 2019) was US\$ 51.1 million, of which US\$ 6.1 million was Regular Resources (RR) and US\$ 45 million Other Resources (OR). Humanitarian Action for Children (HAC) requirements were US\$ 7.7 million for 2018 and US\$ 12.4 million for 2019. The HAC appeals related to the presence of refugees from the Central African Republic and the Democratic Republic of the Congo.

The UNICEF country office is based in the capital, Brazzaville. There is also an outposted staff member in Pointe-Noire. The office has a total of 34 approved posts.

The key risks

The audit focused on certain key risk areas selected after an initial risk assessment, review of documentation and data, and interviews with senior staff in the country and regional offices. The key risk areas identified included (among others) the functioning of the office and management culture, management of partnerships with the national government and civil society organizations, and monitoring of achievement of results.

Risks identified by both OIAI and the office itself included fundraising and human resources. The office had rated the first of these as high risk, stating that key donors regard Congo as having enough financial resources although social indicators are poor. The office also highlighted human resources management, due to limited national capacities and expertise at professional level.

Some of these issues are reflected in the report that follows; for others, the risks were found to be adequately controlled.

Results of the audit, and actions agreed

The audit noted several controls that worked well. The office developed annual workplans together with implementing partners. The workplans were evidence-based and the results framework included specific and measurable indicators, targets and baselines to enable effective measurement and monitoring of results. The office was viewed as a good partner by implementing partners and donors. Controls to mitigate key risks were generally adequate and functioning well as regards monitoring of programme implementation and assurance over use of direct cash transfers to implementing partners

However, the audit identified a number of areas where risks to UNICEF's activities could be better managed. The office had not conducted its annual fraud risk assessment as required by the anti-fraud strategy thus increasing the risk of losses of resources to fraud. Further, the result statements in sampled donor reports, and in the office's annual report, were based solely on implementing partners' reports; they had not been independently validated to prevent potential inaccuracies.

Following discussion with the office, the audit team has recommended a number of measures to address and better mitigate the risks identified. Two are regarded as high priority – that is, requiring immediate management attention. These are as follows:

- Conduct an annual fraud risk assessment to identify fraud vulnerabilities and relevant mitigation measures, and to prevent potential losses of resources.
- Implement effective mechanisms to obtain reasonable assurance over the accuracy of key results reported by implementing partners in progress reports to UNICEF. The office should consider obtaining this assurance through verifying the accuracy of results reported by partners before including these in official reports to donors.

Conclusion

Based on the audit work performed, OIAI concluded at the end of the audit that, subject to implementation of the agreed actions described, the country office's governance, risk management and internal controls were generally established and functioning, with a view to effectively mitigating key risks that could prevent the achievement of its objectives.

Audit objectives and scope

The objective of the audit was to provide independent and objective assurance regarding the adequacy and effectiveness of the governance, risk management and control processes in the country office. These processes should ensure: achievement of the office's objectives related to reliability and integrity of financial and operational reporting; effectiveness; efficiency of operations and economic acquisition of resources; safeguarding of assets; and compliance with relevant policies and contractual arrangements.

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

Audit observations

Governance and culture

The audit looked at the way the office was run and made some positive observations. The Representative clearly assigned financial responsibilities to staff members to enable effective decision-making and hold staff accountable. All staff had completed the UNICEF mandatory learning course on fraud awareness. Meanwhile the West and Central Africa Regional Office (WCARO) had prepared a draft regional anti-fraud strategy which was awaiting review and approval from the regional management team at the time of the audit. It will include concrete actions at all levels with assigned oversight responsibilities.

The office had identified five priority results in a participatory exercise. Each priority was clearly assigned an overall result manager, and linkages were defined with the relevant country programme outputs.

However, the audit also noted the following.

Priority setting: The strategies, risks, mitigation measures, indicators and targets generally matched the five priorities. However, the indicators for two of the five priority results were not specific enough to measure progress. The audit also noted that the priority results, indicators and targets were not clearly included in the overall result managers' 2019 performance evaluation reports (PERs). This made it harder to hold staff accountable for achievement of priority results.

Statutory committees: The audit reviewed the operation of the office's statutory committees. These are bodies that every office has, and which regulate certain functions. The most important is the country management team (CMT), which advises the Representative on the management of the country programme and on strategic programme and operations matters. It consists of senior staff from Programme and Operations sections, and staff representatives.

The CMT met monthly from January 2018 to the end of October 2019. It reviewed the office's key risks, and action points arising from the meetings were properly followed up. However, the CMT did not assess the effectiveness of the other statutory committees, such as the partnership review committee, the contract review committee, and the property survey board. The office stated that the effectiveness of these committees was reviewed by the Senior Management Team (SMT), but the SMT meetings were not documented. This would have allowed sharing of good practices and lessons learned with members of the committees and with other staff.

The audit reviewed the functioning of two of the office's statutory committees, the contract review committee (CRC) and the partnership review committee (PRC). It found that the CRC members used the quality assurance review checklist to ensure procurement was carried out in accordance with established policies and procedures. The CRC recommendations were approved by the Representative. The partnership review committee (PRC) was also functioning well, from a review of its minutes and the actions it recommended.

Culture: The audit met with the Staff Association and the regional office, both of which expressed concerns about staff awareness and application of UNICEF core values. The 2017 global staff survey (GSS),¹ and the more recent 2018 Pulse surveys that followed it up, highlighted several culture-related issues. Five out of the 12 action points arising from the office's post-GSS improvement plan were still outstanding as of the time of the audit. Three were related to personal empowerment and two to career and professional development. However, the office was taking action to improve on the duty of care through capacity development of staff, child-friendly space, and close work with the Staff Association. There was also a trained and active ethics focal point.

Risk management: The number of high risks was reduced from 10 in 2018 to two in 2019 because of mitigating actions taken by the office. The annual risk assessment also rated the risk of fraud as high in 2018 and medium in 2019. As of the time of the audit, the office had not conducted its annual fraud risk assessment as required by UNICEF's anti-fraud strategy, and four staff members had not completed the mandatory ethics and integrity courses (which are considered as fraud-deterrence measures). The lack of an annual fraud risk assessment could expose the office to potential fraud and irregularities, which could lead to losses of resources and damage UNICEF reputation to donors.

Agreed action 1 (medium priority): The office agrees to ensure that:

- i. The 2020 priority result indicators are sufficiently specific to measure progress against expected results.
- ii. Priority results, indicators and targets assigned to the overall results managers are clearly included in their performance evaluation reports.
- iii. An action plan is implemented to increase staff understanding and application of UNICEF core values.
- iv. The country management team reviews and monitors the effectiveness of the office's statutory committees.

Responsible staff members: Representative, Deputy Representative Programme, Operations Manager and Chiefs of programme sections

Date by which action will be taken: 31 March 2020

Agreed action 2 (high priority): The office agrees to conduct an annual fraud risk assessment to identify fraud vulnerabilities and relevant mitigation measures.

Responsible staff members: Representative, Operations Manager and Regional Office

Date by which action will be taken: 30 April 2020

¹ UNICEF's Global Staff Survey, first launched in 2008, is an exercise to increase understanding between staff and management by gathering opinion on a range of staff-related issues, including internal relationships and communications, transparency and accountability, work/life balance and efficiency. All staff are invited to participate; the responses are confidential, and the results are anonymized.

Resource mobilization

When the 2014-2018 country programme was developed, it had been expected that the Government would provide up to 60 percent of the funding required. However, due to the economic crisis and armed conflicts in some parts of the country, the Government had been unable to meet its funding obligations, resulting in a funding shortfall for UNICEF. As of September 2019, the office had received US\$ 30.8 million or 60 percent from a budget of US\$ 51.1 million. As a result, six out of eight programme outcomes were underfunded in 2018, and five were underfunded in 2019. Humanitarian Action for Children (HAC)² requirements in 2018 were US\$ 7.7 million, of which US\$ 3.2 million (41 percent) had been received. The 2019 HAC requirements were US\$ 12.4 million, of which US\$ 3.9 million, or 32 percent, had been received as of August. Ten out of 11 result targets in the 2018 HAC had not been met; as of November 2019, and nine out of 10 targets for 2019 had also been missed.

Funding gaps constrained the achievement of results and put at risk the sustainability of programmes (see also observation *Partnership management*).

The office had a resource mobilization strategy that identified the need to diversify its donor base, enhance partnerships and increase long-term flexible funding. The office also integrated resource mobilization in the annual workplans and programme activities. In 2019, it created a fundraising task force to provide guidance on proposals and donor reports, monitor funding needs, and identify human interest stories and other content to assist communication and visibility. Fundraising was a standing agenda item at the CMT and action points were identified and followed up. These measures might have helped reduce the size of the funding gaps.

In view of the action the office was already taking, the audit is not making any recommendations in these areas. However, it did note that resource mobilization was not mentioned in the Deputy Representative and section chiefs' performance evaluation reports, and a recommendation is being made in this regard. Including specific activities and indicators would increase accountability.

Agreed action 3 (medium priority): The office agrees to ensure the performance evaluation reports of staff with resource mobilization responsibilities include related activities and indicators.

Responsible staff members: Representative, Deputy Representative Programme, Chiefs of programme sections

Date by which action will be taken: 29 February 2020

Partnership management

The office had a partnership strategy, but had not assessed whether that strategy achieved its objectives. The audit found that the partnership strategy for the current cycle (2014-2018 and extended to 2019) was linked to its resource mobilization and advocacy strategies, and mapping of implementing partners. The audit met two NGO partners, who confirmed the development of partnership cooperation agreements with UNICEF was participatory and inclusive.

The office had called for expressions of interest by potential implementing partners in May 2018. It had achieved a low response rate, and the quality and capacity of respondents did not meet expectations. The office undertook activities to build capacity of selected implementing partners.

² A HAC is an appeal that UNICEF launches for assistance for a particular crisis or emergency response, and will state how much UNICEF thinks it needs to raise for a given situation. The appeals page is at <https://www.unicef.org/appeals/>; the current (2020) appeal for Congo can be found at <https://www.unicef.org/appeals/congo.html>.

However, the audit found that 20 percent of direct cash transfers (DCTs) were not paid on time to partners. Though the office did not determine the reasons for late payments, the audit found they were caused partly by delays in receiving requests for DCTs from partners.

The audit also noted problems with the sustainability of the office's flagship schools programme. In this case, it had been intended that the partner – the Government – would fund the programme, but it was unable to do so due to the economic situation (see previous observation, *Resource mobilization*). The UNICEF office had arranged another funding source as an interim solution. However, late arrival of funds from a donor had caused delays in DCTs to the Government partner, which had delayed payments of teachers' salaries in a priority area for nine months as a result. This helped significantly lower the attendance rate of teachers and the most disadvantaged targeted children and had put this flagship programme at risk. The office had met the relevant Government ministry and other partners to address the sustainability of the programme, including funding requirements. However, the problem had not been resolved as of the time of the audit.

Agreed action 4 (medium priority): The office, with assistance from the Regional Office, agrees to:

- i. Assess the extent to which the partnership strategy achieves its objectives.
- ii. Determine and address the causes for late direct cash transfer disbursements to partners.
- iii. Implement a strategy to sustain the flagship schools programme.

Responsible staff members: Representative, Deputy Representative Programme, Chiefs of programme sections

Date by which action will be taken: 30 June 2020

Programme management

The audit reviewed the extent to which the office effectively managed its human, financial, supply and information technology resources. It noted the following.

Human resources management: The office had 34 approved posts (five international professionals, 14 national officers and 15 general service posts). During the period audited, the office had key posts vacant, including: Chief of Health and Nutrition; Supply and Procurement Associate; Child Protection Specialist; Planning, Monitoring and Evaluation Specialist; and Water, Sanitation and Hygiene Specialist. All key posts were vacant for over a year, creating a risk of insufficient human resources to achieve programme objectives.

The office said this was due to lack of qualified candidates and funding. It mitigated the risk created by these vacancies through reassignment of responsibilities to other staff, temporary appointments and use of external service providers. However, the reassignment of additional responsibilities to staff over a long period could lead to staff burnout, low morale and increased conflicts and diminish the staff's ability to accomplish their existing work program.

Supply management: Programme supplies expenditure amounted to US\$ 9 million in 2018 and US\$ 6 million in 2019 (including supplies procured through UNICEF's Supply Division). The audit reviewed 10 procurement transactions totalling US\$ 2.9 million and found they were generally well managed.

The office's annual procurement plan was needs-based and was linked to the annual workplans of each programme section. The office had a comprehensive spreadsheet to monitor the supply management process. However, it could not be used effectively because some key information required, such as data on tendering channel, solicitation document, evaluation process, committee

review and approval, and dates of purchase order, was not entered into the relevant fields. This could lead to decisions based on wrong, or inadequate, information – reducing the quality and timeliness of procurement and delivery of goods and services.

Information technology management: The Regional Information and Communications Technology (ICT) Adviser carried out an on-site peer review in July 2018. This review made 17 recommendations rated as high priority. As of November 2019, 13 of them were fully implemented; one was ongoing, and no action had been taken on the remaining three outstanding recommendations although the planned completion date had been December 2018. These three related to the testing of emergency telecommunications equipment; reduction of printing costs; and review of backup operations.

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

- i. Finalize recruitment to key vacant posts with assistance from the Regional Office and the Division of Human Resources. The office should consider using a headhunter if necessary.
- ii. Ensure the procurement monitoring spreadsheet is filled out and effectively used.
- iii. Prioritize and implement the remaining Information and Communication Technology recommendations from the Regional Office peer review.

Responsible staff members: Representative, Operations Manager, Monitoring and Evaluation Officer, Supply and Procurement Specialist, Senior ICT Associate and Regional Office

Date by which action will be taken: 30 June 2020

Reporting on programme results

From January 2018 to end of November 2019, the office issued all 24 donor reports that were due on time. It also issued the Country Office Annual Report on time in 2018.

The audit reviewed a sample of 18 result statements, four from donor reports, seven from Annual Reports and seven from the Results Assessment Module (RAM).³ The primary source of information in these reports and the RAM were the implementing partners' reports and the office's programmatic visit reports. The audit found that, in 10 cases, the office did not validate the information contained in partners' reports to support the result statements. There was thus a risk that these reports were not accurate.

Agreed action 6 (high priority): The office agrees to implement effective mechanisms to obtain reasonable assurance over the accuracy of key results reported by implementing partners in progress reports to UNICEF. It should consider obtaining this assurance through verification of the accuracy of results reported by partners before their inclusion in official reports to donors.

Responsible staff members: Deputy Representative Programme, Monitoring and Evaluation Officer and Resource Mobilization Officer

Date by which action will be taken: 31 March 2020

Harassment, abuse, exploitation and adherence to human rights law

All staff had completed the mandatory learning courses on prevention of sexual exploitation and abuse (PSEA) and UN human rights responsibilities. Nearly all (97 percent) had completed the

³ The RAM is an online portal to which UNICEF offices upload their results, enabling them to be viewed and compared across the organization.

mandatory learning course on prevention of sexual harassment and abuse of authority. The UN Country Team in Congo, including UNICEF, had discussed and reviewed PSEA challenges and opportunities. The United Nations guidelines on PSEA had been distributed to implementing partners to increase awareness. No issues had been reported by partners to UNICEF as of the time of the audit.

However, during the period under audit, the office had not assessed the capacity of UNICEF partners to prevent issues related to PSEA, unethical conduct and violation of human rights, or to report on them if they did arise. There had been also no capacity building of partners in these areas, thereby increasing the risk of potential PSEA.

Agreed action 7 (medium priority): The office agrees to, in collaboration with the UN Country Team, establish a process for strengthening implementing partners' capacity to report and prevent issues of sexual exploitation and abuse, unethical conduct and violation of human rights.

Responsible staff members: Representative and Deputy Representative Programme, with assistance from the United Nations Country Team

Date by which action will be taken: 30 June 2020

Annex A: Methodology, and definitions of priorities and conclusions

The audit team used a combination of methods, including interviews, document reviews, testing samples of transactions. It also visited UNICEF locations and supported programme activities. The audit compared actual controls, governance and risk management practices found in the office against UNICEF policies, procedures and contractual arrangements.

OIAI is firmly committed to working with auditees and helping them to strengthen their internal controls, governance and risk management practices in the way that is most practical for them. With support from the relevant regional office, the country office reviews and comments upon a draft report before the departure of the audit team. The Representative and their staff then work with the audit team on agreed action plans to address the observations. These plans are presented in the report together with the observations they address. OIAI follows up on these actions and reports quarterly to management on the extent to which they have been implemented. When appropriate, OIAI may agree an action with, or address a recommendation to, an office other than the auditee's (for example, a regional office or HQ division).

The audit looks for areas where internal controls can be strengthened to reduce exposure to fraud or irregularities. It is not looking for fraud itself. This is consistent with normal auditing practices. However, UNICEF's auditors will consider any suspected fraud or mismanagement reported before or during an audit and will ensure that the relevant bodies are informed. This may include asking the Investigations section to take action if appropriate.

The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditors. OIAI also followed the reporting standards of International Organization of Supreme Audit Institutions.

Priorities attached to agreed actions

- High:** Action is considered imperative to ensure that the audited entity is not exposed to high risks. Failure to take action could result in major consequences and issues.
- Medium:** Action is considered necessary to avoid exposure to significant risks. Failure to take action could result in significant consequences.
- Low:** Action is considered desirable and should result in enhanced control or better value for money. Low-priority actions, if any, are agreed with the country-office management but are not included in the final report.

Conclusions

The conclusions presented in the Summary fall into one of four categories:

[Unqualified (satisfactory) conclusion]

Based on the audit work performed, OIAI concluded at the end of the audit that the control processes over the office were generally established and functioning during the period under audit.

[Qualified conclusion, moderate]

Based on the audit work performed, OIAI concluded at the end of the audit that, subject to implementation of the agreed actions described, the controls and processes over the office were generally established and functioning during the period under audit.

[Qualified conclusion, strong]

Based on the audit work performed, OIAI concluded that the controls and processes over the office needed improvement to be adequately established and functioning.

[Adverse conclusion]

Based on the audit work performed, OIAI concluded that the controls and processes over the office needed **significant** improvement to be adequately established and functioning.