

# Internal Audit of the Mexico Country Office

September 2019

Office of Internal Audit  
and Investigations



Report 2019/13

## Summary

The Office of Internal Audit and Investigations (OIAI) has conducted an audit of the Mexico Country Office. The audit sought to assess the office's governance, risk management and internal controls, with a focus on key risks and activities. The audit team visited the office from 18 March to 4 April 2019, and the audit covered the period from January 2018 to March 2019.

Mexico's population is 118 million, of which 42.2 million are children and adolescents under 18 years of age. It was ranked 74 out of 189 countries in the 2018 Human Development Index Report, and was considered a country with high human development. However, stark inequalities and violence remain challenging for children. The office reports that approximately 4.7 million children live in extreme poverty; 77.4 percent of children in indigenous schools have poor results in primary-school achievement tests in Spanish, and six out of 10 children report having experienced violence at home or in school.

In keeping with the country's middle-income status, much of UNICEF 2014-2018 country programme for Mexico had concerned policy and advocacy. However, the migration crisis that started in October 2018 has made new demands on the office, to which it has been responding. Meanwhile the 2014-2018 country programme, has been extended by one year to 2019 to align with the 2014-2019 UNDAF<sup>1</sup> and the 2019-2024 National Development Plan of the Government of Mexico. At the time of the audit, the office was developing the strategy for the design of the new 2020-2024 country programme.

The original budget for the 2014-2018 country programme was US\$ 39.77 million. The budget for the one-year extension of the country programme was US\$ 6.9 million.

The office had 68 approved posts. These included 13 international professionals, 27 national officers and 28 general service posts.

### Results of the audit and action agreed

The audit noted several areas where the office's controls were functioning well. Key priorities for 2018 and 2019 had been clearly identified and the office had produced a comprehensive evidence-based situation analysis of children and women in the country. There was an adequate process for drawing up the 2018 and 2019 workplans, which sought to integrate humanitarian assistance with development work. In 2018, the office reviewed the adequacy and effectiveness of its internal processes and procedures and began taking measures to strengthen controls over future procurement.

However, the audit also identified several areas where further action was needed to better manage risks to UNICEF's activities. In particular, there was scope for improvement in how the monitored and evaluated its activities. The office did not have a field-monitoring plan and reports from field visits did not show progress made against what had been planned. Feedback was not always obtained from beneficiaries, and the reports did not always state whether the most vulnerable children had been reached. Several evaluations did not take place as planned and the quality of those that had taken place, could have been better.

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<sup>1</sup> The United Nations Development Assistance Framework (UNDAF) is a broad agreement between the UN as a whole and a national Government, setting out the latter's chosen development path, and how the UN will assist.

In discussion with the audit team, the country office and regional office agreed to take a number of measures to address these risks. The following actions are being implemented as a high priority – that is, to address risks that require immediate management attention:

- Draw up a field-visit monitoring plan to ensure appropriate coverage;
- Scale and frequency of field-monitoring visits; and
- Enhance the quality of field-monitoring procedures to ensure that field visits achieve their primary objectives.

## Conclusion

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

The Mexico country office, the Resident Coordinator, the UN Country Team and OIAI intend to work together to monitor implementation of the measures that have been agreed.

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## Audit objectives

The objective of this audit was to provide reasonable assurance that there were adequate and effective governance, risk management and control processes to ensure: achievement of the country office's objectives; 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. In addition to this assurance service, the audit report identifies, as appropriate, noteworthy practices that merit sharing with other UNICEF offices.

This report describes the more important risks and issues found by the audit and the measures agreed with the client to address them. It does not include lower-level risks, which have been communicated to the client in the process of the audit.

## Audit observations

### Policy advocacy

Policy advocacy aims to, influence decision makers, stakeholders and other relevant audiences to support action on behalf of children and women. An office should seek to influence host-Government policies, planning and budgets to this end.

The Mexico Country Office's country programme document (CPD)<sup>2</sup> stressed the use of evidence-based advocacy to promote pro-child policies, laws and budgets. The office had carried out several policy advocacy activities in 2018, as established in the 2018 annual workplans. For instance, it had developed a UNICEF agenda for children, and had taken steps to ensure that presidential candidates committed themselves to it, in writing, in front of the media. This agenda for children established five evidence-based advocacy priorities and messages stemming from the office's 2018 analysis of the situation of children and women in Mexico. The office had also established an internal "Elections Task Force" to monitor progress on a weekly basis, and to adjust activities as needed to respond to the evolving situation and opportunities. It also held several meetings with the Government to position itself on children's issues.

The office had drawn up a communication and advocacy strategy in 2018 (and a strategy for 2019 was being written at the time of the audit). However, this document did not make a clear distinction between policy and public advocacy. Such a distinction can further improve the quality of planning and evaluation and hence the effectiveness of advocacy activities. Advocacy can mean communications efforts to address public perceptions, or it can involve policy advocacy, which is directed at policymakers. Further, responsibilities and accountabilities of key staff had not been clarified regarding policy advocacy work, or processes for setting policy advocacy objectives and activities, or monitoring results.

A specific policy advocacy strategy would likely further enhance the effectiveness and efficiency of the office's advocacy work.

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<sup>2</sup> The CPD is the "blueprint" for the forthcoming programme cycle (usually five years) and is approved by UNICEF's Executive Board.

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**Agreed action 1 (medium priority):** The office agrees to develop a policy advocacy strategy for each significant theme of the new 2020-2025 country programme. The strategy will describe: policy advocacy objectives and priorities; key advocacy activities; assigned responsibilities; and how progress will be monitored and communicated.

Responsible staff members: Deputy Representative

Date by which action will be taken: July 2020

## Partnerships management

In 2018 the office signed 20 new programme cooperation agreements (PCAs) with 16 NGOs and four Government counterparts, for a total amount of US\$ 2.1 million. In addition, five PCAs were amended (US\$ 1.48 million), and one small-scale funding agreement for US\$ 37,000 was issued. There was a partnership review committee (PRC) to ensure partnerships were appropriate and complied with UNICEF policies and procedures. This appeared to function well; it used a checklist to ensure all key quality control points were correctly reviewed, and took an average of 20 days to review a proposed partnership (UNICEF's global benchmark is 45 days).

However, the audit found that none of the office's implementing partners had been identified through open selection. With closed selection, the office will approach a single partner it thinks is appropriate, whereas open selection allows all potential partners to compete through an expression of interest. While closed selection is sometimes necessary due to time constraints created by emergency situations, the office had used it for non-emergency partnerships as well. Though open selection is not mandatory, it can increase efficiency gains and transparency. It creates more opportunities to select the partners with the best comparative advantage for an activity. It also enables the office to prequalify partners and update a partner database, helping to identify potential partners in case of urgent need. Last but not least, open selection reduces opportunities for, and perceptions of, manipulation of the selection process.

**Agreed action 2 (medium priority):** The office agrees to:

- i. Define selection criteria, map potential implementing partners, and, whenever possible, conduct open selection, to identify prospective implementing partners and obtain the best comparative advantage.
- ii. Establish a partner database to include information on technical, financial and logistical capacity and geographic location of implementing partners.

Responsible staff members: Operations Manager

Date by which action will be taken: December 2019

## Direct cash transfers (DCTs) to partners

DCTs to implementing partners in 2018 amounted to US\$ 2.4 million, or 22 percent of total funds utilization. Of this, 43 percent was for water, sanitation and health (WASH) in the migration emergency, 24 percent for health and nutrition, and 17 percent for child protection programmes. At the time of the audit, the office had no DCT outstanding for more than nine months. This meant that partners submitted their certificates of expenditures on time and the office processed liquidations promptly.

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Although liquidations were timely, disbursements were sometimes delayed. The audit reviewed nine transactions and found that, in five out of the nine sampled, partners had submitted their request for funds late – between four and 113 days after the planned start date of the activity. In five of the cases, the office missed its own two-day target for processing the requests, taking from four to 13 days (UNICEF’s global standard for processing requests is 10 days.) Further, two implementing partners interviewed by the audit said that DCT disbursements were delayed. Delays could make it harder for partners to implement programme activities within the agreed timeframe.

The primary cause of significant delays in 2018 was late requests for funds by implementing partners. However, delays were also a result of partners’ insufficient knowledge of UNICEF requirements. The office had designed a training package to increase partners’ awareness of UNICEF policies and procedures, but this was pending implementation. The office said this was because they wanted to update the package to reflect the new HACT procedure that was due to be released by NYHQ in 2018. The office now planned to provide the training in April or May 2019.

Some delays were also caused by internal bottlenecks in the office, caused partly by the implementation of eZHACT (the latter is an enhanced version of the UNICEF HACT manager application in VISION, the UNICEF management information system).

**Agreed action 3 (medium priority):** The office agrees to:

- i. Review and address the root causes of internal bottlenecks delaying DCTs to partners.
- ii. Using the performance indicators established in the new HACT procedure, monitor the timeliness of DCTs to partners and report on it to the CMT so that it can exercise oversight.
- iii. Provide training for implementing partners on HACT and the procedures for requesting DCTs.

Responsible staff members: i, Accounting & Finance Associate; ii, Representative, as Chair of the CMT; and iii, Senior Programme Associate (HACT)

Date by which action will be taken: i, November 2019; ii, subject to availability of performance indicators in eTools; and iii, November 2019

## Programme assurance

UNICEF country offices are required to monitor progress towards results and ensure that funds disbursed to implementing partners are used for the intended purposes. To provide reasonable assurance, UNICEF and certain other UN agencies have implemented the Harmonized Approach to Cash Transfers (HACT). This is a risk-based framework under which offices assess the risk attached to a particular partner (a ‘micro-assessment’), and use the results to determine the most suitable cash-transfer method to be used, and the amount and frequency assurance activities. The latter can include programmatic visits that assess the progress of activities and report any constraints. They also include spot checks of the partner’s financial management, and audits.

The office transferred US\$ 2.4 million to 34 partners during 2018 (30 NGOs and four Government counterparts). It had identified a HACT focal point to coordinate HACT activities and had a risk-based assurance plan. It implemented all of the 10 planned spot checks, 33 programmatic visits, three micro-assessments and the one planned audit. The audit noted the following.

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**Micro-assessments:** The office used the results of micro-assessments to determine the risk rating of all partners, the cash transfer method to use, and the types and frequency of assurance activities for each of them. Weaknesses identified by the assessment were adequately followed up during the spot checks.

**Programmatic visits:** The office made a total of 33 programmatic visits in 2018. All were documented with visit reports. The visits largely matched the requirement under HACT (although there were five partners for whom they did more or less than the minimum). Out the 33 programmatic visit reports, 10 did not assess output reported as achieved against workplan outputs. Also, findings or recommendations were not always clear or timebound. For example, one sampled report showed a visit to six schools had found several deficiencies in school rehabilitation work, but the report had no information about the magnitude, causes and impacts of the issues or the schools affected.

**Spot checks:** In 2018 the office completed all the nine spot-checks required under HACT guidelines, plus one additional. The audit reviewed the quality of all the 10 spot-check reports. In five of the reports, the priority or significance of issues were not indicated. In eight cases, the weaknesses were not clearly specified, and recommendations were not adequate to mitigate the risks identified. For example, the spot checks conducted at one implementing partner found expenditures reported without supporting documentation. However, the recommendations made did not require the partner to provide the missing documentation or refund the unsupported amounts. In seven cases, the timelines for the implementation of recommendations were missing.

In seven cases, the spot-check reports were finalized and signed more than 60 days after the visits. The office said that they were signed only when the partner had supplied all the supporting documentation. However, this delay precludes UNICEF from holding partners accountable for not maintaining appropriate evidence at all time for the intended use of funds provided to them. In any case, HACT requires offices to promptly finalize and circulate spot-check reports and take corrective actions as necessary.

The audit noted a lack of key elements in the report template, such as an explicit requirement for recommendations. Further, all spot checks were assigned to the same staff member, who might not have had sufficient time due to other competing priorities and the review by the immediate supervisor was insufficient to detect weaknesses in the spot checks conducted. These might have affected the timeliness of reporting and the quality of the reports.

**External audit:** In 2018, the office contracted an external audit firm to perform one scheduled audit (under HACT guidelines, these are done when a certain level of funds are disbursed to a partner). The audit covered disbursements from April 2014 to December 2017. The audit report included several issues and recommendations. As of the time of the audit, the office had not obtained the status of implementation of recommendations from the partner in question. This demonstrates that the office had inadequate and ineffective follow-up mechanisms.

**Follow-up:** At the time of the audit, the office did not have a mechanism for systematic follow-up of key recommendations arising from spot checks, programmatic visit and audits.

The above weaknesses could reduce the office's assurance on the use of cash transfers by partners and could also delay measures to strengthen their capacities.

**Agreed action 4 (medium priority):** The office agrees to:

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- i. Establish an effective follow-up mechanism to monitor timely implementation of high-priority recommendations arising from assurance activities.
- ii. Develop a strategy and action plan to increase the quality of programme visits and spot checks, through means such as staff training, quality assurance reviews by supervisors, and allocation of additional resources.

Responsible staff members: i, Operations Manager and Senior Programme Associate; and ii, Deputy Representative and Senior Programme Associate

Date by which action will be taken: i, September 2019; and ii, October 2019

## Field monitoring and evaluation

UNICEF offices use a number of tools to monitor the progress of the country programme. These include programmatic visits as part of HACT, discussed above. However, they also include field visits for non-HACT purposes, to monitor implementation of programme activities. As in other offices, the Mexico Country Office's programme monitoring also included desk reviews and mid-year and annual programme reviews. Offices should also conduct programme evaluations to determine the relevance, efficiency, effectiveness, impact and sustainability of UNICEF programme interventions.

The audit reviewed monitoring and evaluation. As the desk and programme reviews were being implemented normally, the audit concentrated on the field-visit aspect of monitoring. It noted the following.

**Planning:** Field monitoring is best planned alongside programme planning. An office should determine the appropriate coverage, scale and frequency of field-monitoring visits. However, the office did not have a field-monitoring plan indicating the number of planned visits by programme outputs (although it did for the programmatic visits conducted as part of HACT<sup>3</sup>).

**Monitoring:** The audit reviewed a sample of nine field-monitoring trip reports from 2018. In six cases, the status of implementation of programme activities was not compared against the plan, and no feedback was obtained from the beneficiaries (community feedback, including the timeliness and quality of programme inputs, is an important part of programme monitoring). In four instances, areas were identified as requiring improvement, but there was little explanation as to why, and no recommendation was issued. In five cases, the reports did not describe the extent to which the most vulnerable disadvantaged children had been reached. The office also did not monitor the implementation of key recommendations from field-monitoring visits.

Finally, the office did not always pay sufficient attention to end-user monitoring, to ensure that supplies reached the beneficiaries and were of appropriate type and quality. This is discussed in the observation *Procurement*, below.

The above weaknesses could be attributed to the absence of field-monitoring procedures to ensure the primary objectives of field monitoring visit were achieved, and inadequate training of programme staff.

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<sup>3</sup> Programmatic visits, as part of the assurance framework, establish that the activities being funded are taking place as planned. Field monitoring in general is broader and will look at the results obtained from those activities, and validate the office's results reporting.

There was also insufficient oversight – by the immediate supervisors, but also by the Monitoring and Evaluation Officer. This appeared to be because of the way the role had been defined in the Mexico office; it was designed to concentrate on the collection of data from Government and other sources and its use to update the office’s situation analysis, rather than checking UNICEF’s own field results. The role reflected the fact that prior to the migration emergency, the office’s work had been mainly upstream; but there was now a greater need to monitor programme implementation. The audit also noted that the Monitoring and Evaluation Officer worked alone and did not have any staff to assist them. At the time of the audit, the office was finalizing the recruitment of a Monitoring and Evaluation Assistant.

**Evaluation:** In 2018, the office planned to perform five evaluations. Of these, three were cancelled; the other two were carried forward 2019 and were ongoing at the time of the audit. The office neither conducted an end-of-cycle evaluation of the previous country programme (2008-2013) nor planned to conduct one for the current country programme ending in 2019. An end-of-cycle evaluation will identify lessons learned to inform the new country programme. This is particularly important in a context of new programme risks and/or shift in programme context stemming from events such as the arrival of over 9,000 migrants, including unaccompanied migrant children, from Central America in October 2018.

Only one evaluation was completed and uploaded into UNICEF’s central research and evaluation database in 2018 (it was titled *Modelo de Prevención de Violencia en Comunidades Expuestas a altos índices de Violencia en México*). It had received a ‘fair’ rating,<sup>4</sup> which is defined as “Meets some but not all UNICEF/UNEG<sup>5</sup> standards for evaluation reports. Substantive improvements in some areas are needed, and decision makers may use the evaluation with caution.” The previous evaluation, dated 2015, had also received a fair rating. This meant that the quality of evaluations needed to be improved. There was one evaluation ongoing at the time of the audit, but the final product had yet to be received because the expected quality standards for the evaluation had not been met by the consultants contracted to conduct it. The office lacked a strategy and a plan with assigned responsibilities to improve the quality of evaluations.

**Agreed action 5 (high priority):** The office agrees to:

- i. Draw up an office-wide field-visit monitoring plan to ensure appropriate coverage, scale and frequency of field-monitoring visits.
- ii. Enhance the quality of field-monitoring procedures to ensure that field visits achieve their primary objectives, and train staff accordingly.
- iii. Establish a mechanism to ensure regular follow-up of key recommendations arising from field visits.
- iv. Together with the Regional Office, ensure programme evaluations meet all UNICEF/UNEG standards for evaluation reports, and assess the benefits and costs of conducting an end-of-cycle country evaluation taking into account any new key programme risks and shift in programming context in accordance with UNICEF evaluation policy.

Responsible staff members: i and ii, Deputy Representative and Monitoring and Evaluation Officer; iii, Deputy Representative and Programme Section Chiefs; and iv, Deputy Representative

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<sup>4</sup> The ratings are allocated by UNICEF’s Global Evaluation Reports Oversight System (GEROS), managed by UNICEF’s Evaluation Office. Its objective is to strengthen the quality of UNICEF’s evaluations (see [https://www.unicef.org/evaluation/index\\_GEROS.html](https://www.unicef.org/evaluation/index_GEROS.html)).

<sup>5</sup> UNEG is the United Nations Evaluation Group (<http://www.uneval.org/>).

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Date by which action will be taken: i, The office reports this action as having been implemented as of May 2019; ii, October 2019; iii, July 2019; and iv, December 2019

## Results reporting

The office issued 14 donor reports in 2018. These were issued on time, and there was a quality assurance review process for the preparation of donor reports and for the country office's annual report to the Executive Director. The process included review by the Monitoring and Evaluation Officer and the Deputy Representative.

The audit reviewed a sample of seven results statements retrieved from the office's 2018 annual report, which summarized the achievements reported to donors. Some of the primary sources of information were the progress or final reports obtained from NGO and Government implementing partners. The audit found that the office had relied on the information submitted by implementing partners in their progress reports. It had not validated the accuracy of self-reporting by partners through testing during programmatic visits or other means. This increased the risk of undetected inaccuracies in results reported by partners, which are then reported on to donors and to the Executive Director.

**Agreed action 6 (medium 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 testing of accuracy of reported results during programmatic visits or other means.

Responsible staff member: Monitoring & Evaluation Officer

Date by which action will be taken: July 2019

## Anti-fraud strategy

The Transparency International Corruption perception index placed Mexico 138 out of 180 countries assessed in 2018 (with a score of 28/100). This indicates that the risks of corruption and fraud are high in Mexico. The 2018 office's risk-mitigation measures included working with well-established NGOs, implementing a robust HACT assurance plan (see observation *Programme assurance*, above), and mandatory ethics and HACT training of all staff. However, they did not describe specific mitigation measures to prevent, detect, deter and respond to potential fraud in procuring services and programme supplies locally. Further, the mitigation measures did not include training for implementing partners on the use of HACT and implementation of anti-fraud measures. Further, while the office had included fraud in its risk assessment, it had not cited it as a key risk, initially rating it as very low risk (it increased it in 2019 from very low to low).

The audit reviewed HACT and procurement, and found several weaknesses (see observations *Programme assurance*, above, and *Procurement*, below) that could increase the risk of fraud. It found a need to increase the quality of programme assurance activities to ensure that partners used funds correctly for the intended purposes and that action was taken to recover any unjustified expenditures. For instance, the audit found that one sampled spot check found reported expenditures without supporting documentation. However, the recommended action in response did not require the partner to provide the missing documentation or refund the unjustified spent amounts. An unsupported expenditure is a red flag for potential fraud, waste and/or misuse of funds that needs to be followed up.

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The audit also found a need to raise partners' awareness of HACT procedures and anti-fraud measures. As part of HACT training, the office had prepared a training module on fraud for staff and implementing partners. However, the training was postponed because of changes to the UNICEF procedure for partnerships, which were issued on 15 February 2019.

There was also a high number of amended contracts; although it was not clear exactly how many there were for 2018, the office confirmed that amendments to contracts had been quite frequent. This is generally considered a red flag of potential irregularities. The office said that some contracts were extended in response to emergencies, though the audit also noted that it was a result of poor planning in some cases.

At the time of the audit, the office had not implemented the UNICEF global anti-fraud strategy released on 17 August to prevent, detect and deter fraud, waste and misuse of resources. The office said that the late release of the anti-fraud strategy course (on 1 March 2019) had constrained the office's capacity to implement the strategy. In general, however, the audit was of the view that there was a need to revisit the fraud risk rating and to adjust mitigation measures to include procurement.

**Agreed action 7 (medium priority):** The office agrees to:

- i. Complete the implementation of the UNICEF global anti-fraud strategy to prevent, detect and deter fraud, waste and misuse of funds, and submit regular progress reports to the country management team for review.
- ii. Train staff and implementing partners on anti-fraud measures.

Responsible staff member: Operations Manager

Date by which action will be taken: i, July 2019; and ii, the office reports this action as having been implemented

## Recruitment

The audit did not assess the quality of the recruitment process, as this was not identified as a significant risk. However, it did review the duration of vacancies and the timeliness of recruitment.

The country management team monitored the status of vacancies and recruitment monthly. As of 31 March 2019, out of total 77 approved positions, 15 were vacant. These related to new posts for the private-sector fundraising unit and the two new field offices to be established in Tijuana and Tapachula during 2019.

The audit reviewed 12 recruitments and found that it took on average 4.3 months to recruit a staff from the date of advertisement to the date of the offer (the UNICEF global target is three months). The audit also found that it took on average 6.1 months to recruit a staff member from the date a post became vacant to the assumption of duty. The positions of Social Policy Officer and Publications Associate took about eight months to be filled.

The delays were due to several factors. The programme sections involved in the recruitment process sometimes did not provide their input on time. The review of shortlists of candidates sometimes exceeded

20 days. The country management team had also identified a need for programme sections to design more specific ToRs and attract more suitable candidates. Some delays arose because the office had needed to re-advertise some posts related to private-sector fundraising (PSFR) and contract a head-hunter, because of the difficulty and importance of recruiting the right candidates with the required specialized skills.

At the time of the audit, the office had not established a talent pool for highly specialized skills such as those required in PSFR. However, it reported that it had received significant support from the regional office through stretch assignments (for example, two assignments of three months each to temporarily fill the position of Chief of Fundraising).

A lengthy recruitment process and a high vacancy rate could put strain on existing staff. It could also lead to errors, and lead to weaker quality assurance reviews and segregation of duties.

**Agreed action 8 (medium priority):** The office agrees to identify the root causes of delays in recruitment and take appropriate measures to address them, to meet the three-month benchmark.

Responsible staff member: HR Officer

Date by which action will be taken: The office reports this action as having been implemented

## Procurement

Procurement of supplies and services was the largest area of expenditure in 2018. Institutional contracts, at US\$ 6.4 million, represented 58 percent of funds utilization in 2018, and 82 percent of procurement expenditures, which totalled US\$ 7.9 million. During 2018 the office issued 217 contracts to local contractors and 38 contracts to individual consultants. There was a contract review committee (CRC) to review compliance with UNICEF policies and procedures. This had met 15 times in 2018, and had adequate composition and ToRs. The audit reviewed a sample of five transactions and found that the reviews had been completed promptly.

However, the audit also noted the following.

**Planning:** A 2018 peer review by the regional office recommended further involvement of the procurement unit in programme planning, to ensure timely acquisition of supplies and services. According to the procurement unit, collaboration with programme sections had improved since the peer review. However, as of 31 March 2019, some programme sections had yet to communicate their procurement needs to the supply unit. Management said the delay was due to late finalization of the 2019 annual workplans and preparation of the Strategy Notes for the new CPD, which are used to prepare the procurement plan.

**Market survey:** The last market survey for local procurement had been in 2011. The office said that it had planned to carry out a survey for services during 2019, but not for programme supplies, as a market survey had been carried out in 2016 for emergency supplies, with the support of the regional office. As of the date of the audit, the office had established five long-term arrangements (LTAs) for emergency supplies, two for an Early Child Development kit, and three for Schools-in-a-Box. In addition, the office was finalizing the LTA for customs clearing agents, while LTAs for WASH and Protection Kits were in an advanced stage of preparation.

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**End-user monitoring:** During 2018, the office's response to the previous year's earthquake included the distribution of supplies related to WASH, education and child protection. Supply delivery was done together with Government authorities and implementing partners.

For some supplies, such as schools-in-a-box and tents, UNICEF programme staff and consultants followed up to ensure programme supplies were properly managed and delivered to counterparts. For other types of supplies, however, the office did not have a procedure to confirm that all recipient organizations and Government bodies had the capacity to manage and deliver the supplies. The office said that the Government, as a key recipient of programme supplies, had a generally good capacity to manage, store and deliver supplies. In Chiapas, for example, the office had taken action to strengthen the Government warehouse capacity to ensure programme supplies were properly stored and managed. But the audit noted that the Government capacity varied among states, and there was no process to identify which were and were not strong in these areas.

The audit could not find much evidence that the office was doing end-user monitoring of supplies distributed by NGO partners. The only evidence of this being done was in two programmatic visit reports (out of 10 sampled). These two reports confirmed the number of supplies distributed and individuals reached by the implementing partners. However, feedback from beneficiaries was not obtained and included in the two reports. This could help validate reported results by implementing partners and detect any significant gaps in the quality of supplies and timeliness of delivery; moreover community feedback is regarded as an important part of programme monitoring (see also observation *Monitoring and evaluation*, above).

**Contract management:** The office had amended the expiry date in several contracts, to allow contractors to complete their work. The office said that the amendments had been made in response to three emergencies that occurred in 2018. However, one contract reviewed by the audit had been amended because the office had not given the consultant the necessary information to complete deliverables within the agreed deadlines. The extensions could therefore also have been made necessary by inadequate planning, which could constrain programme implementation.

**Agreed action 9 (medium priority):** The office agrees to:

- i. Conduct a market survey for local procurement of services.
- ii. Streamline the process for developing the procurement plan.
- iii. Institute a mechanism to ensure assessment of the capacity of implementing partners to handle programme supplies.
- iv. Enhance end-user monitoring by obtaining regular feedback from beneficiaries.

Responsible staff members: i, Supply Associate; ii, Operations Manager; iii, Procurement Officer and Deputy Representative; and iv, Deputy Representative and Monitoring and Evaluation Officer

Date by which action will be taken: i, December 2019; ii, the office reports the action as having been completed in May 2019; iii, December 2019; and iv, June 2020

## Management culture

An office should strive to strike the right balance between engaging and nurturing staff members and

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delivering results. It should adopt a management culture that fosters results-based accountability and is value-driven. The office's management culture was generally results-oriented and accountability-driven. Staff were held accountable, and results managers were assigned outcome and outputs results.<sup>6</sup>

The audit noted that there had previously been some concerns among staff, and that these had emerged in the 2017 Global Staff Survey<sup>7</sup> and its follow-up, the 2018 Pulse survey. The 2018 survey highlighted several issues: excessive workload; office inefficiencies due to incompatibility between the organizational structure and the business processes; few opportunities for professional development; and lack of recognition. However, the current management was taking steps to address these issues. One of the office's top three priorities included the need to improve the working environment with a focus on ethics, more respectful interaction among staff, and team spirit. The office had assigned clear responsibilities to advance this priority in 2018 and 2019. The office's strategy included regular clinics on ethics, integrity, transparent and open communication, respect and team spirit, among others. It had set a target of 75 percent for staff satisfaction in 2018 and 2019; this was in its annual management plan.

The Joint Consultative Committee (JCC)<sup>8</sup> met twice in 2018 to address staff-related issues affecting the working environment and staff well-being. There were no outstanding action points as of the time of the audit. The audit team met the previous and current chairpersons of the staff association; both confirmed that there were no major outstanding issues, and said that the working environment had improved over the past two years. The office had also taken several steps to promote ethical behaviour. It had appointed an ethics focal point. All staff members had completed the ethics and integrity on-line course, and ethics was included in all induction briefing for new staff. The office enforced UNICEF ethical standards and core values during the period covered by the audit, and had issued a written reprimand to one staff member.

The Representative, HR Officer and the Chair of the Local Staff Association had also developed an action plan to address staff issues raised in the Global Staff Survey and the 2018 Pulse survey. The latest status report, in December 2018, had showed implementation was on track. As of the time of the audit, however, the office had not conducted a staff survey to measure progress against the target of 75 percent for staff satisfaction in 2018, so it was not known whether the action plan was achieving its goals.

**Agreed action 10 (medium priority):** The office agrees to conduct a staff survey to measure and report on staff satisfaction against the established target.

Responsible staff members: Human Resource Officer and Chair of Local Staff Association

Date by which action will be taken: The office reports this action as having been completed in June 2019

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<sup>6</sup> UNICEF programmes plan for results on two levels. An outcome is a planned result of the country programme, against which resources will be allocated. It consists of a change in the situation of children and women. An output is a description of a change in a defined period that will significantly contribute to the achievement of an outcome. Thus an output might include (say) the construction of a school or clinic, but that would not in itself constitute an outcome; however, an improvement in education or health arising from it would.

<sup>7</sup> 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.

<sup>8</sup> The JCC is a statutory committee that exists in all offices, and is a forum for discussions between staff and management.

## Prevention of sexual exploitation and abuse

The risk of sexual exploitation and abuse (SEA) is usually elevated in humanitarian crises, during which women and children are particularly vulnerable. The office had responded to three such crises during the period covered by the audit; the aftermath of the 2017 earthquakes, the floods affecting children in 11 municipalities in Sinaloa in 2018, and the arrival of over 9,000 migrants, including unaccompanied migrant children, from Central America in October 2018. For the migration crisis, UNICEF support focused on child protection, nutrition, water, sanitation and hygiene and early childhood development. The office had hired contractors and partnered with NGOs to respond to these three crises.

The audit reviewed the adequacy and effectiveness of controls over the prevention of SEA of children. UNICEF has a zero-tolerance policy for SEA of children by employees, personnel, private contractors or partners. Like other UN bodies, UNICEF has adopted the *UN Protocol on Allegations of Sexual Exploitation Involving Implementing Partners*.<sup>9</sup> Approved in February 2018, this requires offices to assess the risk of SEA involved in a given partnership, and, where appropriate, to take mitigation measures including training. Offices should also ensure that the partner is aware of the Protocol's requirements, and should obtain a written guarantee that the partner will implement the relevant codes of conduct on SEA.

The office had trained UNICEF staff on the new PSEA requirements. The audit was told that some partners that implemented child-friendly spaces during the 2017 earthquake and the 2018 migrant emergencies had been trained on how to detect and report cases of violence and abuse. The office reported no SEA cases during the period covered by the audit.

However, the office had not trained all key implementing partners on PSEA requirements. Further, the office had not established adequate processes for reviewing SEA allegations against partners, and for communicating results internally and externally to partners and donors.

The audit met three NGO partners who confirmed they were not formally requested to comply with PSEA requirements. The programme cooperation agreements (PCAs) with these partners did not include a clause in that respect. Further, in 2018, the office awarded 217 contracts to local vendors for a total amount of US\$ 6.4 million, but did not carry out background checks for potential SEA issues for locally-recruited contractors. (The office said this was not required by UNICEF policy when the PCAs were signed and contracts awarded; this was correct, but the policy now requires that, in such cases, it should be done later.) In the view of the audit team, PSEA risks related to contractors and implementing partners had not been adequately mitigated during the period covered by the audit (January 2018 to March 2019).

The office stressed that the late issue of UNICEF policy, procedures and tools on PSEA had significantly constrained the implementation of PSEA mitigation measures. For instance, the PSEA tools were not yet available in Spanish as of the time of the audit; and the first information webinar for PSEA focal points in the region was scheduled to be held only on 15 April 2019. Further, the office had planned to implement the new PSEA requirements and tools before the end of the on-site audit.

**Agreed action 11 (medium priority):** In light of the recently-issued UNICEF PSEA policy, procedures and tools, the office agrees to, with assistance from the regional office and relevant NYHQ divisions:

- i. Train and build capacity of implementing partners on PSEA requirements.

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<sup>9</sup> The full text is at [https://www.un.org/preventing-sexual-exploitation-and-abuse/sites/www.un.org/preventing-sexual-exploitation-and-abuse/files/un\\_protocol\\_on\\_sea\\_allegations\\_involving\\_implementing\\_partners\\_en.pdf](https://www.un.org/preventing-sexual-exploitation-and-abuse/sites/www.un.org/preventing-sexual-exploitation-and-abuse/files/un_protocol_on_sea_allegations_involving_implementing_partners_en.pdf).



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- ii. Establish internal processes to handle PSEA issues, including a clause in PCAs with partners.
  - iii. Develop internal process and standards for communicating SEA issues to implementing partners and donors, and train staff on their use.
  - iv. Carry out background checks for potential SEA issues for locally-recruited contractors and for implementing partners.

Responsible staff members: I, Chief of Child Protection; ii and iii, Senior Programme Associate (HACT Focal Point) and Procurement Officer; iv, Chief of Child Protection and Procurement Officer

Date by which action will be taken: I, subject to availability of training package in Spanish; ii, the office reports this action as having been completed in June 2019; iii, subject to availability of guidance and training package; and iv, December 2019

## Working with other UN bodies in Mexico

The UN is seeking to integrate its operations and programming in each country, in order to achieve cost-saving syntheses in terms of office space and business operations, but also through common programming.

The audit looked at UNICEF's participation in the UN structure in Mexico, concentrating on two key aspects. The first was the United Nations Development Assistance Framework (UNDAF), through which the UN's programmes are agreed and implemented. The second was common business operations – an important area in Mexico, where support costs for individual agencies are very high. The following was noted.

**UNDAF:** The UN Development Assistance Framework (UNDAF) is a broad agreement between the UN as a whole and a national Government, setting out the latter's chosen development path, and how the UN will assist. The UNDAF should be planned and implemented in accordance with the most recent guidance, which includes Standard Operating Procedures (SOPs).<sup>10</sup> The SOPs are a minimum set of actions to promote a coherent, integrated approach to programming, finance, budgeting, resource mobilization, leadership, communication and advocacy.

The 2014-2019 UNDAF had been jointly prepared with the Government of Mexico and UN agencies, including UNICEF – which, in its capacity as chair of the UNDAF inter-agency Monitoring and Evaluation Group, led the common country assessment (CCA). A CCA analyses the development challenges faced by a host country, identifies the marginalized and vulnerable population, and sets priorities. The CCA forms the foundation of the UNDAF. UNICEF had therefore contributed substantial staff time and funds to the UN development system in Mexico, as had other UN agencies.

The UNCT met regularly during 2018. The Resident Coordinator and the UNCT<sup>11</sup> had established management structures and mechanisms to oversee implementation of the 2014-2019 UNDAF; however, these did not include the required Results Groups to regularly monitor the implementation of joint

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<sup>10</sup> Guidance and SOPs on UN programming are produced by the UN Sustainable Development Group (UNSDG). See <https://undg.org/>.

<sup>11</sup> UNCT stands for UN Country Team, and is an internal UN term to refer to the joint meeting of all the UN agencies or bodies active in a given country. The UNCT is convened by the UN Resident Coordinator. Its terms of reference, and division of responsibilities with individual agencies, vary from country to country.

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workplans and UNDAF outputs against targets during 2018. This led to difficulties and delays in preparing UNDAF progress reports, including annual reporting.

During a meeting in February 2019, the RC and UNCT agreed to establish Results Groups to align with the 2019 UNDAF guidance that is effective January 2020, for the new UNDAF cycle.

**UN common business operations:** As stated above, in Mexico the operational costs are considered very high. The key business operations and services that could be shared are procurement, human resources, information and communications technology and finance. Synergies could also be achieved in the implementation of the Harmonized Approach to Cash Transfers (HACT), through which some UN bodies make cash transfers to implementing partners and receive assurance on their use.<sup>12</sup>

The audit was told that some UN agencies had carried out some joint procurement. However, these were the only UN common operations in the country, and as of the time of the audit, the joint UN Operations Management Team (OMT) had not quantified the cost savings they had achieved. Meanwhile, there was still no effective system-wide approach to achieving efficiencies, and the audit found that the OMT had not been active recently. It had met only twice in 2018, in August and October, and there were no minutes of one of these meetings. As of the time of the audit, the OMT had not finalized the much-needed Business Operations Strategy (BOS) that outlines the medium-strategic focus of UN business operations. The audit was told that the BOS had not been finalized because the Regional UNSDG<sup>13</sup> Team had asked the UNCT to wait till the issuance of a new BOS guidelines, which was not yet available at the time of the audit.

Further, the OMT was not chaired by a member of UNCT (these are typically the head of a UN body in the country). Instead, it was chaired by a staff member of a member agency. This was contrary to the most recent UNDAF guidance and meant that the UNCT had not accorded it the importance that the guidelines attach to achieving efficiency in the implementation of the UNDAF. The UNCT had also not assessed the performance of the OMT (considering the established methodology for this in the UNSDG's UNDAF guidelines).

**Agreed action 12 (medium priority):** The Resident Coordinator and the UNCT agree to take the following steps, with the support of UNICEF as a UNCT member and Chair of the UNDAF Monitoring and Evaluation Group:

- i. Ensure that, once established, Results Groups regularly monitor UNDAF results against targets and prepare UNDAF progress reports to inform oversight and prompt corrective action as needed.
- ii. Reconstitute the OMT so that it is chaired by a member of the UNCT.
- iii. Ensure the OMT finalizes the Business Operations Strategy, which should outline the medium strategic focus of UN business operations.
- iv. With assistance from the Regional UNSDG Team, review the performance of the OMT (considering the UNSDG's established "Empowerment of OMT" methodology), and ensure regular meetings are held to monitor achievement of cost savings from joint business operations.
- v. Request that the OMT quantify cost savings arising from joint common operations that support UNDAF implementation and report the information in the UNDAF annual report.

Responsible UNCT members: Resident Coordinator and UNCT

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<sup>12</sup> See also observation *Programme assurance*, above.

<sup>13</sup> UN Sustainable Development Group (see <https://undg.org/about/undg-global/>).

Date by which action will be taken: i, March 2021; ii, January 2020; iii, December 2020; iv, August 2020; and v, March 2021

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## 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 report summary fall into four categories:

***[Unqualified (satisfactory) conclusion]***

Based on the audit work performed, OIAI concluded at the end of the audit that the office's governance, risk management and internal controls 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, the office's governance, risk management and internal controls were generally established and functioning during the period under audit.

***[Qualified conclusion, strong]***

Based on the audit work performed, OIAI concluded that the office' governance, risk management and internal controls needed improvement to be adequately established and functioning.

***[Adverse conclusion]***

Based on the audit work performed, OIAI concluded that the office's governance, risk management and internal controls needed **significant** improvement to be adequately established and functioning.

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