

Internal Audit of the Philippines Country Office

December 2019

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and Investigations



Report 2019/20

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Summary

The Office of Internal Audit and Investigations (OIAI) has conducted an audit of the Philippines Country Office. The objective of the audit was to provide assurance over the office's governance, risk management and internal control processes, with a focus on key risks and activities. The audit team visited the office from 27 August to 12 September 2019, and the audit covered the period from January 2018 to August 2019.

The country programme

The office is in the first year of its country programme (2019-2023), which emphasizes more cross-sectoral programming, a greater stress on adolescents, and a more strategic and intentional partnership approach. It also includes the integration of emergency preparedness into regular development programme planning.

The Philippines continues to demonstrate the complexities of many middle-income countries. It remains one of the strongest-performing economies in Asia, with a GDP growth rate of 6.1 percent during the third quarter of 2018 – although inflation, at 6.7 percent, continues to be high. There is a relatively positive policy and legislative environment and there is consistent investment in basic social services.

However, programming challenges include political accountability, and gaps in the legislative frameworks persist, making it harder to address entrenched inequality for particular groups, such as adolescents. There is sometimes limited transparency and gender and age appropriateness in policy and financial decisions regarding child and adolescent-related services, especially at sub-national level. There is continuing underspending at national and subnational level, and structural bottlenecks in the execution of national budgets. There has been an improvement in budgetary allocations in the education sector, but this is also the area where absorption problems are the most severe. There are also problems in effective decentralization, with a need to strengthen capacity of local government units and their linkages with regional, provincial and national level.

The 2019-2023 UNICEF country programme has four main components: *Survive and thrive*; *Quality and inclusive lifelong learning*; *Protective environment*; and *Social policy and governance*. There is also a component that supports cross-sectoral functions, including strategic communication and private sector engagement.

The largest programme component is *Survive and thrive* (US\$ 33.8 million), followed by *Quality and inclusive lifelong learning* (US\$ 29.4 million). For *Survive and thrive* the office works to assist the Government in addressing the high rates of stunting and neonatal deaths and the low rates of immunization, and in ensuring inclusive access to appropriate and culturally sensitive nutrition. There are also health and water, sanitation and hygiene (WASH) interventions, including in humanitarian situations. *Quality and inclusive lifelong learning* includes increasing inclusive access to early learning, preschool, primary and lower secondary education. In line with the office's policy of integrated programming, this component also aims to strengthen the integration of nutrition and WASH services (including menstrual hygiene management) in schools.

The most significant changes in the programming context in the first year of the country programme have been in Bangsamoro, where the Bangsamoro Autonomous Region in Muslim Mindanao (BARMM) came into existence in March 2019. The region is currently the poorest in the country, with poverty increasing. This change will bring unique opportunities as well as risks for children. There are

high public expectations for rapid change, but there are weaknesses in Government institutions and services in the region. UNICEF, together with other UN agencies and development partners, is adjusting its programming and operations so as best to assist children in the new autonomous region.

The country programme budget approved by the Executive Board for the period 2019-2023 was US\$ 112.2 million, of which US\$ 17.3 million was core, or regular, resources (RR); the remaining US\$ 94.8 million will be other resources (OR), which are raised by a country office itself over the course of the programme. The Philippines country office is in Manila, with a zone office in Cotabato City (Mindanao). As of September 2019, the country office had 108 posts, of which 92 were regular posts and 16 are temporary (TAs). In total there were 14 international professionals (IPs), 51 national officers (NOs), and 43 general service (GS). Twenty of the 108 posts were vacant at the time of the audit.

Results of the audit, and action agreed

The UNICEF office was recognized as a good partner by the UN Resident Coordinator, Government counterparts, implementing partners and donors. They also saw it as a credible voice for children's rights, and able to convene stakeholders to advance the child-rights agenda in the Philippines. The office appeared to be a significant contributor to the UN country team. It had taken a leadership role in developing the United Nations Partnership Framework for Sustainable Development (UNPFSD) 2019–2023,¹ as a chair of the programme group. It led one of the UNPFSD pillars, and had been instrumental in the move to the new UN common premises in Manila. It also pursued integrated programming around (for example) Early Moments Matter and local governance.

The audit noted that the office had conducted high-quality evaluations – for example the 2018 evaluation of the Tahderiyah programme,² which UNICEF's Evaluation Office had recognized as one of the 13 best evaluations to be undertaken by UNICEF in 2018. The office also systematically followed up on the implementation of recommendations coming out of evaluations.

However, the audit identified a number of areas where further action was needed to better manage risks to UNICEF's activities. In discussion with the audit team, the country office and regional office have agreed to take measures to address these risks and issues. One of these actions are being implemented as a high priority – that is, to address issues requiring immediate management attention.

The audit also noted that the office had no stand-alone plan for prevention of sexual exploitation and abuse (PSEA); instead, it was taking the lead in the UN's Country-Level Framework. However, there had so far been little progress in its implementation, including (for example) training of implementing partners on PSEA. The audit recommended that the office accelerate its implementation of the Framework activities so as to ensure safe and accessible reporting mechanisms, and good-quality and survivor-centred assistance.

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 during the period under audit. The

¹ The United Nations Partnership Framework for Sustainable Development (UNPFSD) 2019–2023 is the development cooperation framework between the UN and the Philippines. It was formerly known, as in other countries, as the United Nations Development Assistance Framework (UNDAF). The current agreement was signed with the Philippines on 21 November 2018.

² The evaluation is available at https://www.unicef.org/evaldatabase/index_103436.html.

Philippines Country Office, the East Asia and Pacific Regional Office (EAPRO) and OIAI intend to work together to monitor implementation of the measures that have been agreed.

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Objectives

The objective of the audit was to provide reasonable assurance that there were adequate and effective governance, risk management and control processes to ensure: achievement of the 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 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

Knowledge of the situation of women and children

UNICEF programmes need to be designed on the basis of the best possible information on the situation of children and women. In line with this, the 2012-2016 country programme (extended till end-2018) accorded high importance to evidence generation, and the current (2019-2023) country programme also does so; in fact, it is one of its core strategies.

A child poverty study was undertaken in 2015 and a Multiple Indicator Survey³ (MIS) conducted in 2016. These informed a Situation Analysis (SitAn) issued 2017. Had the 2012-2016 country programme not been extended to 2018, this research would have been very timely as it would have fed into the development of a new country programme. As it was, there were some data gaps by the time the current country programme came to be planned. The most recent household survey in Philippines is the Demographic Health Survey (DHS)⁴ from 2017, and no Multiple Cluster Indicator Survey (MICS) has been conducted in Philippines since 1999. A whole-country MICS was discussed with the Philippines Statistical Authority (PSA) in the first quarter of 2019 and rejected. However, PSA are open to select MICS modules to fill gaps in child-related SDG indicators, and this is included in the PSA-UNICEF 2019-2021 workplan.

Meanwhile, there are data gaps pertaining to measurement of the 44 child-related Sustainable Development Goals (SDGs) Indicators. According to Division of Analysis, Planning and Monitoring's (DAPM's)⁵ SDG profile for the Philippines, there are no data against indicators for 13 of the 44, and insufficient trend data for seven. Only for 19 indicators are there data enabling an assessment of progress against SDGs. (The remaining five SDG indicators are not applicable to the Philippines.) The

³ The Multiple Indicator Survey (MIS) in Philippines was a customized version of the Multiple Indicator Cluster Survey (MICS). The MICS is a survey technique developed by UNICEF to provide rigorous data across a range of fields from households, from women, from men and concerning under-fives. A MICS had last been conducted in the Philippines at the national and regional levels in 1996 and 1999. The MIS focused on the focal municipalities and cities of the 2012-2018 country programme. The MIS had some limitations; these are discussed in the observation *Results achievement*, below.

⁴ The Demographic and Health Survey (DHS) programme is an international effort to collect accurate health and population data. It is funded by USAID but also receives contributions from other organizations, including UNICEF.

⁵ In 2019 the Division of Data, Research and Policy was renamed Division of Analysis, Planning and Monitoring (DAPM).

largest data gaps are in the SDG components on learning, fair chance and protection. It is important to note that UNICEF is only custodian for 17 SDG indicators (single custodian for seven and co-custodian for 10), and helping the Government address the SDG data gap is a collective responsibility of the UN in the Philippines.

In addition to data gaps, there are challenges with regards to the validity, reliability and accuracy of data. This is an issue nationally, but at its most acute in Bangsamoro Autonomous Region in Muslim Mindanao (BARMM). For example, according to administrative data national EPI coverage was 80 percent and Extended Programme of Immunization (EPI) coverage in BARMM 60 percent. However, the 2017 DHS survey found the actual national coverage was 69 percent, and coverage in BARMM a mere 18 percent.

The office planned a large number of activities to address the data gaps. The 2017-2018 Integrated Monitoring and Evaluation Plan (IMEP) included 65 activities, and the provisional 2019-2023 IMEP had 32 activities. However, timely implementation of planned research activities was proving difficult. According to a status update of 15 March 2019, only 20 of the 65 activities included in the 2017-2018 IMEP had been completed. This was despite 58 of the activities included in the 2018 IMEP being carried over from 2017.

The low implementation rate was due to insufficient prioritization of research activities, inadequate oversight, and insufficient monitoring of IMEP implementation. For example, neither the programme management team (PMT) or country management team (CMT) reviewed IMEP implementation in the period 2018 to August 2019. The risk of insufficient monitoring had been adequately addressed by the office in the Standard Operating Procedure (SOP) for research, evaluation and studies which was endorsed by the CMT in June 2019. According to the SOP, IMEP implementation will thenceforth be monitored by the PMT and CMT on a quarterly basis. In view of this, the audit is making no recommendation in this regard. However, the need to strengthen accountability for implementation of the IMEP activities and the SOPs remains; for example, it is important that the SOP requirements for quality assurance is met.

Strengthening data for sustainable development is one of the key areas of collaboration with governments identified in the UNICEF Strategic Plan (and those of UNDP, UNFPA, WHO, UNICEF and UN Women). At the time of the audit team's visit to the Philippines, limited progress had been made in this regard. The office was aware of this and had advocated interagency actions to support SDG monitoring; for example, it had encouraged establishment of a data group. Moreover, supporting the government on SDG data is included in the workplan with the PSA.

Agreed action 1 (medium priority): The office agrees to strengthen oversight of adherence to its SOPs for implementation of the Integrated Monitoring and Evaluation Plan as it adequately addresses the risk. It should also strengthen accountability for the timely implementation of IMEP activities; for example, key research activities should systematically be included in the performance evaluations of the staff responsible for them.

Responsible staff members: Chief PM&E with Representative; Deputy Representative; Chief Mindanao Field Office; all Section Chiefs

Date by which action will be taken: December 2019-March 2020

Agreed action 2 (medium priority): The office should assess the possibility of conducting a MICS, preferably for the whole country but particularly, if feasible, for BARMM, where there has been a significant influx of money and the newly elected authorities need valid, reliable and accurate data for development of evidence-based plans and strategies.

Responsible staff members: Representative; Deputy Representative: Chief of Mindanao Field Office; Chief PM&E

Date by which action will be taken: June 2020

Agreed action 3 (medium priority): The office agrees to, where feasible, in collaboration with other UN agencies, assist the government in addressing the child-focused SDG indicator data-gaps.

Responsible staff members: Chief Social Policy; Deputy Representative; Chief PM&E

Date by which action will be taken: December 2019-December 2020

Results structure and monitoring

The audit reviewed the office's results structure, and the way it was translated into the workplans. It noted the following.

2019-2023 results structure: The results structure in the 2019-2023 Country Programme Document (CPD)⁶ appeared specific, measurable, achievable, relevant and time-bound. However, none of the four outcomes, and only nine out of 18 outputs, were fully measurable by the indicator selection in the 2019-2023 CPD. For example, the indicators for the social protection outcome were not appropriate to fully measure the result statement: "families' enhanced ability to appropriately respond to emergencies and climate change risks".

The audit also noted that, at country-office level, additional attention should have been given to how output-level results would be measured in other priority areas and in upstream work. The office was aware of this, and was talking to the regional office about a review of the results-monitoring system.

The audit also found that:

- Eight of 15 indicators in the CPD lacked baselines and/or targets, making it harder to measure achievements.
- A common anomaly was to measure capacity by using indicators based on the existence of policies. This may not necessarily reflect a change in the situation of children.
- Whilst most result statements were gender-sensitive, the extent to which systems or interventions were gender-responsive in practice was not measured by the indicator selection or by applying gender-disaggregated targets.
- Despite the office undertaking significant programming on peacebuilding, there were no indicators at outcome level measuring this.

An insufficient result structure is a risk as it affects programme design and the ability of an office to achieve planned results.

Recording results: Offices report results against planned targets in several ways. One is by uploading results information to the Results Assessment Module (RAM), an online portal through which offices' results can be viewed right across the UNICEF network. There was general alignment between the results structure in the 2019-2023 CPD and the results structure in RAM, in which all four programme outcomes and 16 out of 18 programme outputs were correctly reflected in the RAM. However, the

⁶ The CPD is a formal document that sets out the upcoming country programme and its objectives. It is submitted to UNICEF's Executive Board and, if approved, becomes the official definition of the programme and what it will do.

end-year 2018 RAM input had comprehensive reporting for none of the six programme outcomes, and only six out of 28 outputs. This means that, with respect to the Philippines, the RAM was not accurate and reliable.

Results/programme monitoring: The office had established a steering committee with key Government counterparts included in its membership. The committee was performing its function of overseeing UNICEF programme implementation. Its review and oversight focused on identifying constraints to the overall implementation and discussing ways forward. It also focused on innovations and determining interventions that could go to scale.

For more immediate programme monitoring, the Mindanao Field Office was using the Monitoring Results for Equity System (MoRES),⁷ and in 2019 it had introduced a more comprehensive community dialogue approach. Rather than each section monitoring the implementation of its activities, Mindanao Field Office used a cross-sectoral team focused on determining progress in support to local governments. However, the office had not systematically reviewed planned vs. achieved results at section level during bilateral annual reviews with Government counterparts. (Country offices would normally be expected to do this.)

Results monitoring system for 2019-2023: The monitoring framework outlined in the 2019-2023 CPD is less ambitious than the previous one, but it remains in accordance with UNICEF requirements. The costed 2019-2023 evaluation plan included an evaluation of the country programme. There is a steering group in place to oversee overall implementation of the new country programme.

For monitoring of achievement of programme results, the office planned to use Government information systems. This means that the office will need to take steps to mitigate the risk to the accuracy and availability of the available of data from these systems. (For greater detail, see observation *Knowledge of the situation of women and children* at the beginning of this report.)

Agreed action 4 (medium priority): The office agrees to review the results structure for the 2019-2023 country programme and, where required, revise the indicators to ensure that they fully measure the results statements.

Responsible staff members: Deputy Representative; Chief PM&E; Chief Mindanao Field Office; all Section Chiefs

Date by which action will be taken: December 2019-March 2020

Agreed action 5 (medium priority): The office agrees to strengthen its approach to assessing and reporting results in RAM, and ensure that:

- i. Annual indicator targets are established.
- ii. Reporting is done against these targets.
- iii. There is consistency between the status update against the indicator and the rating of the indicator.
- iv. The rating of indicators is aligned with the rating of the outputs and the outcomes.

Responsible staff members: Chief PM&E with Deputy Representative; Chief Mindanao Field Office; all Section Chiefs

Date by which action will be taken: December 2019-March 2020

⁷ Monitoring Results for Equity System (MoRES) is a tool designed to strengthen UNICEF's ability to address inequities and reach the most disadvantaged.

Agreed action 6 (medium priority): The office agrees to review its approach to results monitoring and, building upon the 2012-2018 programme experience, ensure mechanisms are put in place that enable evidence-based results monitoring at both output and outcome level, and that also pertain to upstream and system-strengthening work. In some cases, this might require introduction of monitoring approaches that compliment or strengthen Government data systems. Moreover, planned vs. actual results should be systematically assessed during bilateral annual reviews with Government counterparts.

Responsible staff members: Deputy Rep, Chief PM&E, Chief Mindanao Field Office, plus Outcome and Output managers

Date by which action will be taken: December 2019-March 2020

Work planning

The office had a total of 16 national 2019-2021 workplans and four Bangsamoro 2019 workplans. A review of a sample of six national workplans and three Bangsamoro workplans found that, overall, their quality was adequate; there were clear linkages to the national development plan, the UNPFSD 2019–2023, and the UNICEF country programme results. Moreover, activities were clearly identified as funded/unfunded, and results were defined in terms of the changes sought for the target group, rather than just by activities.

However, annual targets were in many cases not established. For example, the workplan with Department of Social Welfare and Development includes 34 indicators. None of these had annual targets. Without annual targets, it is not possible to measure results achievement and, if necessary, adjust activities to strengthen results achievement over the country programme period.

Agreed action 7 (medium priority): The office should establish annual targets in the multi-year workplans. These targets can serve as milestones to assist programme monitoring and the assessment of results in the annual review process.

Responsible staff members: Chief PM&E with Deputy Representative; Chief Mindanao Field Office; all Section Chiefs

Date by which action will be taken: December 2019-March 2020

Constraints to results achievement

The 2012-2018 programme focused its interventions in regions identified in the Philippines Development Plan as having the highest levels of inequity. The 2017 country programme evaluation found that the programme had contributed to improved services for children at subnational level, in all areas of programming. It also found that most of the results achieved at the national level were sustainable, as they were reflected in Government policy.

However, the multiple indicator surveys⁸ conducted in 2012 and 2016 found inconsistent results

⁸ The Multiple Indicator Surveys (MIS) had some limitations. Ideally, they should have been conducted in the 36 municipalities and cities in 2012, at the beginning of the 2012-2018 country programme, to gather baseline indicators. These could then have been compared with results from another data gathering round at the end of the country programme. However, this was done in two separate phases. The first was done by the then National Statistics Office in 2012 in 18 municipalities. The baseline MIS on the six cities was conducted in 2013 by the

achievement in target areas. For example, of the 30 municipalities with baseline and end-line data on measles vaccination, about half showed an increase in measles immunization coverage, and half showed a decrease; measles immunization increased from 69 percent to 95 percent in Paracale, and decreased from 41 percent to 20 percent in Siasi. Other inconsistencies between municipalities included iron supplementation (which had increased in eight but decreased in four).

Two areas of particular concern with regards to results achievement during the 2012-2018 programme were low immunization rates and high malnutrition levels. The audit noted that the bottlenecks to the achievement of satisfactory results in these areas had been considered when developing the 2019-2023 country programme. In fact, the office had already (in 2018-2019) refined its approach to helping the Government address the results gap in nutrition and immunization. The office was planning to address constraints; for example, they included inadequate Government procurement systems for the Extended Programme of Immunization, and the 2019-2021 workplan with the Department of Health includes activities linked to strengthening those systems. The office was also working with the Government to develop a multi-year social and behavioural change communication strategy.

However, the office had yet to fully operationalize how it would achieve the expected results. The office was most advanced with regards to its programming at subnational level in Mindanao. However, further work was required at national level. For example, an element of the strategy was system strengthening and capacity building, but the office had not yet made it clear how it would do this.

Constraints in Mindanao: The audit visited a sample of programme intervention sites in Mindanao. Besides field observations, the audit held interviews with Government authorities, implementing partners and UNICEF staff at both field-office and country-office level. It noted some constraints to results achievement.

For example, the audit visited a madrassa-based early learning centre supported by UNICEF and found that the capacity of the centre did not fully meet the needs of the community; there were about 200-300 children age three and four in the Barangay, and it could only enroll 32 students. A further 50 could obtain Early Childhood Development (ECD) services in a community centre. The Mindanao Zone Office planned to provide technical assistance to local authorities on how to expand ECD services; this should be feasible, as education is one of the new BARRM authority's priority areas. The audit also noted that the institution's water, sanitation and hygiene (WASH) infrastructure was not functioning. According to the office, this issue has been an ongoing challenge as madrassa-based early learning centres do not fall under the responsibility of the Local Government Unit.

In the same region, psychosocial support and one-off grant of PhP1,000⁹ (about US\$ 19.30) grant had been provided to each disengaged child¹⁰ and their families (the grant was a contribution from the implementing partner). However, it was found that the disengaged children were not able to access basic social services that they had been found to require by para-social workers (despite referrals being made). This reflected a complex context; the disengaged children were from a large geographical area, the locations in question were vulnerable, and there had been insufficient prioritization by the ARRM authorities. The largest service delivery gap pertained to education.

Institute of Philippine Culture of the Ateneo de Manila University, but it covered only informal settlers. The baseline survey on the remaining 12 of the 36 areas under the 2012-2018 was conducted in 2014 by still another organization, the University of the Philippines Population Institute (UPPI).

⁹ Philippine pesos; PhP1 is about US\$ 0.01933.

¹⁰ Disengaged children are those who have been involved, formally or informally, with a party to conflict (for example as child soldiers). In the case of the Philippines, the UN and the Moro Islamic Liberation Front have worked together to disengage children from the Front's ranks.

According to the office, the age of the disengaged children meant the focus should be on the alternative learning modality (ALM), which combines formal and non-formal education. UNICEF has supported the development of an ALM roadmap, which is under review by the BARMM Ministry of Education. Once it is endorsed, the office plans to support implementation of the roadmap. This is included in the 2019 Bangsamoro workplan and the time of the audit a learner survey was being undertaken at Barangay level to guide the work.

Agreed action 8 (medium priority): The office agrees to more clearly set out how it strengthen systems for nutrition and routine immunization.

Responsible staff members: Chief Health & Nutrition; Health Specialist; Nutrition Manager; Chief PM&E

Date by which action will be taken: June 2020-December 2020

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

- i. Assist the BARRM government in refining its strategy pertaining to operations and maintenance of UNICEF-supported WASH infrastructure in education.
- ii. Devise an approach to bring ALM to scale in Mindanao based on the learner survey results.

Responsible staff members: Chief Mindanao Field Office; Chief WASH; Chief Education; Mindanao Field Office Education Manager

Date by which action will be taken: December 2019-December 2020

Advocacy

Policy, public advocacy and knowledge management formed a core pillar of the 2012-2016 UNICEF Philippines country programme, and the 2019-2023 programme also had advocacy as a core strategy. This included both policy and public advocacy – the first consisting of policy work with national Governments and other stakeholders, the second being communication with the public and media. The office had an Advocacy Committee that was responsible for, amongst other things, identifying and defining the office-wide strategic approach for all advocacy. The committee was chaired by the Representative and had met three times in 2018, and twice in 2019 so far (its terms of reference said it would meet at least four times per year).

As part of the 2019-2023 country programme development process, the office had identified a need to strengthen its internal capacity for effective advocacy. There had been a five-day consultation and training session in the first quarter of 2019 to address the capacity gap and support the development of an advocacy strategy for the 2019-2023 country programme. This was commendable, as were efforts to determine returns to investment in nutrition to enable evidence-based policy advocacy.

The audit also noted the following.

Advocacy strategy: At the time of the audit the office had drafted an office-wide advocacy strategy for the 2019-2023 country programme. There were three flagship advocacy priorities: End Violence against Children (eVAC); Early Moments Matter; and Children in BARMM. However, a review of the strategy found that a comprehensive results structure and monitoring and evaluation framework had yet to be developed. More specifically, the strategy included a RAM indicator on public advocacy only, and this related to the audience reached without reflecting the level of engagement of that audience and the extent to which it is influenced. Indicators for policy advocacy were also needed (for example, shifts in policy and practices regarding children, or legislation).

In addition to the office-wide advocacy strategy, the office had more detailed advocacy plans around two of the three flagship priorities (eVAC and Early Moments Matter). Both plans had been developed for the previous country programme. A light revision was planned of the eVAC advocacy plan for the 2019-2023 programme, as most activities were still underway. A more comprehensive update of the Early Moments Matter plan was close to completion at the time of the audit, as the previous plan had been implemented and there was a need to expand what was covered. An advocacy plan for adolescence was also planned for 2019, as this area had been identified as an emerging priority. The audit found the work done by the office on developing more detailed advocacy plans was adequate.

Advocacy strategies for combined programme and fundraising results: The office had taken initial steps to strengthen collaboration between the programme sections and the Private Fundraising and Partnership (PFP) section in the office (for details on PFP's work in the Philippines, see observation *Private sector fundraising* later in this report). There was a corporate alliance officer based in the Representative's office. Most importantly, the PFP unit was part of the advocacy committee, through which communications, PFP and resource mobilization staff had discussed ways of working together. In 2019 the task force had met weekly with the participation of senior management, PFP, communications, partnership manager and the corporate alliance officer.

However, at the time of the audit the office had yet to integrate the communication and public advocacy strategies of PFP and the programme sections. The limited engagement of PFP Philippines in public advocacy reflected the fact that guidance on division of roles of programme sections and PFP had yet to be issued at HQ level; the office had thus decided to keep individual programme section chiefs in the lead for sectoral private sector engagement initiatives and have PFP in a supporting role, contributing to identification of potential partners in the private sector.

Evaluation of advocacy: According to the 2012-2016 CPD, public advocacy work was to have been evaluated to sharpen the focus of this important strategy. This was not done; although advocacy was included in the overall evaluation of the country programme itself, neither public nor policy advocacy had been assessed in greater detail.

Agreed action 10 (medium priority): The office agrees to:

- i. Establish a results structure, and monitoring and evaluation framework, for its advocacy work that captures all components of the advocacy strategy, including engagement.
- ii. Further integrate the communications and advocacy strategies of the programme sections with those of PFP, to strengthen synergies between programme and fundraising results.
- iii. Conduct an independent review of its advocacy work, so as to determine the efficiency and effectiveness of its strategy and approaches.

Responsible staff members: Representative; Deputy Representative; Chief PM&E; Chief Mindanao Field Office; Chief Communication; Partnerships Manager; Chief PFP; all section chiefs
Date by which action will be taken: December 2019-December 2020

Communication for development

Communication for Development (C4D), broadly defined, is the use of information and communication to encourage community behaviour that leads to better development outcomes.¹¹ In

¹¹ The full definition of C4D as used in UNICEF is "an evidence-based process that is an integral part of programmes and utilizes a mix of communication tools, channels and approaches to facilitate dialogue, participation and engagement with children, families, communities, networks for positive social and behaviour

the 2012-2018 country programme, C4D is meant to complement advocacy to this end. Areas for C4D in the Philippines aimed to (for example) discourage all forms of violence, and to help parents, families and communities understand why children should access available support, and how they can do so. The audit noted the following.

Results achievement in the 2012-2018 country programme: Some gains had been made as a result of C4D interventions, but the audit's review of MIS data from 2012 and 2016 found that results achievement was inconsistent in several areas (for details, see observation *Constraints to results achievement*, above). However, in preparation for the 2019-2023 country programme, the office had conducted research to better understand the implications of social norms and practices on children's rights, and to guide policies and programmes to address them. In view of this, the audit is not making any recommendation in this regard.

Capacity: The office had determined that delivering the expected C4D results in the 2019-2023 country programme would need more capacity than it had in the previous programme cycle. It had therefore established two dedicated C4D specialist positions, one in the zone office in Cotabato City and one in the country office in Manila, supporting the Child Protection and Education sections. The Manila-based specialist was to work primarily on social norms regarding End Violence Against Children. The specialist in the zone office would focus on peace-building. However, since the posts had been advertised, the recruitment for both had been put on hold, although they were needed to implement the C4D strategy envisioned in the CPD. According to the office, it had since found PFP funds to cover the salary of the C4D specialists, and the recruitment process had restarted.

C4D strategy: The office had a draft C4D strategy note for the 2019-2023 country programme. This had been developed in a consultative manner.

The audit's review of the strategy found that it showed clearly how C4D was embedded in the country programme results structure; all four programme outcomes had at least one output with a C4D component. However, there was a risk to the delivery of the C4D-related results, the strategy did not set out the C4D approaches to be applied, or how C4D results achievement would be measured. The latter is important, as the indicators in the country programme results structure generally did not measure attitude or behaviour change. (The exception was the indicator, under Outcome 1, 'zero open defecation certified communities', which does measure behaviour change.) The monitoring plan for the 2019-2023 Country Programme Action Plan (CPAP)¹² included only activity-level indicators pertaining to C4D, rather than indicators measuring results.

In addition to the office-wide strategy, the office was developing more detailed C4D strategies for two of the three flagship interventions, End Violence against Children (eVAC) and Early Moments Matter. The C4D strategies were to be embedded in the advocacy plans mentioned in the previous observation. The office had advanced the furthest on Early Moments Matter, for which preliminary research had been conducted; this research had included focus group discussions and key informant interviews with women of reproductive age from selected barangays,¹³ to develop an evidence-based

change in both development and humanitarian contexts." (UNICEF *Communication for Development Programme Guidance*, 2018).

¹² The CPAP is a formal agreement between a UNICEF office and the host Government on the programme of cooperation, setting out the expected results, programme structure, distribution of resources and respective commitments during the period of the current country programme.

¹³ A barangay is the smallest administrative division in the Philippines, and would typically cover a village or city neighbourhood.

C4D strategy on the first 1,000 days of life. This is a good practice that should be applied when developing the eVAC strategy as well.

C4D quality standards: The office was still in the early stages of realizing UNICEF's quality standards pertaining to C4D. The standards were formally introduced to programme staff during a C4D consultative workshop held in August 2018. UNICEF's 2018 document *Communication for Development Programme Guidance* had been circulated to staff via email, and a follow-up discussion held in a programme management team meeting in March 2019. The office-wide C4D strategy for Philippines describes how the office aim to meet quality standards pertaining to C4D. The office was planning to establish its performance against the quality standards at the end of the year. In view of this, the audit is issuing no recommendation in this regard.

Agreed action 11 (medium priority): In order to advance its C4D agenda, the office agrees to:

- i. Accelerate the recruitment of the two C4D specialists identified as necessary to strengthen C4D programming.
- ii. Establish a more comprehensive results structure and M&E framework for its C4D work to guide the office's work on C4D.
- iii. Conduct focus-group discussions when developing the eVAC C4D strategy in order to identify barriers and bottlenecks that will need to be addressed.

Responsible staff members: Deputy Representative, Chief PM&E; Chief Mindano Field Office; Outcome and Output managers

Date by which action will be taken: March 2020-June 2020

Partnerships

The office implemented its programme through 49 NGOs and Government counterparts in 2019, and 70 partners in 2018. A total of US\$ 13.5 million was transferred to partners, of which US\$ 1 million went to high-risk partners.

During meetings with 12 implementing partners in Manila and four partners in Cotabato City, the audit was told that UNICEF was a good partner and a credible voice for children's rights, and that it was able to convene stakeholders to advance the child-rights agenda in the Philippines. The audit noted the following.

Partnership strategy: The office had set out clearly how it would work with the Government in a strategic manner. It also had a strategy for engaging the private sector in ending online sexual exploitation of children and expanding its engagement with the private sector in support of children's rights. The work on partnership with the private sector had been led by the corporate alliance officer located in the Representative's office rather than by PFP, which could have taken a lead in this area but remained focused largely on other forms of fundraising.

With regards to faith-based organizations, the office had recognized the need to strengthen the role of religious leaders on issues for children when developing the 2019-2023 country programme. The main partnership with religious leaders it envisaged in 2019-2023 was with the Regional Darul Ifta'¹⁴ in BARMM. A partnership agreement had been entered into with Bangsamoro civil society to advance

¹⁴ The Regional Darul Ifta' of the Bangsamoro Autonomous Region in Muslim Mindanao is an Islamic advisory council. Its primary role is the promulgation and issue of legal opinions concerning Muslim personal laws.

planned work with religious leaders, with the objective that it would work with the Regional Darul Ifta' to promote child rights from an Islamic perspective, through a community dialogue process.

The audit team found that the office had a strategic approach to partnership and thus no recommendation is issued in this regard.

Partnership with NGOs: Two main documents underpin an office's partnership with an NGO. The programme document (PD) is produced by the partner and the relevant programme section in the UNICEF office, explaining what the proposed collaboration is for, and includes the budget and result framework. The programme cooperation agreement, or PCA, is the formal partnership document. However, although the PCA is the formal agreement, it is the PD which sets out what the partnership will do. These documents are submitted together to the office's Partnership Review Committee (PRC).

The office's PRC was functioning well, and there was a clear process for quality control of PDs prior to their submission to the committee. However, the audit's review of a sample of nine PCAs (seven from the country office and one from the zone office) found that partners' financial contributions to partnerships were limited.¹⁵ In six out of nine sample partnerships the partner contributed less than five percent to direct programme implementation (in three of these cases, it was zero percent). Of the six partners in question, three were national and three international. The audit did not see sufficient technical contributions by the partners to justify their low financial contribution, although it may be that those contributions were present but not sufficiently reflected in the PCAs.

The audit also noted that it took a long time to finalize PDs, with five out of 10 being signed after the planned start date of the partnership. According to the office, the lengthy process was at times due to partners submitting inadequate proposals and not adequately addressing feedback provided by the office. In two cases, the audit found that partners engaged in service delivery had a lengthy gap between PDs in 2019 (one of five and the other of six months). This had resulted in disruption of services – and a 'brain drain', as critical staff had left the NGOs in question. According to the UNICEF office, the main reason for the gaps was that the office was waiting for new funding but had started developing the PDs with the partners anyway. The PD could only be signed upon arrival of funds.

More positively, the result structure in PDs were generally sound. It was clearly stated to which output the partnership contributed, the indicator selection measured the results statements, and there was a strong equity focus.

Agreed action 12 (medium priority): The office agrees to:

- i. Review the programme document (PD) development process and streamline it as required with the view of expediting the establishment of partnerships to implement planned activities.
- ii. Increase the contribution of partners to partnerships, whenever feasible, and/or better reflect the technical contribution of partners in the PDs to ensure partners adequately invested in the activities they agree to implement. This should ultimately contribute to effective and efficient implementation of agreed activities.

Responsible staff members: Deputy Representatives, Chief PM&E, PCA Secretariat and PCA Chair
Date by which action will be taken: June 2020

¹⁵ There is no longer a fixed UNICEF benchmark for this contribution, but it should not be unreasonably low.

Human resources

The audit reviewed various aspects of the office's HR management and noted the following.

Recruitment: As part of the PBR¹⁶ process for the 2019-2023 country programme, 19 new posts were established. In addition, the office undertook 15 recruitments in 2019 to fill vacant posts that arose during 2018-2019.

The audit team found delayed recruitment against vacant posts. Out of the 19 posts created for the new country programme, only 10 had been filled at the time of the audit (September 2019). This was despite all posts having been advertised in January/February 2019. The average time for recruitment in Philippines in 2019 is 104 days. This is significantly longer than the UNICEF KPI of 90 days and the performance looked likely to worsen in the months ahead, as nine of the 19 recruitments were still ongoing. The late recruitment affected programming, as noted in the observations on C4D and emergency preparedness.

The late recruitment was due to: turnover of key HR staff; the office not having a recruitment plan to support the recruitment for the new country programme; lack of milestones for the different stages of recruitments; and the absence of a rigorous monitoring system to track progress in the recruitment process. According to the office, an email had been sent to section chiefs, setting out the steps to follow in the recruitment process. At the time of the audit the office was prioritizing the recruitment of key vacant posts and had allocated funding to PFP to enable those recruitments to proceed. Funding was thus currently only a constraint for 10 percent of vacant posts. It was also positive that the office had developed a plan for supporting staff on abolished posts.

Onboarding: The office had a welcome kit for new staff, who also benefitted from an induction programme where they met one-on-one with senior management, section chiefs and unit heads. However, in view of the size of the office and the turnover of staff, it would be more efficient to organize batch induction of some categories of new staff. This would both free up CMT members' time for other tasks, and enable them to brief newcomers in greater detail on the office and the programme during the group sessions.

Learning: The office's Human Resources Development Team (HRDT) drew up annual learning and development plans. A review of the 2019 plan found that it outlined priorities and listed five group training activities. According to the office, the learning plan was based on a learning priority matrix developed in 2018, and in consultation with CMT members on learning needs.

The plan did not include individual learning and development activities. Instead there was an *ad-hoc* approach, with staff requesting individual learning opportunities on an ongoing basis. The audit team understands that it is not possible to identify all learning opportunities early in the year, but it thought the office could have made more effort to systematize the learning approval process. The audit also noted there was no system to track approved individual learning requests and the extent to which they were met. The HR unit only monitored the completion rates for mandatory training (which were mostly satisfactory – although those for mandatory training on UN Human Rights and Information Security Awareness were low, at 22 percent and 61 percent respectively).

¹⁶ The programme budget review (PBR) is a review of a UNICEF unit or country office's proposed management plan for its forthcoming country programme. For a country office, it is carried out by a regional-level committee, which will examine – among other things – the proposed office structure, staffing levels and fundraising strategy, and whether they are appropriate for the proposed activities and objectives.

Performance management: A key management strategy of the 2019-2023 country programme is to increase cross-sectoral work across result and outcome areas. To achieve greater integration across sections, the office had established an Output Team working approach. Traditional reporting lines remained, but were supplemented with joint accountabilities for achieving output team results. At the time of the audit team's visit the office was still in the early stages of implementing the new collaborative approach. Meanwhile the office had identified areas where further action was required, and a review of action taken to address these was planned as part of the 2019 end-year review.

Agreed action 13 (medium priority): The office agrees to:

- i. Strengthen the recruitment process in order to ensure timely recruitment of staff needed to implement the country programme.
- ii. Review the onboarding process so as to increase efficiency and to reduce the workload of senior management, section chiefs and unit heads.
- iii. Strengthen the planning and oversight of staff learning and development, and accelerate the completion of mandatory training.
- iv. As part of the end-year PER review, include an assessment of the extent to which the spirit of collaboration has been achieved.

Responsible staff members: Representative; Deputy Representatives; HR Manager

Date by which action will be taken: February 2020-October 2020

Prevention of sexual exploitation and abuse

At global level, UNICEF has put in place important preventative and response mechanisms for prevention of sexual exploitation and abuse (PSEA) and prevention of sexual harassment and abuse of authority (PSHAA). The aim, in line with IASC's¹⁷ global plan for advancing PSEA at country level, is that by June 2020 there should be: safe, accessible, gender- and child-sensitive reporting mechanisms; quality and accessible SEA survivor-centred assistance; and enhanced accountability, including through prompt and respectful investigations.

The office in the Philippines had two cases of reported sexual harassment; one was still under review by OIAI and the other had resulted in the dismissal of a staff member. Given that UNICEF has zero tolerance for SEA, this is concerning. It is also noted that the low number of cases may be linked to insufficient roll-out measure to prevent, detect and report PSEA.

An interagency PSEA taskforce had been established in the Philippines in 2018. It functioned under the auspices of the Resident Coordinator/Humanitarian Coordinator, and all Humanitarian Country Team (HCT) agencies were *de facto* members. Membership had also been extended to 10 NGOs (eight international and two national). Since January 2019 the taskforce had been chaired by UNICEF. To support the advancement of the PSEA agenda, in 2019 the office had established two TA (temporary assistance) positions. At the time of the audit, recruitment was still underway. The task force had met six times in 2018, and five times in 2019 so far, with two more meetings scheduled before the end of the year.

The office did not have a stand-alone PSEA action plan, instead taking the lead in the UN's PSEA Country-Level Framework. A review of this framework found that it was aligned IASC's global plan for

¹⁷ The IASC is the Inter-Agency Standing Committee, which works in countries where there is a humanitarian response and coordinate the humanitarian response of UN and other bodies. See <https://interagencystandingcommittee.org/iasc/>.

advancing PSEA at country level. However, at the time of the audit team's visit, the UN HCT had only just approved it (on 15 August 2019), and little progress had been made in its implementation. For example, only eight out of UNICEF's 49 implementing partners had been trained on PSEA. This had led to some confusion on the part of partners when UNICEF asked them to sign a clause on PSEA. To improve their knowledge in this area, the office had encouraged partners to take its online training on PSEA. It had also communicated with Government and other partners on UNICEF's zero tolerance policy on PSEA, and staff had taken mandatory training on PSEA and on PSHAA; the completion rates for these had been 97 and 93 percent respectively.

Other than this, however, limited action had been taken. For example, there was no Inter-Agency Referral Pathway framework (this is a set of agreed procedures under which one agency or entity can receive a PSEA complaint about another). Neither had there been any community awareness-raising, or provision of support mechanisms for survivors of abuse.

The country office told the audit that it had identified a number of interventions to be supported by resources from UNICEF HQ. This included strengthening the capacity of UN agencies, as well as Government and NGO service providers, in reporting and responding to PSEA. The office also planned advocacy materials and tools to better communicate and promote PSEA principles and standards.

Agreed action 14 (high priority): The office agrees to accelerate the implementation of PSEA activities included in the PSEA Country-Level Framework, by contributing to:

- i. The adoption of the PSEA Inter-Agency Referral Pathway.
- ii. Community mobilization, consultation and awareness raising on PSEA, including reporting mechanisms, in each community receiving and/or affected by humanitarian assistance.
- iii. Provision of sexual exploitation and abuse/sexual harassment survivor assistance through Gender-Based Violence (GBV) or Child Protection programming.
- iv. Training of implementing partners on PSEA.

Responsible staff members: Deputy Representative; Child Protection Specialist; PSEA focal points
Date by which action will be taken: December 2020

Emergency preparedness

The Philippines experiences an average of 20 typhoons and several other natural disasters every year. The country is highly vulnerable to these natural disasters, and there is also ongoing conflict in Mindanao. A country programme evaluation conducted in 2017¹⁸ found that disaster readiness and climate change should be further integrated in the 2019-2023 country programme, and emergency preparedness/response was integrated into workplans as an output where appropriate. A review of a sample of 2019-2021 workplans also found that the office had taken steps to strengthen emergency preparedness. However, the audit also noted the following.

Staffing: According to the office, the staff are generally well experienced in emergency response. There is also increased national emergency response capacity, and the Government has not requested UN assistance to respond to a major emergency since 2013. For the 2019-2023 country programme, therefore, the existing Emergency Specialist post had been downgraded from P4 to P3. (This change had been approved by the regional office, on the advice of the Regional Emergency Advisor.) At the

¹⁸ *Formative Evaluation of the UNICEF 7th Country Programme 2012-2018 in the Philippines* (https://www.unicef.org/evaldatabase/index_102710.html).

time of the audit the office had yet to recruit for the P3 emergency specialist post.

Coordination: The office had an emergency management team (EMT), which was chaired by the Representative. According to its ToRs, the EMT was to meet at least six times a year, typically following the Humanitarian Country Team meetings. Also, a humanitarian update is a standard agenda item for meetings of the office's own country management team. However, emergency coordination mechanisms could in fact have been simplified, as EMTs are only required during an emergency.

Simulations: In the 2019 office risk assessment, the risk of not being able to access the office due to man-made or natural disasters was reduced from high to medium. However, the risks of inadequate emergency preparedness and response are rated as medium risk (flood, drought) and high risk (earthquake, cyclone).

The office had taken steps to mitigate the impact of insufficient preparedness by conducting business continuity plan (BCP) testing in July 2018. An emergency response simulation had also been planned for September or October 2018, but this was postponed and subsequently changed to an earthquake simulation, to be held in February 2019. This had not taken place, as the office had decided to await the arrival of a new Representative. There was as yet no planned date for the simulation. However, the office would be part of an interagency simulation organized by OCHA¹⁹ and the Government in the second half of 2019.

In addition to BCP testing, the office had drawn up an emergency protocol that set out procedures for staff required to evacuate their homes. In line with the practice followed by some other UNICEF offices, it was also developing emergency PDs (stand-by agreements) for use if it needed to enter into partnerships with NGOs very quickly following an emergency. A call for NGOs to express interest and submit proposals had been completed in the UN Partner Portal.²⁰

Emergency preparedness platform: Despite the office having clearly assigned responsibility for updating information to UNICEF's Emergency Preparedness Platform (EPP), it scores fairly low on compliance with EPP requirements (80 percent). The regional office had provided the office with detailed feedback on what should be done to strengthen the quality of the EPP submission. At the time of the audit team's visit only two out of 18 recommendations had been implemented and uploaded to EPP.

Agreed action 15 (medium priority): The office agrees to:

- i. Determine the priority of the emergency specialist position and accelerate the recruitment if the post is deemed critical to the achievement of the office's objectives.
- ii. Advance the implementation of the planned earthquake simulation.
- iii. Revise the set-up for emergency coordination in periods where UNICEF is not engaged in an active emergency response.
- iv. Expedite the comprehensive update of the Emergency Preparedness Platform.

Responsible staff members: Representative; Deputy Representatives; Emergency Focal Point

Date by which action will be taken: February 2020-March 2020

¹⁹ OCHA is the UN's Office for the Coordination of Humanitarian Affairs.

²⁰ A site through which NGOs can find potential partners in the UN system. See www.unpartnerportal.org.

Donor reporting

To create and sustain positive relationships with donors, it is critical that Country offices issue timely, reliable and accurate reports to donors. Failing to do so can put donor support at risk. During the period 2017-2019, the Philippine Country Office had a total of 82 donor reports due to be sent directly to donors, of which all but six had so far been sent on time (as of July 2019). The programme sections drafted the donor reports and a reports officer had been assigned to compile and edit them. The Deputy Representative reviewed and issued the reports to the donors for grants of less than US\$ 1 million, and the Representative for grants above US\$ 1 million.

The audit team selected for review a sample of final and progress donor reports pertaining to nine distinct grants, and noted the following.

Consistency between agreement and donor report: The end-of-programme report agreed in an amendment to one donor agreement was not submitted. Donor reports related to four other grants presented a number of results and activities that were inconsistent with the donor agreements and/or proposals.

Reporting results against agreed baselines and targets: This could not be done accurately for five of the nine grants, since the related donor agreements/proposals did not specify the baselines and targets for the results including the implementation of the activities. This was not always an issue, and donor reports related to five of the nine grants did present comparison of the status/achievements of results against baselines/targets. However, the donor reports for the two of these five grants did not adequately compare the achievements against the targets.

Consistency in reporting: The donor reports pertaining to three grants showed a number of inconsistencies in terms of reporting results and activities. For example, although the progress report for a particular grant already reflected that the "*enhanced standard curricula for major ECCD [Early Childhood Care and Development] programmes at the national level*" was adopted for madrasa kindergartens, the final donor report (also referred to as the *End-of-Project Report*) indicated otherwise.

Financial implementation: The donor reports relating to seven grants included donor statements. However, only four of the seven presented expenditures by activity. The lack of adequate information on expenditures by activity results would be frustrating to donors who require clarity on how their contributions are used.

In the case of the donor reports related to the four grants that did show expenditures by activity, those for two grants were manually reconstructed to align with the budgeted activities in the donor agreements/proposals. This is time-consuming and prone to error. For the third grant, the office did generate the donor statement by activity directly from inSight,²¹ but the activities did not map properly onto the activities planned and budgeted in the donor agreement/proposal. Finally, for the fourth grant, the "summary by activity budget" did not reconcile with the overall donor statement included in the same donor progress report.

Moreover, some expenditures incurred for the nine grants were misclassified and/or unclear. For example, charges for conference facilities and mailroom staff and services were classified under

²¹ inSight (sic) is the performance component in VISION. It streamlines programme and operations performance management, increases UNICEF staff access to priority performance information, and assists exchanges between country offices, regional offices and HQ divisions, as everyone sees the same data/information.

contract services, rather than under general operating and other direct costs. In addition, a number of discrepancies were noted in financial implementation reporting related to five grants. For example, in a final donor report, the “technical data on contribution” presented a programmable amount of US\$ 559,279 and the same amount as “funds used to date”. But the accompanying uncertified donor statement only showed US\$ 559,185 as programmable expenditure and with no outstanding commitments.

Grant-related documentation: Several grant-related documents, such as donor agreements (including the corresponding donor proposals) and final and progress reports, were not posted in VISION, and were therefore not readily available for users in regional and headquarters offices. Of the nine grants tested, two did not have either the final or latest progress reports uploaded to VISION, and three did not have the donor agreements/proposals uploaded to VISION. (Of the remaining four, three were among four grants that the office considered as not requiring donor agreements as they were from National Committees.)

Corroborating evidence: The audit team tested a sample of nine reported achievements from among 10 donor reports. It was noted that the nine sampled reported achievements were adequately corroborated by supporting documentation.

Agreed action 16 (medium priority): The office agrees to strengthen the quality assurance for donor reports to ensure that:

- i. Donor reporting requirements, as stipulated in the donor agreements and subsequent amendments, are adhered to.
- ii. Reported results and accomplishments are in line with the donor proposal and agreement.
- iii. Reported results and accomplishments are analyzed against the agreed baselines and targets in donor agreements.
- iv. The results/accomplishments are consistently reported throughout the donor report and in succeeding donor reports.
- v. Information on financial implementation is consistent with the donor agreements and proposals.
- vi. Expenditures by activity reconcile with the uncertified donor statements.
- vii. Charges are appropriately classified and clearly described.
- viii. Financial figures cited in the narrative reports reconcile with the financial implementation table including the uncertified donor statements.
- ix. Donor agreements and proposals (including any amendments) and all progress and final donor reports are uploaded to VISION.

Responsible staff members: Deputy Representative; Reports Officer; Partnership Manager; Chief PM&E

Date by which action will be taken: June 2020

Harmonized Approach to Cash Transfers (HACT)

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 adopted the Harmonized Approach to Cash Transfers (HACT). This is a risk-based framework under which offices assess the risk of 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 include

programmatic visits that assess the progress of activities and achievement of results, and report any constraints. They also include spot checks of the partner's financial management, and audits.

Micro-assessments: A micro-assessment is an overall assessment of the partner's financial management capacity to determine the overall risk rating and level of assurance activities. They are undertaken for implementing partners receiving US\$ 100,000 or more in a calendar year. If a micro-assessment is not performed the partner is assumed to be high risk.

A micro-assessment is valid for five years. The office had valid micro-assessments for 24 of the 28 partners that required them, and had assumed high risk for two more. However, the remaining two partners' micro-assessments had expired in 2017/2018, but rather than micro-assess them again, the office had used the result of audit reports to determine the risk rating. Under HACT, audit results cannot be used to determine the risk rating; there should be a valid micro-assessment. The audit also noted that the decision was not documented in CMT meeting minutes or in a Note for Record.

Quality of assurance activities: HACT assurance activities are focused on verification of programme implementation and use of UNICEF resources by the implementing partner. For example, out of 70 partners – receiving, between them, total cash transfers of \$9.5 million in 2018 – 20 did not have proper programmatic visits; these 20 had received total cash transfers of US\$ 1.85 million.

To qualify as a proper programmatic visit, the programme assurance evidence obtained should be documented and meet the requirements of HACT assurance activities. These require inclusion, in the reports, of information on: What was verified (e.g. activity, result, financial or programmatic report); the method of verification; and the findings of the verification. Out of 21 sample programmatic visit reports, the audit team noted seven reports that did not qualify as programmatic visits, as they did not contain clear evidence of verification of the results achieved and use of resources.

More positively, the six sample spot-check reports reviewed did meet the HACT requirements, as they included detailed procedures, approved FACE forms,²² sample expenditures and related findings and recommendations.

Follow-up: The office had no formal mechanism to record all medium and high-risk assurance findings and systematically monitor their status and implementation. The HACT focal point shared findings and followed up individually with programme sections, who in turn liaised with the partners on the action plan and implementation status.

The audit selected three sample partners with 11 medium risk and four high-risk findings. It found that all 15 findings had been followed up by office. However, for one partner with one high-risk and three medium risk findings, the office accepted the status update as implemented from the partner without any verification. In addition, two high-risk and three medium-risk findings from an audit report in October 2018 had not been implemented, despite several meetings with, and communications from, the office; despite these, the partner had not prepared an action plan to address the recommendations. The office cited challenges due to changes in Government structures, and leadership and management transition within the partner.

²² The Funding Authorization Certificate of Expenditure (FACE) form is used by the partner to request and liquidate cash transfers. It is also used by UNICEF to process the requests for and liquidation of cash transfers. The FACE forms should reflect the workplans, which set out the activities for which funds are being requested, or on which they have been spent.

The audit also noted that, for one low-risk partner with total cash transfers of US\$ 226,000 in 2018, a spot check had significant negative findings – but there were no enhanced assurance activities in 2018 or 2019. Similarly, in 2018, one audit report for another low-risk partner had significant high-priority findings. However, the office appeared not to have reviewed the risk rating and assurance activities of this partner as a result.

The lack of formal recording and tracking mechanism may impede prioritization of high-risk actions. Also, the lack of verification of actions taken by the partner may mean there is insufficient assurance that the recommendations have been sufficiently addressed and that similar issues will not emerge again. The office plans to implement the eTools²³ Third-Party Monitoring and Auditor Portal at the end of 2019, and that will likely simplify the process to record and monitor the status of HACT assurance findings.

Capacity building: The 2018 capacity-building plan focused on one NGO partner and addressed the previous year's spot check and audit findings. However, there was no capacity-building plan for 2019, although there was another NGO partner, and also a Government partner, with significant negative spot-check or audit findings from 2018.

Agreed action 17 (medium priority): The office agrees to:

- i. Conduct new micro-assessments of partners after expiry of the previous one – or assume high risk for these partners, and document that decision.
- ii. Strengthen controls to ensure that assurance activities are sufficiently risk-based.
- iii. Improve quality control of programmatic visit reports.
- iv. Introduce a risk-informed approach to ensure that all high-risk, and key medium-risk, issues arising from HACT assurance activities are recorded, and that actions taken by the partner in response to those issues are adequate to mitigate the risk (verified and documented by the office).
- v. Draw up capacity-building plans for partners with significant negative assurance findings, or document the reason for not doing so for these partners.

Responsible staff members: HACT focal point; Deputy Representative Operations; Chief PM&E

Date by which action will be taken: December 2019-March 2020

Private Sector Fundraising (PSFR)

The Philippines is a lower middle-income country with increasing urbanization, a growing middle class, and a large and young population. The dynamic economy and enhanced purchasing power of the middle class creates ample space for UNICEF to raise funds from the private sector to support the office's programmes.

A new post of P4 Chief of Fundraising Unit had been created for the 2019-2023 country programme, and recruitment was close to the final selection stage. Moreover, in 2019 the office had established an integrated Communications-PFP Group to identify areas of collaboration and synergy in communications, advocacy and resource mobilization work. The office had also launched an in-house face-to-face fundraising programme, to reduce reliance on contractors for the acquisition of pledge donors. The office had recruited 27 in-house fundraisers.

²³ eTools is a suite of electronic aids to help office organize and streamline various processes, including HACT implementation. It is being rolled out office by office.

The audit reviewed the office's PSFR fundraising programme and noted the following.

Achievement of fundraising targets: In the PSFR strategic plan 2018-2021, the office sought to grow PSFR revenue from PhP273 million (about US\$ 5.3 million) in 2017 to PhP592 million in 2021. In 2018, the office raised a total of PhP275 million, 82 percent of the PhP334 million target for the year in the strategic plan.

For 2018, the office attributed the shortfall in individual donation to a four-month delay in contracting a manpower agency to hire face-to-face fundraisers. This was combined with a six-month delay in a UN office move, as well as delays in procuring a new digital agency and payment gateway. (By the time of the audit, all major contracts for PSFR had been finalized and were being implemented.) In addition, the two third-party fundraising agencies had missed their 2018 targets. The office used other funding sources to close the gap between actual and target in fundraising in 2018. In 2019, the office is expected to raise PhP309 million, below the PhP330 million estimate on 18 February 2019 and PhP397 million target in the strategic plan.

The CMT had prepared a three-year funding gaps and funding strategy in June 2019. The audit noted that it had maintained the 2020 and 2021 targets, implying a 63 percent and 91 percent increase from projected total 2019 income as of 30 June 2019. However, these 2020 and 2021 targets may no longer be realistic, given the actual achievements in 2018 and in 2019 to date. The office and the PFP Regional Support Centre were due to meet in September or October 2019 to draft a revised 2020-2023 PFP budget plan.

Overly optimistic revenue targets may drive up cost budgets, including staffing costs, to a level that may not be sustainable when the targets are not met; this could reduce net funding contributions to the programmes.

REDACTED

REDACTED

Agreed action 18 (medium priority): The office agrees to:

- i. In consultation with relevant headquarters divisions/office, accelerate fundraising initiatives underway and fix fundraising targets that can be achieved.

REDACTED

Responsible staff members: PFP Section Chief; ICT Unit/OIC; PFP Digital Fundraising Associate

Date by which action will be taken: March 2020-December 2020

Procurement

The audit reviewed aspects of the office's procurement of goods and services. It noted the following.

Segregation of duties: UNICEF Financial and Administrative Policy 1: *Internal Controls* states there must be reasonable Segregation of Duties to minimize the risk of, and promptly detect, errors and fraud.

The release of a purchase order (PO) confirms the intention of UNICEF to procure goods or services, creating a legal commitment of UNICEF to a third party. A PO Releasing Officer role is responsible for confirming in VISION that the appropriate procurement processes have been followed. The staff member so assigned must therefore be independent from the requesting office or those managing the contract.

Under the current Table of Authority (ToA), four staff members have level L2 PO Releasing Officer roles in VISION; they are the HR manager, HR officer, Supply Chief and Supply Officer. The HR manager and HR officer approve consultant contracts and POs under US\$ 50,000 and the Supply Chief and Supply Officer approve institutional contracts and POs under US\$ 50,000.

In the procurement of goods and services, Supply Section is involved in sourcing, solicitation, development of ToR, receipt and opening of bids submissions, contract negotiations. In the recruitment of consultants, HR is involved in sourcing, long listing, reference checks, fee negotiation, and verification that the selection process is in compliance with UNICEF procedures. In both cases, the four assigned L2 PO Releasing Officers are not independent, as HR and Supply Section are fully involved in the procurement process of goods and services and recruitment of consultants.

In 11 cases out of 12 consultancies under US\$ 50,000 reviewed by the audit, the consultant contracts were signed and approved by the HR manager or, in their absence, by their officer in charge (OIC). In three cases, consultant selection was reviewed and signed by the same HR manager or OIC who approved the contracts. To ensure proper segregation of duties, the consultant contracts and institutional contracts should be signed by a party independent of the procurement process, such as a Deputy Representative.

Receipt of electronic bids: The UNICEF supply manual requires the security of bids received and that bids are not opened before the bidding deadline. The office used a separate email address to receive bids from Requests for Proposal and Invitations to Bid. The email was only accessible to the Supply Officer. However, once the bids were received, without any password protection, they could be opened at any time by the Supply Officer before the deadline passed.

Agreed action 19 (medium priority): The office agrees to:

- i. Reassess the assignment of L2 Purchase Order (PO) Releasing Officer roles and mitigate the segregation-of-duty risk.
- ii. For receipt of bids, use a separate email address that is not accessible to the Supply Section, in order to reduce the risk of any information being revealed about the bids received, including names of bidders and number of bids. Financial proposals, as a minimum measure, should always be password protected.

Responsible staff members: Representative; Deputy Representative Operations; OIC Supply unit

Date by which action will be taken: March 2020-June 2020

Annex A: Methodology, and definition 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 clients 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 client's own (for example, a regional office or headquarters 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.