Internal Audit of the Jordan Country Office

June 2019

Office of Internal Audit
and Investigations

Report 2019/08

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Summary

The Office of Internal Audit and Investigations (OIAI) has conducted an audit of the Jordan Country Office. The audit team visited the office from 11 to 29 March 2019, and the audit covered the period from January 2018 to March 2019.

Jordan hosts nearly 3 million non-Jordanians, including 1.3 million Syrians, of whom 656,000 were registered as refugees as of February 2017. Despite Jordan's middle-income status, poverty remains a national challenge for families and their children.

UNICEF's 2018-2022 country programme has six main programme components: *Health and nutrition*; *Education*; *Child protection*; *Adolescents and youth*; *Water, sanitation and hygiene (WASH)*; and *Social protection*. There is also a cross-sectoral component. The major components are *Education*, *WASH* and *Social protection*. The UNICEF country office is in Amman; there is one field-office in Ruwayshid. The office has 159 approved posts (39 international professionals, 60 national officers and 60 general service posts). There were also 69 temporary posts. All staff in the field office (15) were on temporary posts. The office's budget for 2018 was US$ 208.7 million (including funding for the ongoing emergency).

The audit found a number of areas where controls were functioning well. There were adequate systems for cash-flow management and budget monitoring. There were also effective controls over the procurement of goods and services, which was conducted on a competitive basis. In general, the office had complied with the requirements for direct cash transfers and assurance activities. There was a process in place to ensure the quality and timeliness of donor reports, and in 2018 the country office had submitted all required donor reports by their due date.

All staff members had completed the mandatory course on Prevention of Sexual Exploitation and Abuse (PSEA). Additionally, clauses on child safeguarding, including PSEA, were added to existing Programme Cooperation Agreements (PCAs) to ensure that partners had policies for the protection and safeguarding of children. Finally, training of trainers was conducted for all implementing partners on PSEA, child safeguarding, and the relevant code of conduct.

Action agreed following the audit

The audit also identified areas where further action was needed to better manage risk to UNICEF activities. None are rated as high priority – that is, to address issues requiring immediate management attention.

Conclusion

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

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Background

Jordan hosts nearly 3 million non-Jordanians, including 1.3 million Syrians, of whom 656,000 were registered as refugees as of February 2017. Despite Jordan's middle-income status, poverty remains a national challenge for families and their children and becomes more pronounced the farther a governorate is from the capital, Amman. Further, a 2017 vulnerability assessment found that more than 80 percent of refugees live below the national poverty line. Critically, a significant proportion of people struggle just above the poverty line, underscoring the importance of focusing on the development of lower-middle-income groups to prevent them from falling into poverty; up to 50 percent of Jordanians work in the informal sector, further underscoring their vulnerability.

UNICEF's 2018-2022 country programme has six main programme components: *Health and nutrition*; *Education*; *Child protection*; *Adolescents and youth*; *Water, sanitation and hygiene* (WASH); and *Social protection*. The major components are *Education*, *WASH* and *Social protection*.

The Education programme aims at system strengthening through training of teachers, enhanced school supervision and leadership, and other mechanisms. It focuses on expanding and rehabilitating learning spaces in highly vulnerable areas, to increase access to early and basic education for all girls and boys between the ages of 5 and 18. The WASH programme provides affordable and sustainable water and wastewater systems through the construction of networks in refugee camps. The Social Protection programme improves social policies and programmes for vulnerable girls and boys, and helps vulnerable households with children acquire knowledge and skills and gain access to basic services.

Audit objectives and scope

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.

The audit focused on the three major programme components: Education, WASH, and Social Protection.

Audit observations

Risk management

UNICEF country offices should manage risks to the implementation of programmes in a structured and systematic manner. The organization's Enterprise Risk Management (ERM) policy is currently being revised, but it requires offices to perform an annual risk assessment to identify, assess and manage risks that threaten the achievement of results. The assessment should include a mitigation plan for each significant risk.

The office had updated its risk assessment, which defined the root causes and impacts for each risk. The action plan included assigned responsibilities, timelines and indicators for completion. However, for some high risks identified, the mitigation measures were not sufficiently relevant to the risks' root causes. Examples of these risk areas included waste and misuse of resources, funding and external stakeholder relations, governance and accountability, and human resources.

In particular, the office had identified its inability to secure adequate resources for programme priorities as high risk; inability to achieve resource mobilization[1] targets could mean untimely cessation of certain activities and termination of partnerships. However, as indicated later in this report (in the observations on resource mobilization and partnerships), the mitigation measures chosen appeared to be inadequate and ineffective. Further, the office risk assessment did not include specific emerging risks, such as those associated with rationalization in the event that a large portion of the programme is not funded. The audit also noted that the risk profile did not reflect the escalation of this risk as part of the mitigation measures, although the office had approached NYHQ and MENARO on this area in 2018.

Agreed action 1 (medium priority): The office agrees to reinforce oversight over risk management so that there are clear linkages between the root causes of identified risks and the planned mitigation actions; and to ensure that it takes into account emerging risks and their implications for achieving results and reporting.

Responsible staff member: Deputy Representative – Operations
Date by which action will be taken: August 2019

Annual work planning

In 2017, the office prepared a multi-year workplan for 2018-2020 and obtained the Government's approval the 2018 and 2019 workplans. The workplans included results at outcome and output levels, performance indicators, timeframe, baselines, country programme and annual targets and budgets. There were also protocols to the multi-year workplan that described the Government's contributions, as well as operational arrangements and reporting requirements. These protocols had been signed by UNICEF and, on behalf of the Government, by the Ministry of Planning and International Cooperation (MoPIC).

[1] While the terms "resource mobilization" and "fundraising" are often used interchangeably, the former is slightly broader; although fundraising is its largest single component, it also includes mobilizing resources in the form of people (volunteers, consultants and seconded personnel), partnerships, or equipment and other in-kind donations.

However, the audit noted that, for the 2018 workplan, the letter from MoPIC confirming agreement with the workplan was signed in July 2018, which was late.

The audit also noted that there were differences between the results defined in the protocols and those in the country programme results framework. Examples included different age definitions and performance indicators, and in one case the output result was completely different. At the time of the audit, the office was reviewing the results monitoring framework and the indicators/targets. It also said there had been discussions with the regional office regarding adjustment of the country programme results framework before the mid-term review.

The specific implementation periods (quarters or months) were not always clear in the workplans, as it gave them on a yearly basis although some took place in certain quarters and not in others. The audit appreciates that it is sometimes very difficult to predict the exact implementation periods for some activities during the planning process; however, those for activities such education that are normally performed during a given time of the year were also not indicated. (Dates were sometimes given in the protocols when not in the workplans themselves.) The audit also noted that the 2019 workplan was based on the global standard UNICEF template, which requires a quarterly implementation plan; however, the office considered the protocols as micro-planning documents that did not need to conform to this. There were thus inconsistencies between the workplans and protocols on the timing of activities.

There were also differences between the budgets in the signed workplans and those in the signed protocols. For example, the budget in the signed workplan for Education in 2018 was US$ 65.8 million and the budget in the protocol related to the MoE was US$ 44.1 million. Similarly, the 2018 budget in the protocol related to the Ministry of Social Development (MoSD) was US$ 15.2 million and in the 2018 workplan it was US$ 46.2 million.

In response to the draft of this report, the office stated that the protocols, which are unique to the office, are strategic documents and hence need not be aligned to other planning documents, and that in any case it is not always practicable to do so. The office did not agree that further action was necessary, effectively accepting the risk of inaction. In view of this, the audit suggests that the office ensure non-alignment between these documents does not negatively impact on the achievement of desired results.

Resource mobilization

The budget for the country programme was US$ 211.9 million, of which US$ 5 million were core resources provided by UNICEF; these are called regular resources, or RR, and are not earmarked for a specific purpose. The remainder was other resources, or OR, and like other offices the Jordan Country Office is expected to raise these itself. The planned OR requirement for 2018 was US$ 52.8 million (for the regular country programme; this excluded emergency funding).

OR contributions are usually raised from donors against a specific activity or programme, and may not always be used for other purposes without the donor's agreement. Sometimes an office will be more successful raising OR for one programme component than it is for others, so it is not unusual for one part of a country programme to be underfunded while another has what it needs. Country offices must therefore plan resource mobilization very carefully, especially if they have an emergency for which the resource demands may change at short intervals.

In emergency situations, an office can also raise other resources – emergency (ORE). The office had a large emergency requirement in addition to the budget for the regular country programme, so the total budget for 2018 came to US 208.7 million.

The country office had developed a 2018-2022 resource mobilization strategy to finance its activities as it shifted from the immediate emergency response towards resilience building and system strengthening. It had also prepared annual resource mobilization/partnerships action plans for 2018 and 2019. However, the audit noted that the resource mobilization strategy and the action plans did not contain specific actions to address identified programme priorities. There were persistently high funding gaps and ratio of earmarked to unearmarked funds, as shown in Table 1 below.

Table 1: *Funding trend 2016-2018 (US$ million)*

Year	2016	2017	2018
Funding received	187.6	125.14	146
Budget requirements	228.2	278	208.7
Deficit	**(40.6)**	**(152.9)**	**(62.7)**

Source: Vision data

The shortfall was also cross-sectoral as there were significant funding gaps for almost all programme components, as shown in Table 2 below.

Table 2: *Funding gap by programme, 2018 (US$)*

Outcome	Planned	Allocation	Unfunded	% unfunded
Programme effectiveness	8,882,108	3,324,233	5,557,875	37%
Health and nutrition	7,366,272	6,191,136	1,175,136	84%
Education	61,960,895	34,304,014	27,656,881	55%
Child protection	13,112,895	8,037,800	5,075,095	61%
Water, Sanitation and Hygiene	45,008,362	25,109,265	19,899,097	56%
Social protection	55,204,657	29,609,127	25,595,530	54%

Source: Vision data

Overall, the funding gaps and lack of information for proper planning had constrained implementation. The office told the audit that, due to funding constraints, it had difficulties attracting and retaining qualified staff and maintaining viable partnerships to implement planned activities. In 2018, a number of activities were implemented late or not all because late or lack of funding. For example, according to the 2018 RAM,[2] several output indicators related to WASH were only partially achieved due to unpredictable funding.

In discussion with the audit, the Division of Financial and Administrative Management (DFAM) stated that it had proposed the funding the direct programme support costs of country offices with limited institutional and regular resources and large OR-funded programmes. The proposal required funding for three years from 2018 to 2021; however, DFAM obtain approval

[2] The RAM is the Results Assessment Module, an online portal to which UNICEF offices upload their results and through which they can be compared across the organization.

for only one year (2018), with a plan for UNICEF senior management to consider similar requirements periodically as necessary.

The discussion with DFAM, in the audit's view, underscored the global funding constraints and the need for improved planning. The audit notes that the establishment of realistic resource mobilization targets, with concrete actions to meet such targets, and improved prioritization, are key alleviating funding constraints and ensuring that all planned programme outputs are developed. These are principal responsibilities of country offices, which, if discharged properly, will eliminate the need for DFAM to constantly look for funding solutions for specific offices.

Agreed action 2 (medium priority): The office agrees to update its resource mobilization strategy by establishing realistic resource mobilization targets, taking into consideration historical trends, and by including specific actions – with appropriate resources allocated – to attract funding for programme priorities.

Responsible staff member(s): Chief of Partnerships and Deputy Representative
Date by which action will be taken: September 2019

Staffing structure

The 2012-2017 country programme grew from US$ 41 million in 2014 to over US$ 250 million in 2017 as the office focused on providing life-saving assistance to the influx of Syrian refugees in Jordan. Due to the prolonged Syrian crisis, the office decided to begin shifting its attention the most vulnerable children, resilience building, and strengthening national capacities and system. Accordingly, in the 2018-2022 country programme management plan (CPMP),[3] the office proposed to establish 215 posts.

However, the office later recognized that this was not achievable, primarily due to funding shortages and an unusual delay in some major donors meeting their commitments (see observation *Resource mobilization*, above). The office now has 157 approved posts and, as part of its PBR,[4] is considering a further reduction of 34 positions. As the office is aware of this situation and is looking at how best to deal with it, the audit is not making a recommendation.

Partnership management

In 2018, the office started to shift from humanitarian work towards resilience building and system strengthening to enhancing national and local ownership of programmes. This included rationalization of its partnerships, starting to phase out the international partners and investing in, and scaling up, Government and national partnerships in the most vulnerable locations.

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[3] When preparing a new country programme, country offices prepare a country programme management plan (CPMP) to describe, and help budget for, the human and financial resources that they expect will be needed.

[4] 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.

The audit sought to establish whether there were adequate mechanisms to ensure the partners selected were fit for purpose, and whether the change of emphasis was orderly, had minimal impact on the most vulnerable, and did not damage UNICEF's reputation regarding its relationship with implementing partners.

The country office had a Partnership Review Committee (PRC), which vetted partnerships and made recommendations to the Representative for their establishment. A review of its terms of reference, and selected minutes of its deliberations, confirmed that it was fulfilling its mandate effectively. However, the audit also noted the following.

Exit strategy: The audit found that the phasing out of previous partnerships had been generally orderly. The office had established a strategy for phasing out of previous partnerships in December 2018.

The office also had a WASH host-community strategy; this outlined how it would minimize the impact on vulnerable children and their families from the shift to local partners and contractors. The office had progressively reduced the cost of service delivery while simultaneously increasing the quality and sustainability of the services. Between May and July 2018, the country office held several technical meetings with partners to discuss the programme rationalization and exit strategy.

In separate meetings with the audit, five partners, including two ministries, two international NGOs and one local NGO expressed overall positive views on their partnerships with the office, while acknowledging that the funding constraints it faced had affected implementation of their activities. The two international NGOs partners visited confirmed that they were informed in advance during several meetings with the country office of the rationalization process. However, one partner told the audit team about an instance where the country office asked it to transition its activities to another partner within a month. In another instance, the office had asked the same partner to take over another partner's activities at short notice, only to hand over the same activities to a third implementing partner to save costs.

Another partner said that, after signing a PCA and programme document covering the period from March 2018 to February 2019 and adjusting its budget in June 2018, it was told by the office that the project would completely close by August 2018. As a result, the beneficiaries did not have access to alternative services for six months and the partner had had to terminate contracts of staff assigned to the project on short notice. This situation had occurred because the funds pledged by a major donor for the activity had not been received when expected – one of the emerging risks referred to earlier in this report (see observation *Risk assessment*, above).

Programme reviews: UNICEF programme policy requires annual review of partnerships to ensure they are getting results for children. As part of the rationalization exercise, the office had reviewed all of its programmes as part of the annual review in November 2018. The review focused on lessons learned and possible adjustments to the rationalization process and the programme priorities for 2019. However, the review did not include key implementation partners.

Also, the annual review report did not contain details on results reporting and it did not assess results achieved against planned results. The office stated that, at the annual review, results were assessed against plan, and that this was reflected in the annual review presentations. However, the assessment was not in the report.

Agreed action 3 (medium priority): The office agrees to include key partners in annual programme reviews.

Responsible staff member: Chief PM&E
Date by which action will be taken: 31 November 2019

Social cash transfers

UNICEF's work on humanitarian cash transfers is intended to help meet immediate needs of identified beneficiaries, strengthen national social protection systems, and boost local economies. Beneficiaries are targeted based on needs and vulnerabilities, and are entitled to the benefit for the entire school year regardless of whether or not the child is in school. The country office had one main cash transfer programme, the Hajati programme, and two pilot programmes, Kindergarten and Mobile Money. In 2018, cash transfers under the Hajati Programme totalled $8 million and under the pilot Mobile Money and Kindergarten programmes they were $166,000 and $19,000 respectively. The audit sought to confirm that there were adequate and effective mechanisms for identifying those that need the help under the Hajati Programme, and that the help was reaching them.

The Hajati programme is a UNICEF initiative aimed at protection of vulnerable children through integration of cash grants with a package of social services. It is unconditional cash-based assistance, meant for the most vulnerable children from age 6 to 15, to ensure they have access to education. Under this programme, the office makes a monthly payment of 20 Jordanian Dinars (equivalent to US$ 28) per Syrian refugee child. For the school year 2017-18, it covered nearly 56,000 vulnerable children from over 20,000 households; however, this was later reduced to 10,000 due to funding constraints for the school year 2018/2019.

The targeting methodology for the cash-transfer programmes was clearly documented and there were mechanisms to ensure the integrity, accuracy and completeness of the list of beneficiaries. An audit walkthrough of the process from the identification of beneficiaries to the payment of benefits, done using payments made in December 2018/January 2019, found there were effective controls in place to ensure the completeness and accuracy of the beneficiaries list. Meanwhile payments were made to beneficiaries using iris scan technology or cards at automated teller machines, providing reasonable assurance that payments went to the right payee. The country office used a number of mechanisms to obtain feedback from beneficiaries. These included family visits, SMS surveys, post-distribution monitoring and helplines. In some instances, third parties were used to obtain feedback. The audit team's discussions with beneficiaries found they knew how to provide feedback or make complaints.

However, an evaluation of the Hajati programme conducted by a contractor in June 2018 found that families were not enrolling their children in kindergarten even though they were receiving the benefits under the programme. Based on these results, the country office was piloting a Hajati activity targeting 500 households with children aged 3-5. The pilot will run for the 2018/2019 school year.

The office told the audit that, after the pilot, a post-distribution monitoring evaluation would be conducted to assess its impact and feasibility. The findings of the evaluation will be used as advocacy information for fundraising, and to encourage the Government to implement a similar programme. However, this evaluation was not included in the office's integrated monitoring and evaluation plan, or in the annual workplan.

Agreed action 4 (medium priority): The office agrees to include the post-distribution evaluation of the pilot programmes in the integrated monitoring and evaluation plan and the annual workplan, and ensure the evaluation is conducted.

Responsible staff members: Monitoring and Evaluation, Social Protection and ECD officers
Date by which action will be taken: November 2019

Cash transfers to implementing partners

Direct cash transfers (DCTs) represented the largest programme expenditure, at US$ 75.6 million (or 50 percent) of 2018 programme spending. There were 51 implementing partners at the time of the audit. The total DCT balance in 2018 was US$ 75.8 million (compared to US$ 102.4 million in 2017), with 81 percent going to NGOs and 19 percent to Government partners. According to the micro-assessments under HACT,[5] 11 partners were rated high risk, five medium risk and 35 low risk.

The audit selected a sample of nine partners with advances pending liquidation, totalling $27.4 million. All advances were supported by the required FACE forms,[6] which had been signed by the partners' authorized personnel and were approved by the designated staff of the UNICEF office and related itemized cost estimates. The audit also confirmed that, as required, the office had determined the amount of cash transferred based on the partners' respective risk profiles. The audit is not making a recommendation in this area.

Assurance activities

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 in which office carry out micro-assessment to determine the financial and procurement management capacities of particular partners, and use the results to determine amount and frequency assurance activities. The latter include programmatic visits that assess progress of activities and report any constraints, spot checks of the partner's financial management, and audits. There are also other monitoring and assurance activities that are not part of the HACT framework, but are also widely used by offices; these include periodic programme reviews and field monitoring.

The audit noted the following.

Annual planning of assurance activities*:* For 2018, the office had planned to implement 127 assurance activities based on the partners' risk profiles and the amounts of cash transferred or expected to them during the programme cycle. The plan included all assurance plan

[5] HACT is the Harmonized Approach to Cash Transfers – see following observation.
[6] 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.

included the minimum number of activities required under HACT and, in 2018, all 127 planned assurance activities were completed.

However, the assurance plan was based solely on HACT requirements and was insufficient to the meet the actual assurance needs of the country office. These should be defined not only according to HACT criteria, but by those included in the programme documents that underlie each partnership, as these are detailed and specific. They may also be more recent than the micro-assessment, which is only required every five years. For the sample of nine partners reviewed by the audit, the number of assurance activities required by the programme documents was 41, against the 28 required under HACT and included in the assurance plan. Also, programmatic visits required by the programme documents were not included in the assurance plan.

Spot checks: Spot checks review the partner's financial records to verify that payments reported in the FACE forms are supported by relevant evidence. In 2018, 21 of the 41 spot checks were conducted by an international accounting firm. Both the checks done by UNICEF office staff and those done by the firm were governed by the procedures established by UNICEF's Field Results Group (FRG).

Using the same sample of nine partners used for testing cash advances (see previous observation), the audit confirmed that the office had made sure there were adequate and relevant supporting documents, such as valid evidence of the receipt of goods and services, before liquidating advances or reimbursing expenditure. The spot-check reports identified important deficiencies that needed to be addressed. They also included a follow-up by the country office on the implementation of recommendations made in previous spot checks. However, the two spot-check reports prepared by the office's own staff included observations but no recommendations. Another three reports (by staff and the firm) included recommendations but lacked concrete plans for their implementation.

Programmatic visits: Programmatic visits are meant to assess progress towards the achievement of planned results. In 2018, the office conducted 86 such visits. Using the same sample of nine partners, the audit reviewed whether the office had systematically assessed progress towards results.

Three of the visit reports had compared the planned outputs to the actual results achieved by the partner and also confirmed that the visits had followed up the implementation of action points identified during previous field visits. Only four reports included recommendations with specific implementation deadlines, while six other reports included recommendations with no implementation deadlines.

Audits: These are conducted by third parties for partners in receipt of at least US$ 500,000 a year during a programme cycle. As 2018 was the first year of the country programme, it was not yet clear how many partners would reach this threshold, so the office had so far commissioned an audit of only two partners. The audits were conducted by an international accounting firm.

Use of third-party service providers: Since 2014, to supplement its internal resources, the office had used the same third-party service provider, a well-established firm, to conduct some of its HACT-related assurance activities under a Long-Term Agreement (LTA) established locally. In 2018, the office used the firm to conduct 27 assurance activities, including 21 spot checks, five micro-assessments and one audit, at a cost of US$ 39,000. The LTA required the firm to conduct the assurance in accordance with the standard procedures in the HACT terms of reference (ToR) established by FRG. The office had conducted annual reviews of the LTA and the firm provided monthly progress reports on the status of the activities conducted.

However, the audit noted there was inadequate oversight of the quality of the firm's outputs. The HACT reports (spot checks and audits) were discussed with the partner in question and shared with the UNICEF's HACT staff who were involved in the follow-up. Further, the office stated it was conducting reviews of the firm's reports before they were finalized. The initial review of the report is done by the HACT Associate or the HACT Officer and cleared by the Operations Manager (HACT/Quality Assurance) and in his absence by the Deputy Representative.

However, the office was unable to tell the audit specifically what it was doing to obtain adequate assurance as to whether: all procedures and conditions in the ToR and LTA had been performed; the firm was using the right quality of personnel on the assurance activities; the firm was maintaining adequate documentation of its work; junior personnel of the firm had been supervised and their work reviewed and approved at appropriate level of management within the firm; and whether all material deficiencies identified had been reported.

The office did not agree that further action was necessary, effectively accepting the risk of inaction. It reiterated that the firm is a renowned audit firm that has internal processes for quality assurance and it was reviewing the draft reports of the firm before they were finalized.

The audit appreciates that the relevant skills may not be available within the office; also, existing guidance may be inadequate for the office to obtain an acceptable level of assurance of the quality of work performed by third-party assurance providers. Therefore, OIAI will consider raising this issue in its report on its thematic audit of HACT, to be issued during the fourth quarter of 2019.

The audit also noted that the ToRs in the LTA were weak when compared to the ToRs for audits set out in the HACT guidelines. For instance, the LTA stated that: 'The Parties have agreed that UNICEF will have five days to inspect completed work.' However, the HACT ToRs (11.2.2) stated that the audit working papers and related documents should be available to the UN agency (in this case UNICEF) and should be kept by the auditor for a minimum period of seven years after the report was issued. The LTA also did not require the firm to comply with UNICEF general terms and conditions, which state that: 'All …documents and all other data compiled or received by the Contractor under this contract shall be the property of UNICEF, shall be treated as confidential and shall be delivered only to the UN authorized officials on completion of work'. Again, OIAI will consider raising this issue in the report of the thematic audit.

The audit also found potential issues (including conflicts of interest) with the over-reliance on one contractor, especially where it had conducted the micro-assessment of a given partner as well as the spot checks and audits of that partner. Diversification of the third parties in the conduct of assurance activities might provide more checks and balances. The office did state that there had been instances when the micro-assessment rated a partner low risk, and issues were subsequently found which could have been detected earlier. It has now adopted the practice of staggering any spot checks, so that partners those partners checked by the third-party will be checked by the UNICEF staff the following time.

Field monitoring: The office had established independent field-monitoring teams that conducted visits to validate information and obtained feedback from beneficiaries, providing a more independent view of implementation. The office had also started looking at ways for programmatic assurance and field monitoring to complement each other, so that information from one would be easily available to the other. The two types of visit are organized by different parts of the office, the HACT team for one and the Monitoring and Evaluation section for the other, and there was no automatic sharing of information.

Assurance activity tracking: The country office maintained an assurance activity tracking sheet that compiled information and recommendations resulting from audits, programme visits and spot checks. It did not include the recommendation deadlines, where specified, for programmatic visit or spot checks. Neither did it record all the recommendations included in reports of programmatic visits or audits for all the implementing partners.

The office had been selected by FRG to implement UNICEF's eTools, beginning January 2019. This is an online platform with a suite of tools that can be used to keep track of various administrative tasks, including assurance activities. However, at the time of the audit, the country office had yet to start using some modules, including the one for recording recommendations. The audit also noted that there were no mechanisms in place to ensure the quality and completeness of the reports recorded in the system; one of the programmatic visit reports reviewed had been entered in eTools three times.

Agreed action 5 (medium priority): The country office agrees to strengthen programme assurance activities through the following steps:

i. Ensure that all observations from spot checks have appropriate recommendations to address the risk identified, with implementation timelines.
ii. Introduce appropriate mechanisms to ensure that programmatic visit reports assess results achieved against targets, and that all observations from spot checks have appropriate recommendations with implementation timelines to address the risks identified.
iii. Ensure the quality and reliability of HACT assurance activity data entered in eTools.
iv. Include in the annual assurance plan all programme assurance activities, both those required by HACT and by the relevant programme documents, and ensure completion of all such planned activities.
v. Implement appropriate mechanisms that ensure timely sharing and use of information by staff responsible for field-monitoring visits, HACT programmatic visits and spot checks.

Responsible staff members: Operations Specialist and Chief PM&E
Date by which action will be taken: July 2019

Agreed action 6 (medium priority): The office agrees to source additional third parties to conduct spot checks, especially for partners whose micro-assessments were conducted by the existing contractor.

Responsible staff member: Operations Specialist (HACT and Quality Assurance)
Date by which action will be taken: July 2019

Cash flow and budget monitoring

The audit reviewed the office's standard operating procedures and cash-flow projections, and interviewed finance staff. It noted that the office had a system for projecting its cash flows, maintaining a detailed scheduled monthly cash requirement forecast by section, based on previous needs. The forecasts were reviewed during the monthly CMT meeting. In 2018, actual cash utilization was within 81 percent of these projections, which compares favourably with other offices in the region.

The office also used a range of budget monitoring tools to inform its decision-making. These included monthly CMT dashboards, monthly DCT monitoring reports, and monthly housekeeping reports by sections. The monthly CMT dashboards highlighted the overall picture of the office indicators. At the start of each month, the budget officer also informed all the sections of the extent of DCTs that were pending (e.g. overdue for liquidation) by more than six months. Meanwhile the monthly housekeeping reports by the sections, and the follow-up meetings, reviewed and highlighted expenditures on key grants, uncommitted funds, funds utilization status and expiring funds, expired purchase orders and outstanding DCTs for each section.

The audit is not making a recommendation in this area.

Procurement

The office had SOPs on contracting for goods and services, and for contract management. The contract review committee (CRC) reviewed procurements where the value of goods and services was expected to exceed US$ 50,000. The CRC's composition, ToRs, minutes and training of its members were appropriate, and the audit's review of selected procurements suggested that the office's processes were adequate to secure best value for money.

The office had established its LTAs with suppliers based spend analyses and identification of recurrent requirements. Requests for bids were posted online and to the United Nations Global Marketplace, and shared widely with known vendors. There were competitive bidding and tender opening processes for each one. The supply and logistics section monitored the percentage of procurement services from single sourcing and LTAs, expiring contracts, and the aging of the warehouse stock on the monthly dashboards provided to the CMT.

The audit also noted the following.

Local procurement: The audit reviewed a sample of six local purchase orders (POs) above $50,000; together they amounted to US$ 632,980, or 48 percent of the total expenditures related to local procurement. Five of the six were processed from LTAs; the sixth had gone through a competitive bidding process and had been reviewed by the CRC.

The items from three out of the six POs were delivered by the expected delivery date. Delivery for two of the sampled POs was delayed, due to the products being not quite as specified in the contract, but this did not affect implementation. For the remaining PO sampled, there was a global delay from the supplier's distributor, of which the country office was aware. The main product was received on time, but two small items were not. Payment of the invoice was withheld pending the additional items. The other five POs were paid on time.

***Corporate contracts*:** The audit reviewed the 12 largest corporate contracts, which amounted to just over US$ 10.5 million, or 44 percent of the total expenditures related to corporate contracts. One contract was an internal transaction. All the others went through a competitive bidding process and were reviewed by the CRC. They were all signed by the designated staff member in the country office and by the vendor, and almost all included the required provisions. One contract omitted the provision related to the prevention of sexual exploitation and abuse and the child safeguarding policy, as it was signed prior to issue of the policy. The office confirmed that it would be included in future contract extensions.

The contractors' performances were monitored by designated focal points in the respective programmes, and performance evaluations were completed prior to contract extensions.

Individual contractors: The audit reviewed a sample of nine POs related to individual contractors; these amounted to just over US$ 262,000, or 51 percent of the total expenditures in this area. All contractors went through a competitive selection process and the selected candidates' academic qualifications, medical status, and references were checked. The hiring managers also ensured that deliverables were provided according to the contract terms, and contractors were paid as agreed.

However, while the office required evaluations at the end of each contract, there were three instances in which no performance evaluation was done before the contract was extended. The office just prepared a detailed note for the record justifying the extension of the contract. The lack of performance evaluation could lead to any poor performance by a consultant not being promptly identified. The audit also noted that in two contracts, the payment schedules in the contracts did not match the payment tables in the annexes. For example, the payment schedules required two instalments each, but the tables required one and four payments respectively.

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

i. Ensure that the payment schedules and payment tables match in all contracts.
ii. Ensure that a performance evaluation of the individual contractor is carried out prior to approving a contract extension.

Responsible staff members: HR Manager and Supply/Logistics Manager
Date by which action will be taken: May 2019

Annex A: Methodology, and definitions of priorities and conclusions

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

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

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

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

Priorities attached to agreed actions

High: Action is considered imperative to ensure that the audited entity is not exposed to high risks. Failure to take action could result in major consequences and issues.

Medium: Action is considered necessary to avoid exposure to significant risks. Failure to take action could result in significant consequences.

Low: Action is considered desirable and should result in enhanced control or better value for money. Low-priority actions, if any, are agreed with the country-office management but are not included in the final report.

Conclusions

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

[Unqualified (satisfactory) conclusion]
Based on the audit work performed, OIAI concluded at the end of the audit that the control processes over the office were generally established and functioning during the period under audit.

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

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

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