

Internal Audit of the Cameroon Country Office

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Office of Internal Audit
and Investigations



Report 2019/01

Summary

The Office of Internal Audit and Investigations (OIAI) has conducted an internal audit of the Cameroon Country Office. The objective of the audit was to assess the office's governance, risk management and internal control processes for the most important risk areas. The audit team visited the office from 5 to 20 November 2018, and the audit covered the period from January 2017 to October 2018.

The 2018-2020 country programme has five main components: *Child development; Child learning; Child protection; Safe and clean environment; and Social inclusion*. There is also a cross-sectoral component. The total budget is US\$ 114.9 million, of which US\$ 33.5 million is Regular Resources (RR) and US\$ 81.4 million Other Resources (OR). RR are core resources that are not earmarked for a specific purpose. OR are contributions that may have been made for a specific purpose or programme, and may not always be used for other purposes without the donor's agreement. The office is expected to raise the bulk of the resources for its country programme as OR, up to the approved ceiling. In cases where a country office faces a crisis, it may raise additional resources as OR (emergency) funding (ORE). In this case the office had an approved OR (emergency) ceiling of US\$ 25.5 million in 2018, in addition to the regular OR ceiling quoted above.

The Cameroon Country Office is in the capital, Yaoundé. It has three zone offices (Maroua, Bertoua and Douala). As of October 2018, the office had 133 approved posts, of which 37 were allocated to the three zone offices.

Cameroon's population was estimated at 22.2 million in 2015, of which 14 percent were under the age of 18.¹ Cameroon remains one of the least developed countries in the world. In 2018, Cameroon ranked 151 out of 189 in Human Development Index.² About 37.5 percent of the population live in poverty and about 10 percent are in the need of humanitarian assistance. An estimated 7,500 Cameroonians have been displaced internally and Cameroon is also host to an estimated 93,000 Nigerian refugees and 240,000 refugees from the Central African Republic.³

The audit noted several areas that were functioning well. The office had integrated its humanitarian response and its development activities in its workplans. It maintained a good working relationship with the UN Resident Coordinator and within the United Nations Country Team (UNCT),⁴ in which the UNICEF Representative led two inter-agency working groups (communication and resilience). The local staff association was active; management promoted staff participation and also gave priority to staff security and safety.

Action agreed following the audit

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

¹ See <https://www.unicef.org/cameroon/overview.html>.

² Human Development Index 2018.

³ See <http://www.worldbank.org/en/country/cameroon/overview>.

⁴ The UNCT is the joint meeting of all the UN agencies or bodies active in a given country, and is convened by the UN Resident Coordinator. Its terms of reference, and division of responsibilities with individual agencies, vary from country to country.

office agreed to take a number of measures to address these risks. Two are rated as a high priority – that is, they address risks that require immediate management attention. They are as follows:

- Revise the planning and quality assurance processes for preparation of workplans. Ensure that the cost centres assigned to the zone offices in inSight⁵ are fully operationalized, and establish a clear mechanism to ensure effective planning, implementation and monitoring of regional activities by the zone offices.
- Finalize the resource mobilization strategy to include both regular OR and ORE; clear accountability; fundraising targets; specific actions to address the underfunded programme areas; and strategies to maintain strong interaction with donors. The office will also include in the office's dashboard a key performance indicator to measure the funding status of programme outputs against established budgets.

Conclusion

Based on the audit work performed on the most important risk areas, 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 Cameroon Country Office, the West and Central Regional Office (WCARO), and OIAI will work together to monitor implementation of the measures that have been agreed.

⁵ insight (sic) is the performance component in UNICEF's management system, VISION (Virtual Integrated System of Information).

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Objectives

The objective of the audit was to assess the office's governance, risk management and internal control processes in the most important risk areas.

This report presents the most 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 in the process of the audit.

Audit observations

Risk management

UNICEF requires country offices to 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 the existing version requires that offices should perform an annual risk assessment (ARA) to identify, assess and manage risks that threaten the achievement of results.

The office had updated its risk assessment in March 2018 and identified 16 risks, of which two were rated high (security and misuse of funds by implementing partners); of the remainder, nine were medium and five low. The audit reviewed the risks rated as high and found the root causes of these risks were not clearly linked to the corresponding mitigating measures. Further, most mitigating actions were carried forward from the previous ARA; however, the office had not reviewed how adequate and effective they had been before including them again for the following year.

The audit also noted that some important risks to the achievement of the office's priorities identified in the annual management plans (AMPs) were not in the 2018 ARA – for example, a lack of sound technical expertise and financial resources, which the office included as key risks to the security and safety of staff in the 2018 AMP.

Agreed action 1 (medium priority): The office agrees to review and reinforce its risk management practices by:

- i. Incorporating key identified risks to the achievement of the office's priorities in the annual risk assessment, and ensuring the root causes of the risks are clearly linked to the corresponding mitigating measures.
- ii. Assessing the adequacy and effectiveness of mitigating measures that have already been implemented before including them again in the following year's annual risk assessment.

Responsible staff members: Representative, Deputy Representative, Chief of Operations and members of the Country Management Team

Target date for completion: 31 March 2019

Programme priorities

The office started a new country programme in 2018; it will end in 2020.

UNICEF's latest approach to country programme planning, introduced in 2016,⁶ requires country offices to prepare strategy notes when planning a new programme. Country offices can produce these notes for the entire programme or for one or more programme components, depending on the size and complexity of the planned programme. Strategy notes should present specific issues that will be addressed. They should include the rationale for their selection, according to criteria such as criticality, scale, UNICEF's comparative advantage, availability of resources and expertise.

The office prepared strategy notes for *Health, Nutrition, WASH, Basic Education, Child Protection and Social Inclusion*. The audit reviewed the strategy notes of Health and Basic Education programmes. It found that the notes could have better defined the prioritized issues and areas. In one case the priority issues were presented as causes (for example, *Inequitable distribution of budget; Social norms and harmful or negative practices*), and in another case, they were formulated as expected results (*Ensuring that families are aware of the importance of education for their children*). The links to the Situation Analysis⁷ were often not mentioned, and the rationale for the selection of programme priorities was presented in general and were not specific to each of those priorities. These issues could lead to a lack of clear focus on the most important areas for children and women. The office said that it had been using the new approach for the first time.

Agreed action 2 (medium priority): The country office agrees to further reinforce its strategy notes to ensure priority issues are clearly stated, including the rationale for their selection, analysis of root causes and any relevant links to key elements of the Situation Analysis.

Responsible staff members: Deputy Representative and Chief of Planning, Monitoring and Evaluation

Target date for completion: 30 September 2019

Work planning

UNICEF country offices develop workplans together with implementing partners. The workplans outline the activities to be undertaken to achieve the results set out in the Country Programme Document (CPD), and are expected to detail outputs, indicators, targets, baselines, activities to be carried out, the responsible implementing institutions, timelines and planned inputs from the partners and UNICEF. The workplans are used as a basis for programme disbursements, and can be either annual or multi-year; the Cameroon country office had chosen the latter, covering three years. These multi-year workplans (MYWPs) were signed by UNICEF's Representative and by the respective Ministers.

The audit noted that sectoral workplans (such as those for the education or health sectors) needed to reflect the specific needs at the central and regional levels. They needed to

⁶ Field Results Group's *Guidance on the development of Programme Strategy Notes* (FRG/GUIDANCE/2016/001, updated 18 May 2017).

⁷ The Situation Analysis, or SitAn, is a document describing the current situation of children and women in a country, and is prepared by the country office during a programme cycle to inform the design of the following cycle.

integrate regular programme and emergency activities in the selected priority areas of interventions, and respond to humanitarian needs from regions where the office did not have regular programme activities. It was also necessary to ensure sufficient consultation within the office itself (programme and field operations sections, and staff at the country and zone offices), and with partners at central and regional levels.

The office's guidance on work planning focused on overall working principles and general preparatory steps, and did not set clear milestones or timelines, or assign accountability for workplan preparation.

Two zone offices (Maroua and Bertoua) were responsible for developing regional workplans stemming from the office's MYWPs and the country office said that it used a checklist to review the quality of workplans. However, the audit did not find evidence of the quality assurance review that the office said it carried out. Baselines and targets were not always included in the regional workplans, or were insufficiently specific. This constrained the review of progress for each regional workplan, or assessment of their contribution to overall results. The consequences of these gaps are explained below.

Budgeting: There were discrepancies between the budgets in the workplans and the budget ceiling in the 2018-2020 CPD and the HAC⁸ funding requirement. For example, the budgets in the workplans for the *Child development* and *Child protection* programme components were respectively 21 percent (US\$ 13.5 million) and 36 percent (US\$ 3.8 million) higher than their respective planned amounts in the CPD and HAC. For the *Basic education* programme component, they were 50 percent lower. There was thus the elevated risk of not achieving planned results. Programme sections had not received sufficient technical guidance on how to establish budget estimates.

The funded portion of the signed MYWPs did not tally with the funds that were effectively available. For example, the budget flagged as available in the signed MYWP for *Child development* was US\$ 37.4 million, while the funds readily available in the system (inSight) amounted to only US\$ 15.4 million (i.e. 41 percent). Further, the office had no process for monitoring alignment of budget estimates with the approved budget ceiling in the CPD and the funding requirement in HAC. Again, this constrained the office's capacity to effectively estimate fundraising needs.

Zone offices: Zone offices are accountable for implementation of regional workplans. They were registered as cost centres in inSight to enable them to manage the funds allocated to their assigned responsibilities. However, the main country office did not allocate funds to the zone offices; instead, it transferred funds directly to implementing partners for the specific activities. The office said that the cost centres in inSight had not been used because the responsibilities delegated to zone offices had just been revised, and the necessary operational procedures had not been finalized.

Further, some programme sections of the country office established a schedule of activities to be implemented over a certain period or on an *ad hoc* basis by the zone offices. However, there was no established mechanism, and practices varied among programme sections. The audit was told that this had constrained zonal ownership and implementation of the regional

⁸ HAC stands for Humanitarian Action for Children. A HAC is an appeal that UNICEF launches for assistance for a particular crisis or emergency response, and will state how much UNICEF thinks it needs to raise for a given situation.

workplans. For example, as of November 2018, only 58 percent of planned activities were implemented in the two regions covered by the Maroua Zone Office.

Zone offices are also responsible for planning and carrying out field monitoring, to ensure funds are used for intended purposes and results are achieved in each region. This is a key delegated responsibility of these offices. However, field monitoring was also constrained as travel funds were not provided promptly to them by the country office.

Humanitarian response: The MYWPs included both emergency (humanitarian) and regular development programme activities. Humanitarian activities represented a significant proportion of the MYWPs. The 2018 HAC budget was US\$ 25.5 million. However, the MYWPs did not include emergency response-related outputs, because regular and emergency programmes were integrated. This integration in itself was a good thing, but had resulted in a lack of clarity, as it had constrained the office's capacity to report accurately on funds utilization. This was because the same programme activities could pertain to emergency and regular development programmes funded from different sources.

This also made it harder to ensure donor funds were utilized for the intended purposes, since funding is allocated at the output⁹ level and cannot be locked for specific activities/inputs in VISION. (The audit also noted errors in the coding of funding sources. For example, an amount of about US\$ 1.3 million had been received from a donor for emergency interventions, but was coded in the system as regular OR rather than ORE.)

Further, the office also implemented emergency activities in geographical areas outside the four priority regions (regular programme activities were taking place only in those four regions). The office said that it was not required to add these humanitarian preparedness and response activities in the workplans because the country programme was focused on those four regions. The audit found no evidence that these activities had been incorporated in programme outputs designed to integrate regular and humanitarian responses.

In 2018 the Field Operations section, which was responsible for oversight of all emergency programmes, had prepared a separate internal emergency action plan that referred to outcomes and outputs derived from the HAC that were different from the outcomes and outputs of the signed MYWPs. This action plan did not include targets. The audit could not find evidence of a process to ensure alignment to the HAC (for example, the planned budget for nutrition in this action plan was US\$ 1.25 million, against US\$ 5.05 million in HAC). Neither was there a structured process to monitor the action plan's implementation by the programme coordination group or the country management team. The office said that this action plan was an internal document that had not been validated by the CMT.¹⁰

⁹ UNICEF programmes plan for results on two levels. An outcome is a planned result of the country programme, against which resources will be allocated. It consists of a change in the situation of children and women. An output is a description of a change in a defined period that will significantly contribute to the achievement of an outcome. Thus, an output might include (say) the construction of a school or clinic, but that would not in itself constitute an outcome; however, an improvement in education or health arising from it would.

¹⁰ An office's country management team (CMT) advises the Representative on the management of the country programme and on strategic programme and operations matters. It consists of senior staff from Programme and Operations sections, and staff representatives.

The above was mainly due to insufficient technical guidance for planning and integrating emergency and regular development programme activities.

Agreed action 3 (high priority): The country office agrees to:

- i. Revise the work-planning process to include adequate consultation between sections and offices, clear technical guidance on budgeting and identification of emergency response activities.
- ii. Update the quality assurance process over the preparation of workplans to ensure the approved ceiling and the emergency funding requirement are adequately reflected in the workplans; that emergency activities established in the workplans are aligned with those in the Humanitarian Action for Children appeal; and that regional internal workplans are validated against the office-wide workplans.
- iii. Ensure the costs centres assigned to the zone offices in the UNICEF system (inSight) are fully operationalized. The office will also establish a clear mechanism to ensure effective planning, implementation and monitoring of regional activities by the zone offices.

Responsible staff members: Deputy Representative; Chief of Planning, Monitoring and Evaluation; Chief of Field Operations; Chiefs of Field Offices; and Budget Officer

Target date for completion: 30 September 2019

Resource mobilization¹¹

An office is expected to raise the bulk of the resources for its country programme as other resources (OR), up to the Board-approved ceiling. In the case of UNICEF Cameroon, this is US\$ 81.4 million, representing 71 percent of the total budget (US\$ 114.9 million) for the 2018-2020 country programme. Where a country office faces a humanitarian situation, it may also raise additional resources as emergency OR (ORE). The Cameroon country office had an ORE funding requirement of US\$ 23.7 million in 2017 and US\$ 25.5 million in 2018 to address the humanitarian needs of vulnerable children in Cameroon.

The office reported that the emergency funds collected in 2017 covered only 36 percent of funding needs, while the regular OR mobilized decreased by 31 percent compared to the previous year. The audit noted the following.

Funding gaps: In 2018, up to November, overall OR funding stood at US\$ 27.1 million. This included US\$ 8.05 million in ORE, which represented only 32 percent of the 2018 HAC funding requirement, and US\$ 19.05 million in OR, representing 68 percent of 2018 planned amount. The most affected programmes were *HIV/AIDs*, *Social inclusion*, *Programme effectiveness*¹² and *Basic education* with regular OR gaps of 94 percent, 90 percent, 63 percent and 53 percent respectively. Because of insufficient funding, several programme activities could not be implemented as planned, and the office had to use about US\$ 84,000 in RR to temporarily fund some salaries of staff on OR-funded positions.

¹¹ 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.

¹² This is the cross-sectoral component that covers essential support and infrastructure for programme activities in general.

The office used key performance indicators and the office's dashboard in inSight to monitor budget implementation during CMT meetings. However, the audit could not find evidence that the CMT had been reviewing progress in fundraising, including the funding status of programme outputs against established budgets.

Planning: The Field Operations section had drawn up a resource mobilization action plan, with the help of the regional office. However, the plan covered only the humanitarian resources (ORE) needed for 2018, excluding regular OR, and consisted mainly of identification of possible donors. It did not clearly indicate planned actions with timelines and responsible staff. Neither did it clearly demonstrate that the fundraising objective could realistically be achieved. In addition, this document took only into account the information available from the Field Operations section, and not from the programme sections. The office said the objective of this action plan was to maintain relationships with donors, identify their interests, and coordinate with relevant sections to write proposals. It also stated that this action plan had not been presented to the CMT for validation and was considered as an "aide-memoire" to mobilize ORE funds.

At the time of the audit, the office was also drafting a resource mobilization plan for the regular programme. However, the preliminary draft plan, which had not yet been examined by the CMT, did not identify the underfunded areas/outputs, and the specific fundraising targets and strategies to address the existing funding gaps in each underfunded area.

Responsibilities: The office accountability framework did not clearly describe the fundraising responsibilities of the country office as such. All programme and operation sections had assumed responsibilities in this area, but with a different understanding of their roles. Consequently, the operational and cross-sectoral costs were not adequately funded. This had also increased the risk that donors might receive different funding proposals from different staff.

Donor relationship: The office needed to sharpen its funding proposals and improve interaction with donors. A key donor told the audit that the needs assessments in the funding proposals were incomplete, and the links between the needs identified and the proposed responses were inadequate. The donor also commented that, following field-monitoring visits it had undertaken, it had shared recommendations, but the office did not always act upon them or send feedback. As a result, the donor repeated some recommendations after further field monitoring.

In other cases, the office informed the donor that some recommendations could not be implemented, but without supporting this response with evidence (according to the donor, other partners did implement those recommendations). The donor said that it would appreciate more information on progress for the funded projects to better understand the constraints to implementation and to work together with the office to find solutions.

Agreed action 4 (high priority): The office agrees to:

- i. Finalize the resource mobilization strategy to include OR (both regular OR and ORE), clear accountability, fundraising targets, specific actions to address underfunded programme areas that are not attractive to donors, and strategies to maintain strong interaction with donors.
- ii. Include in the office's dashboard a key performance indicator to measure the funding

status of programme outputs against established budgets.

Responsible staff members: Representative, Chief of Partnership, Advocacy and Communication, and Chief of Planning, Monitoring and Evaluation

Target date for completion: 31 May 2019

Programme results

UNICEF is committed to results-based management. The achievement of country programme results should be measured against appropriate indicators, and recorded in the UNICEF's results assessment module (RAM), which allows progress to be viewed across the organization. The audit reviewed the measurement of results, including the result statements reported in the RAM.

Two outcome results (*Health and Child Protection*) in the previous country programme (2013-2017) had been assessed as met in the RAM, even though most of their related output results were rated as constrained (four out of six for *Health* and four out of five for *Child protection*). Two outcome indicators were rated as fully achieved even though the progress status was less than the target by 27 percent and 21 percent respectively. Another output result was assessed as met although all related indicators were partially achieved. The office's quality assurance review process over results reporting in RAM did not detect inaccurate reporting on results achievements.

In the programme results matrix of the new country programme (2018-2020), the means of verification of the indicators were in some cases based on the Demographic and Health Survey (DHS) and Multiple Indicator Cluster Survey (MICS).¹³ These surveys are costly and complex sometimes, and results may take a long time to be released, while the current country programme has a duration of only three years. In addition, the means of verification of many other indicators were evaluations, surveys or Knowledge Attitude and Practice (KAP) studies. Even though the 2017 annual programme review noted the unavailability of data as one of the major constraint to measure progress against planned results, the office did not have a structured process to ensure that all these means of verification were planned for, to ensure the status of the related indicators could be subject to timely measurement when needed.

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

- i. Means of verification of key performance indicators are relevant, available and cost-effective.
- ii. Surveys or researches needed as means of verification are adequately planned and promptly implemented.
- iii. Achievements against planned results are accurately reported in the online results assessment module.

Responsible staff members: Chiefs of Programme Sections and Chief of Planning, Monitoring and Evaluation

¹³ The 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. 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. MICS is designed to provide internationally comparable data on the situation of children and women.

Target date for completion: 30 September 2019

Programme review

UNICEF offices should conduct an annual programme review jointly with key counterparts. The review assesses progress towards the achievement of planned programme results, identifies constraints, challenges and opportunities, and decides on corrective measures for the following year's workplans.

At the end of 2017, the office had conducted sectoral annual reviews with relevant counterparts for all programmes, and a consolidated review under the leadership of the Ministry of Economy, Planning and Regional Development and with key stakeholders. The sectoral reviews assessed progress against planned results, and highlighted the main challenges and lessons learned. However, the minutes of the programme review reported progress against planned activities rather than planned results, and the description of progress against each performance indicator was not specific. In many instances, the recommendations were not relevant to the challenges/constraints identified, or not specific. Further, the minutes of the annual programme review did not specifically address the root causes of the 10 constrained output results (out of 32) for 2017.

Agreed action 6 (medium priority): The office agrees to ensure the annual programme review with Government counterparts includes clearly documented information on progress against planned results, challenges and specific recommendations.

Responsible staff members: Deputy Representative and Chief of Planning, Monitoring and Evaluation

Target date for completion: 30 June 2019

Cash transfers to implementing partners

The office made direct cash transfers (DCTs) worth US\$ 18 million to 83 implementing partners, including 46 Government partners and 37 NGOs, for the period of January 2017 to the end of October 2018. DCTs were the second largest input of the country programme after procurement of goods and services. They comprised 27 percent and 22 percent of total expenditure in 2017 and 2018 (up to October) respectively.

To provide reasonable assurance that funds disbursed to implementing partners are used for the intended purposes, UNICEF and some other UN agencies have implemented the Harmonized Approach to Cash Transfers (HACT). This is a risk-based framework under which offices assess the risk attached to a partner and determine the most suitable type of cash transfer to be used, and the amount and frequency of assurance activities. The latter can include programmatic visits (which check that activities are in progress and report any constraints), spot checks of the partner's financial management, and audits.

The audit noted the following.

Assurance activities: The office had standard operating procedures (SOPs) for HACT and had assigned a focal point. The office rated the risk of funds not reaching intended beneficiaries as high. To mitigate this risk, the office carried out programmatic visits and spot checks and, as of the time of the audit, it was scheduling audits of selected implementing partners.

The office reported that it had completed 88 per cent of 98 of 112 planned programmatic visits, and 36 of 41 planned spot checks, from January to 6 November 2018. However, the office could not provide the audit with sufficient evidence of this. For instance, the audit team was not able to obtain relevant documentation supporting the assurance activities reported as completed for four out of eight sampled partners.

Further, while the CMT periodically monitored the performance of HACT assurance activities, it did so base on completion of field assurance work rather than final reports of assurance activities. The office said programmatic visits were considered completed after the end of fieldwork rather than after obtaining the signature or endorsement from implementing partners. The spot checks were also reported as completed before obtaining final reports from third-party service providers. According to the office, partners' signature of final reports was often delayed due to unavailability of authorized staff. However, the audit felt that there was insufficient basis or supporting documentation for reporting completion of assurance activities.

Spot checks and programmatic visits: The audit team reviewed nine sampled assurance reports, five from programmatic visits and four from spot checks. It found the quality of assurance work was good, and recommendations were properly followed up. However, there were delays in issue of spot-check reports. It took on average 7.5 weeks from the end of fieldwork to the finalization of reports endorsed by UNICEF, the assurance service provider and implementing partners.

The office had not set a standard time for finalization of reports. It said that the spot check reports were often delayed because of the need to obtain management responses from partners on the accuracy of observations and relevance of recommendations, and final endorsement from authorized staff. However, delayed issue of these reports could in turn delay implementation of measures to address any issues identified.

Responsibilities of zone offices: The office's SOPs showed that zone offices had a number of responsibilities including: capacity assessment and development of implementing partners; recording of implementing partners and their risk rating in UNICEF's VISION system; disbursements and liquidations (or clearance of cash advances through receipt of certificates of expenditures); assurance activities; planning, budgeting, monitoring and reporting; and review and update of the regional HACT implementation plan. However, in practice, only the preparation of the FACE forms¹⁴ was done by zone offices.

The office said that this was to better manage key regional programmatic and operational risks. As of the time of the audit, the office was planning to gradually help zone offices assume their assigned responsibilities.

Timeliness: Total refunds of unused DCTs from implementing partners amounted to US\$ 300,000, or four percent of total DCTs, as of the end of October 2018. The audit noted some delays in recording the refunds. Two out of four sampled refunds were recorded in the UNICEF accounting system four to seven weeks after the refunds were deposited in the UNICEF bank account.

¹⁴ 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 office said that the partners did not always inform the office of the deposit of the refunds to the UNICEF bank accounts. Further, the office took some time to identify the correct partners and receive proper supporting documentation before recording the refunds. Delayed recording of refunds could constrain their reallocation to other prioritized areas; it could also increase the risk of refunds to donors due to grant expiry.

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

- i. Use final reports from assurance activities as the basis for monitoring the completion of planned assurance activities reported to the CMT.
- ii. Establish mechanisms and standards to expedite finalization of spot-check reports.
- iii. Help zone offices to assume their assigned responsibilities.
- iv. Establish clear procedures to ensure timely recording of refunds of unused DCTs from partners. Ask partners to promptly inform the office of deposits of unused cash transfers, together with proper documentation to justify the refunds.

Responsible staff members: Chief of Operations, HACT Specialist, Chiefs of Programme Sections, Chief of Field Operations and Programme Specialists/Officers
Target date for completion: 31 March 2019

Procurement

The office prepared annual procurement plans for goods and services. In 2017, the value of all procurement of supplies and services was US\$ 28.5 million. From January to October 2018, it amounted to US\$ 25.1 million. The procurement of goods and services was the largest input of the country programme, representing 29 percent of expenditures in 2017 and 28 percent in 2018 as of October. The audit noted the following.

Timeliness: Only 31 percent of supply deliveries were completed by the agreed target arrival dates (TADs) in 2017, and 49 percent up to October 2018. The delays ranged from one to 180 days after the agreed delivery dates. Late delivery of supplies could delay the implementation of programme activities, or render the supplies obsolete or no longer needed.

According to the office, there were two main causes of late delivery of supplies: the suppliers did not deliver on time to the implementing partners; and/or the partners did not collect the procured supplies that were available for distribution to end-users. The latter occurred for several reasons, including unexpected changes in the distribution plans. The office also said that several TADs were not defined in the approved supply plan because it had had to be finalized at short notice as reported by the office. Where they were given, TADs were sometimes unrealistic. For example, some TADs had lead times of 30-60 days, but in practice – according to the office’s 2017 annual report – the overall lead time was 75 days for offshore procurement and 118 days for local procurement. The audit reviewed a sample of five supply transactions and found the TADs had been adjusted in four cases because they were unrealistic.

End-user monitoring: UNICEF offices should establish robust end-user monitoring to ensure programme supplies are appropriate, used for the intended purposes and delivered to the right beneficiaries. They should also have a mechanism to receive feedback from beneficiaries.

The office had a standard procedure for end-user monitoring. Its 2017 annual report stated that it had developed its first end-user monitoring plan in the second quarter of 2017, and

that it had implemented eight out of 16 planned joint end-user monitoring visits with programme and operations staff. In 2018, however, the office had decentralized end-user monitoring to zone offices. The audit found that one of the two zone offices had implemented only nine out of 24 planned end-user monitoring visits. The chief of the zone office concerned said that this was due to several factors, including late finalization of the end-user monitoring plan (June 2018), a travel ban in October for security reasons, and difficulty in reconciling the calendars of Supply/Logistics and Programme staff, compounded by R&R leaves.

The zone office shared end-user monitoring reports with the country office, but it did not get feedback, even though the reports raised relevant issues requiring action (including complaints regarding the quality of the supplies delivered to end-users). The country office said that the results of end-user monitoring visits carried out by Supply/Logistics staff were reviewed during joint working sessions between the main office and the two zone offices. These were expected to happen once every two months. However, only three of these joint sessions had taken place in 2018 up to October, and no action points had arisen from them.

Contingency stock: The office had updated its Emergency Preparedness Platform in inSight, in line with the new procedure that had been rolled out by UNICEF (effective 30 March 2018). However, this emergency preparedness was not always considered in the workplans of each programme component.

The office's supply plan included a contingency stock amounting to just over US\$ 839,000, with the specific type of inventory and the level to which it would be required for each programme section's response for each preparedness scenario. However, this contingency stock had not been ordered, and as of November 2018 it was unfunded. The office had not assigned responsibility for funding the contingency stock. Further, some contingency items were not flagged but were instead included in the supplies required for the regular programme.

Contract review: The audit reviewed a sample of five contracts for services, and found that they all included defined deliverables. However, in two cases the schedule of payments was linked to deliverables but not to a specific timeline, making it difficult to determine when payments were due. In another case, the schedule of payments was linked to deliverables and specific timeline, but the last deliverable was due two months after the expiry date of the contract. Contracts without a time-bound payment schedule increase the risk of delayed completion. In two sampled contracts, the deliverables were delayed beyond the expiry date. Moreover, these two contracts had not been extended, which created an additional risk of disputes and tasks not being performed. That could result in financial loss to UNICEF, in the absence of a legally binding contract.

In one construction contract, the completion of services was delayed by six months. However, although there was a clause on penalties for late delivery in the signed contract, it was not enforced. Similarly, there was a retention clause of 10 percent but this was paid with the last deliverable, instead of being withheld for one year after the completion of construction work. This clause was also not enforced by the office.

The audit also noted that evaluation reports for five sampled contracts were not kept in their respective files. This meant the office had not recorded the performance of the vendor in the vendor master database for future reference. For example, in the sample reviewed, one vendor was disqualified in two separate bids because of previous deficient performance. If

the Supply Unit had received the evaluations of this vendor and updated its records, the vendor would not have been invited to bid, or its offer would not have been considered.

Agreed action 8 (medium priority): The office agrees to:

- i. In light of recent experience and lessons learned, provide guidance, including criteria, for setting more realistic target arrival dates.
- ii. Revise the mechanism for end-user monitoring to ensure systematic involvement of programme sections, and ensure the results are used to improve the supply function and programme activities.
- iii. Include preparedness for emergency response in all relevant workplans, and clarify funding responsibility.
- iv. Ensure that any payment for agreed deliverables is time-bound in the signed contracts for services, and that all contractual clauses are enforced.

Responsible staff members: Deputy Representative, Chief of Operations, Chief of Field Operations, Chiefs of Programme Sections, Chiefs of Field Offices and Supply and Logistics Specialist.

Target date for completion: 30 April 2019.

Asset management

As of October 2018, the office recorded a total of 489 property, plant and equipment (PPE) items with an original total value of US\$ 1.7 million and a carrying value (after accumulated depreciation) of US\$ 863,000. The audit reviewed the information available in the VISION assets module and noted that 218 items lacked an acquisition value, 179 items had no inventory number, 221 items did not indicate the location and 103 items recorded a location that was not precise.

These discrepancies were mainly due to lack of established procedures for monitoring the completeness of PPE data, and insufficient oversight over the management of assets located in the zone offices. Inaccurate reporting in VISION constrained effective monitoring and safeguarding of assets. Further, the new custodian of the PPE database, who had joined the office in August 2017, had not received formal training in his responsibilities.

In October 2017 the office had contracted an external service provider to review the management of PPE, including a physical count. The review report included several recommendations to address significant risks regarding management of PPE. The office had not prepared an action plan to address the recommendations, but it prepared a status report during the audit fieldwork, and the audit found that action had been taken on some of the recommendations.

The office had a Property Survey Board (PSB) to oversee disposal of PPE and establish causes of loss or damage. The PSB, which generally functioned well, met four times between January 2017 and June 2018. The submissions to the PSB were complete and well documented. However, the office did not maintain sufficient records to monitor implementation of all previous PSB decisions.

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

- i. Provide adequate training to the custodian of the PPE database.

- ii. Implement a procedure to monitor the completeness and accuracy of PPE data.
- iii. Correct the inaccuracies noted during the audit and complete the implementation of the key recommendations arising from the external review of PPE management.
- iv. Establish a register to record PSB decisions, to enable effective monitoring of status of implementation.

Responsible staff members: Chief of Operations, Administrative Officer and Administrative Associate

Target date for completion: 30 June 2019

Annex A: Methodology, and definitions of priorities and conclusions

The audit team used a combination of methods, including interviews, document reviews, and testing samples of transactions. 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 act 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 country office's governance, risk management and internal controls were generally established and functioning during the period under audit.

[Qualified conclusion, moderate]

Based on the audit work performed, OIAI concluded at the end of the audit that, subject to implementation of the agreed actions described, the country office's governance, risk management and internal controls, as defined above, were generally established and functioning during the period under audit.

[Qualified conclusion, strong]

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

[Adverse conclusion]

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