Internal Audit of the Results Reporting by Country Offices

December 2019

Office of Internal Audit
and Investigations

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Summary

The Office of Internal Audit and Investigations (OIAI), as part of its 2019 annual workplan, has conducted the audit of results reporting in 12 of 128 country offices across all seven UNICEF regional offices and reviewed relevant instructions and guidance provided by concerned headquarters divisions/offices. The results of the audit have been reflected in our reports of the respective country offices. The present report highlights the most important risks and issues, which in OIAI's view, require attention and redress by relevant headquarters divisions/offices.

The audit sought to provide assurance on the reliability and integrity of information contained in country offices' annual reports (COARs) and their reports to the donors. The audit focused on the 2018 COAR and 2017-2019 donor reporting. As part of our risk-based annual work planning process, we had identified and assessed as high the risks to reliability and integrity of results reporting by country offices. This was mainly because of the sheer number of reporting requirements, the possibility that country offices may not have appropriate systems to fulfil these requirements and the possibility that noncomplete and inaccurate reporting may reduce donors' confidence and hence negatively impact on UNICEF's ability to adequately deliver results for children.

Background
UNICEF country offices report on the results of their programmes in their respective COARs, which are published. The COAR has two parts:

- A narrative component that highlights the major results achieved; and

- Responses to Strategic Monitoring Questions (SMQs) that are meant to gather data on progress towards the achievement of goals and implementation of change strategies in the UNICEF 2018-2021 Strategic Plan. Responses to SMQs are a major input to the Executive Director's Annual Report. For the 2018 COARs, there were over 500 SMQs.

UNICEF country offices also report to donors based on bilateral agreements established with them. These reports analyse and describe how contributions have been used and the related results achieved. In 2018 and 2017, such contributions represented 78 percent (US$ 5.2 billion) and 74 percent (US$ 4.9 billion) of UNICEF total revenues, respectively. There were 15 types of donor reports, and approximately 13,000 of these were due to donors during the period from January 2017 to December 2019 (as of March 2019). Progress and fund utilisation reports accounted for the majority of the reports. Typically, country offices prepare and issue reports directly to the donors and submit reports to other UNICEF offices for consolidation and issuance to the concerned donors.

Results of the audit and action agreed
The audit noted a number of areas where controls were generally adequate and functioning well. Of the 12 country offices covered, the audit found no need for further action in three offices as the relevant controls were assessed as generally adequate and effective to ensure the reliability and integrity of information contained in these offices' COARs and reports to the donors. The audit identified medium priority actions in seven country offices – these are actions that are considered necessary (but not imperative) to avoid exposure to significant risks and significant consequences. There were only two country offices in two regions that had high priority actions – these are actions that are considered imperative to ensure that the audited offices are not exposed to high risks and major consequences and issues. The audit also noted that:

- The UNICEF procedure for the preparation and submission of the 2018 COAR identified the accountability for the quality of the reports and established the related quality assurance process. Accountability for quality assurance is a good practice that helps mitigates risks to the reliability and integrity of reporting.

- The narrative part of the COARs and responses to SMQs have been hosted in a single reporting portal in which the quality assurance processes of headquarters divisions/offices, regional and country offices were managed.

However, the audit identified areas where risks to the reliability and integrity of reported information could be better managed. At the country office levels, a number of sampled results reported in the COARs lacked adequate supporting evidence and there were inaccuracies and inconsistencies in a number of reports submitted by the offices to donors.

At the time of the audit, there was no single platform for donor reporting. Such a singular platform should serve as a repository of contributions' documents and donor reports, facilitate harmonization of donor reporting, quality assurance reviews, and ensure timeliness and consistency in reporting. The audit noted that the Division of Financial and Administrative Management was developing a donor reporting portal that is to be completed by March 2020.

In discussions with OIAI, the respective country offices agreed to take appropriate actions to further enhance results reporting and, at the corporate level, there are four actions agreed by the relevant divisions/offices actions to further mitigate the risks identified. Two of these actions are considered as a high priority – that is, to address risks that require immediate management attention.

- The Division of Data, Analysis, Planning and Monitoring, in consultation with regional offices and relevant headquarters divisions, agreed to strengthen the reporting of results in the COARs ensuring that, among others, the reported results are based on credible and verifiable sources and that all documentary evidence are appropriately maintained for future verification.

- The Public Partnership Division, in consultation with the Division of Financial and Administrative Management, Private Fundraising and Partnerships Division, relevant headquarters divisions/offices, and regional offices agreed to identify and clarify specific roles and responsibilities of headquarters offices/divisions and regional offices in assuring consistent and improved quality reporting to donors and issue the policy/procedure as necessary. Procedures would be developed and issued to guide country and regional offices in all critical areas of donor reporting.

Conclusion

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

Contents

Audit objective, scope and methodology

The objective of the audit was to provide reasonable assurance as to whether there were adequate and effective governance, risk management and control processes related to results reporting by country offices. More specifically, the audit sought to provide reasonable assurance as to the reliability and integrity of information contained in COARs and country offices' reports to the donors.

As part of our 2019 annual work plan, we conducted specific procedures during our audits of 12 country offices to assess controls meant to ensure complete, accurate and reliable reporting by the offices in their COARs, reports to donors, and responses to SMQs. The 12 country offices were: Côte d'Ivoire, Nepal, Madagascar, Uzbekistan, Mexico, Yemen, Syria, Afghanistan, Democratic Republic of Congo, Philippines, Brazil and Lebanon. More specifically, the audit:

- Reviewed the roles and accountabilities in reporting;

- Assessed the reporting processes used by the country offices;

- Tested the reliability and integrity of data reported by country offices in the annual and donor reports; and

- Assessed the quality assurance process.

At headquarters, the audit analysed the statistics of responses provided by all country offices to the SMQs. At the level of the country offices, the audit reviewed 61 reports submitted to donors in respect of 41 grants with an aggregate total allotment of US$ 499.4 million. For the COARs, it is important to note that the audit sought to assess the responsiveness of country offices to the SMQs and veracity of information reported.   However, the audit did not look into how the responses to SMQs or the lack thereof were reported in the Executive Director's Annual Report.

The results of the audits have been reflected in our reports of the respective country offices. The present report highlights the most important risks and issues, which in OIAI's view, require attention and redress by relevant headquarters divisions/offices to further mitigate the risk to timely, accurate, and reliable COARs, responses to SMQs, and donor reporting.

Audit observations

Results reporting in country offices report (COARs)
UNICEF country offices report on the results of their programmes in their COARs. There are two parts of the COAR - a narrative, which is published and highlights the major results delivered, and the offices' responses to the SMQs. For 2018 reporting, there were over 500 SMQs that were meant to gather data on progress towards the achievements of goals and implementation of change strategies in the UNICEF 2018-2021 Strategic Plan. Responses to the SMQs are a major input to the Executive Director's Annual Report including the Data Companion and Scorecard. Amongst others, the SMQs require the number of:

- Live births in UNICEF supported areas;

- Children, in both humanitarian and non-humanitarian situations, enrolled in formal or non-formal early learning/pre-primary, primary, general lower secondary or general upper secondary education through UNICEF-supported programmes;
- Children who experienced violence reached by UNICEF-supported health, social work/social services or justice/law enforcement services;
- People in humanitarian situations actually provided with a sufficient quantity of water of appropriate quality for drinking, cooking and personal hygiene through UNICEF-supported programmes during the year of reporting; and
- Children with disabilities receiving UNICEF-supported cash transfers.

Evidence of results reported by offices: The audits found that, in general, the 12 country offices covered by this audit had provided evidence to support the sampled results reported by them in their 2018 COAR and responses to the SMQs. A number of them had also established internal processes for the development of narrative portion of COAR and for generating the evidence required to respond to SMQs.

However, the audits of a number of country offices also identified issues, which underscore the risk to complete, accurate and reliable reporting. For example, some of the evidence provided to the audit by four country offices to support the sampled results reported were obtained mainly from implementing partners' reports; but there was insufficient evidence to show that this information had been adequately vetted and verified by the offices to confirm its accuracy. For three other country offices, there was insufficient evidence to support a number of sampled results reported in the COAR - for example, there was no clear link between five of 11 sampled results reported in the narrative portion of the 2018 COAR. These issues were discussed with the respective country offices and reported more specifically in relevant OIAI audit reports for such offices.

Availability of data: At headquarters, the audit analysed the statistics of responses provided by country offices to the SMQs by all country offices. In all, 128 country offices provided more than 73,000 responses to more than 500 SMQs relating to 157 countries. As shown in the table below, the offices reported a lack[1] of required data for 37 countries to respond to more than 40 SMQs (or24 percent of all SMQs). The lack of data was found to be acute for 12 SMQs. For example, there was no data for 82 countries in respect of the SMQ on the number of children with disabilities that were reached by UNICEF-supported health, social work/social services or justice/law enforcement services. There was also no data for 67 countries in respect of the SMQ related to the national baseline for the Sustainable Development Goal on child poverty indicator targets.

Table 1: Countries with no data available for a range of SMQs

Number of SMQs with no data available	Number of countries	%
41 - 102	37	24
21-40	70	44
1 to 20	50	32
Total	**157**	**100**

Reporting on the Strategic Plan 2018-2021 requires disaggregated data – for example, by sex, age, disability. There were 113 SMQs that required disaggregation. Offices were only able to provide fully disaggregated data for 66 percent of the 6,529 responses to these SMQs, and partial disaggregated data for nine percent. They were unable to provide any disaggregated data for 25 percent of their responses.

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[1] If an SMQ is not applicable, the country office identifies it as "not applicable". Otherwise, it would provide the data or state that data is not available.

Procedure for the preparation of the COAR: Country offices may be able to generate the data required for the COARs if they are given sufficient time to prepare and submit their responses. However, for 2018 results reporting, the country offices were given two months from 1 November 2018 when the pertinent procedures/instructions were issued by NYHQ to 31 December 2018 to respond to the SMQs and complete their COARs. These tasks were even more difficult considering there were up to 512 SMQs that required responses (although they could be fewer, depending on the focus of a country office's programme).

Country offices may also be able to generate the data required for the COARs if the process is automated and most of the data requirements are established at the outset. In this regard, the audit noted the use of a common platform, the Results Assessment and Reporting Module (RAM), for the preparation of the narrative part of the COARs, responses to SMQs and quality assurance reviews. This is a good practice, which will help improve the quality of COARs and responses to the SMQs. However, there was scope to further improve the quality of COARs and responses to the SMQs. In the view of the audit, some SMQs could be integrated into the regular monitoring activities of country offices. While it is acknowledged that some SMQs may be revised each year, a number of the SMQs (about 317) for the 2019 COAR remained the same as in the 2018 COAR. These are also very likely to remain the same for the remainder of the Strategic Plan period (2020 – 2021).

Attributing results to UNICEF work: The UNICEF procedure for 2018 COAR requires country offices to be very clear on the role that UNICEF played in the achievement of the results, particularly whether the result can be directly attributable to UNICEF or whether UNICEF was a major or minor contributor. It also requires the offices to ensure that results reported relate directly to changes that occurred as a result of UNICEF's work for output level SMQs. The audit's review of SMQs showed the need for greater clarity on how results are attributed to UNICEF's work to ensure consistency in reporting and comparability of results reported. For example, it was unclear how offices were expected to assess whether their contributions were minor or major particularly with respect to the 129 SMQs where the operative word was 'supported'. There were phrases like 'UNICEF-supported programmes', 'UNICEF-supported areas', 'UNICEF-supported services', and 'UNICEF-led intervention' in 129 SMQs. In only a few SMQs 'UNICEF-supported' programmes were specifically defined, indicating the need for clarity in all other SMQs where there 'UNICEF-supported' was used but not defined. In some SMQs, the word 'support' is further qualified as either direct or indirect.

Agreed action 1 (high priority): The Division of Data, Analysis, Planning and Monitoring (DAPM), in consultation with regional offices and relevant headquarters divisions, should:

  i.   Identify specific Strategic Monitoring Questions to be integrated in the regular monitoring activities of country offices by translating them into standard indicators. This should improve completeness, consistency and accuracy of reporting by the country offices.
  ii.   Provide country offices with sufficient time to prepare the COARs and respond to Strategic Monitoring Questions.
  iii. Emphasize in the procedure and guidance for the preparation of future COARs the need for country offices to maintain verifiable evidence of results reported.
  iv.   Strengthen the capacities of regional offices for quality assurance reviews of COARs and related supporting evidence. This may include guidance on the validation and tracing, on a test basis, of the reported results by country offices to the sources of data to ensure that the results reported are accurate, complete and reliable.
  v.   Identify the specific causes of country offices' failure to provide the required data and evidence of results reported and take appropriate mitigating measures as necessary.

vi.   Provide guidance to country offices to strengthen their data collection and reporting system related to annual reporting.

vii.   Clarify the definition of UNICEF's contribution in its procedure for the preparation of 2020 COAR and formulate the Strategic Monitoring Questions consistent with the definition.

Responsible staff member: Chief, Performance Monitoring & Accountability
Target date for completion: November 2020

Results reporting to donors

A total of 16,474 reports with 15 different report types were due to donors between the period January 2017 to December 2019 (as of March 2019). Since the progress and final reports comprised more than 50 percent of the report types due to donors in that period, they were the focus of the audit. Overall, 84 percent of the donor reports due to donors between 1 January 2017 up to 31 March 2019 had been sent to the donors on time while 16 percent were late.

During OIAI audits of 12 sample country offices, the audit tested the veracity of the activities and results reported in the donor reports. It also reviewed a total of 66 final and progress donor reports (22 final donor reports and 44 progress reports) submitted in 2017 – 2019 directly to donors by the country offices, in conjunction with the pertinent donor agreements/proposals and amendments. The donor reports pertained to 41 grants with an aggregate total allotment of US$ 499.4 million, each ranging from US$143 thousand to US$ 78.5 million. The audit noted several good controls and also opportunities for improvement, which have been reported more specifically in our audit reports of the respective offices. Some of these observations are summarized below:

- The donor reports related to 12 grants contained several activities and results that were not specifically required or in line with the relevant donor agreements/proposals. This could be due to errors or the lack of due diligence in donor reporting. It could also mean that the offices used the grants to implement additional activities not specifically required by the donor agreements/proposals. In one of these instances, a US$ 3.5 million grant intended solely for students of a specific nationality was also used to implement activities to benefit students of other nationalities not specifically mentioned in the grant.

- Several charges to seven grants were not specifically provided for or in line with the relevant donor agreements/proposals. These included the cost of impact evaluation of a programme not meant to funded by the grant, construction cost of badminton court of a country office, expenses related to the completion of a new office of a country office, consultancy fee to facilitate the move to the new office, and fee for facilitation of workshops for the preparation for the next country programme document of a country office.

- It was unclear from the donor reports relating to 11 grants whether the activities had been implemented and the results achieved. The donor reports did not provide the status of some planned activities and expected results as stipulated in the donor agreements/proposals.

- The reports pertaining to 14 grants did not compare reported achievements to established baselines/targets.

- For several grants, the donor reports contain inaccurate and inconsistent information in terms of the results achieved, activities implemented and expenditures. Some expenditures related to most of the grants were wrongly classified or the description of transactions were unclear.

- While 12 country offices covered by this audit had generally provided evidence to support the sampled results reported by them in the donor reports, some of the evidence presented were insufficient. For example: (1) five country offices provided evidence to back up some results reported in the donor reports on the basis of reports obtained mainly from implementing partners' reports which were not adequately vetted by the country offices for accuracy; (2) two country offices were unable to provide sufficient evidence to support a number of the sampled results reported in their donor reports such that a country office presented only Excel files to support three of the ten sampled results and the sources of data in the Excel files were unknown; and (3) one country office did not have any evidence to support two of the ten sampled results reported in its donor reports.

- The reports for 17 grants did not provide an analysis of the expenditures by activity. Although most reports to donors included uncertified donor statements (expenditure reports) for the full programmable amounts, these statements did not have similar information. The level of details differed from one report to another and the descriptions of the outputs and activities in the statements, in most cases, were not the same as those in the donor agreements/proposals. The country offices had to manually map the activities in the uncertified donor statements to the activities as presented in the donor agreements/proposals, which was a time-consuming exercise and prone to error.

- The due dates for submission of donor reports as stipulated in the donor agreements/proposals related to 11 of 41 grants were incorrectly recorded in VISION. For 40 grants, the requirement and due dates for certified final and annual donor statements were not recorded in VISION.

Implementing activities not agreed to with donors and incomplete and inaccurate reporting to donors may reduce donor confidence and hence negatively impact on resource mobilization to deliver results for children. Two regional offices, as part of their oversight function, had carried out a quality review of sampled donor reports prepared by the country offices in their respective regions. However, this good practice was not observed in the other five regions.

In addition, the role of headquarters offices/divisions and regional offices in assuring quality reporting to donors was unclear. There were no clear policy/procedure that could be followed by country offices. In fact, at the time of the audit, there was no single platform for donor reporting. Such a platform could serve as repository of all relevant donor documents such as agreements/proposals, progress and final reports, certified final and annual donor statements. It would also facilitate harmonization of donor reporting, quality assurance reviews, and timeliness and consistency in reporting. Ultimately, this could ensure improved quality donor reporting. A donor reporting portal is being developed by DFAM. A review of the project charter and the minutes of the meetings of the project board showed that the platform will become an online repository of all relevant donor documents. The portal is expected to be completed by March 2020.

Agreed action 2 (high priority): The Public Partnership Division, in consultation with the Division of Financial and Administrative Management, Private Fundraising and Partnerships Division, relevant headquarters divisions/offices, and regional offices should identify and clarify specific roles and responsibilities of headquarters offices/divisions and regional offices in assuring consistent and improved quality reporting to donors and formalize these in a policy/procedure as necessary. A procedure/guidance should also be issued to country and regional offices in all critical areas of donor reporting.

Responsible staff member: Senior Advisor, Systems, Analytics, Planning, Operations (SAPO)
Target date for completion: December 2020

Agreed action 3 (medium priority): The Public Partnership Division, in consultation with the Division of Financial and Administrative Management and other headquarters divisions, should review the presentation of the analysis of expenditures by activity in donor reports and issue the appropriate guidance as necessary to mitigate the risk of errors, mitigate risks of inaccuracies and inconsistencies in mapping the activities in the uncertified donor statements to the activities agreed in the respective donor agreements/proposals. Consideration should also be given to the automation of the analysis of expenditure by activity for inclusion in the narrative donor reports.

Responsible staff member: Senior Advisor, Systems, Analytics, Planning, Operations (SAPO)
Target date for completion: December 2020

Reporting on contributions from National Committees (NCs)

While contributions from donors are typically covered by specific agreements, contributions from an NC are not. There is a special relationship between UNICEF and each NC, which is covered by a Cooperation Agreement, which does not recognize NCs as donors. The Programme Policy and Procedure Manual requires mutual obligations to be detailed in the remittance advice for the contribution. However, these were not always clearly established.

Agreed action 4 (medium priority): The Private Fundraising and Partnerships Division, in consultation with the Public Partnership Division, Division of Financial and Administrative Management and other relevant headquarters divisions, should establish clear procedure/guidance for reporting related to contributions provided to country offices by NCs.

Responsible staff member: Chief, Programme Coordination
Target date for completion: December 2020

Annex A: Methodology, and definition of priorities and conclusions

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

OIAI is firmly committed to working with clients and helping them to strengthen their internal controls, governance and risk management practices in the way that is most practical for them. The clients review and comment upon a draft reportand then work with the audit 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.

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 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 the 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 this 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.