unicef for every child

Internal Audit of the Sudan Country Office

July 2020

Office of Internal Audit and Investigations

oiai

Report 2020/07

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Contents

Summary

The UNICEF country programme

The 2018-2021 Sudan country programme has five main components: *Child survival and development*; *Education and learning*; *Child protection*; and *Policy, evidence and social protection*. There is also a cross-sectoral component. The overall approved budget for the four-year programme is US$ 241 million. The majority of expenditures for the period under review related to health and nutrition, followed by education and learning, as well as water, sanitation and hygiene.

UNICEF’s child protection activities in Sudan include reintegration of child soldiers and work to end harmful practices such as female genital mutilation (FGM) and child marriage. The office aims for a multi-sectoral approach, with integration of child protection across all sectors, particularly in education and health. In the area of education and learning, the office focused primarily on the delivery of quality education services to the most vulnerable and out-of-school children, in inclusive and protective environments.

UNICEF also works with partners to ensure access to safe water – and to eliminate open defecation, practiced by nearly a third of households. Safe water and sanitation are also being extended to schools. UNICEF is working on the detection and treatment of severely acutely malnourished (SAM) children; this includes taking over support for treatment facilities where necessary, provision of key micronutrients and other activities.

The programme also has a component that advocates child-friendly policies; as in other sectors, this stresses a ‘whole-child approach’ that integrates all the phases of a child’s life, from early childhood development (ECD) to adolescence.

The office consists of a national office in Khartoum, six field offices (El Fasher, Kadugli, Kassala, El Geneina, Nyala, and Ed Damazin), and five sub-offices (Elfula, Ed Da’ein, Zalingi, Kosti and Port Sudan). The office has a total of 233 approved posts, of which 130 are in the field and sub-offices.

The key risks

The audit focused on key risks, which were selected after an initial risk assessment and review of documentation and data. These key risks included staff cuts due to dollarization of local salaries; these cuts posed significant challenges to the achievement of programme objectives, especially since they had been coupled with significant programme expansion. Observations raised during the audit confirmed that the cuts had indeed worsened the office’s capacity to deliver results, monitor progress and support programme implementation. This risk was insufficiently mitigated through the hiring of high numbers of consultants.

Programme activities were geographically dispersed, and a large number of implementing partners were used to deliver results; these factors increased the risk of programmatic and operational inefficiencies. They also caused higher risk of insufficient monitoring of programme implementation. The audit did find gaps in results tracking, monitoring and follow-up of activities.

The exceptional operating environment increased the risk that resources might not be used for intended purposes due to losses caused by fraud, misuse, diversion or other proscribed practices. The audit did note gaps in anti-fraud measures and fraud-risk management practices.

Results of the audit and actions agreed

The audit noted the office mitigated several risks well. For instance, the risk of business disruption created by the civil unrest and state of emergency in the country was well managed. The office continued programme delivery despite the deteriorating security situation, while providing support and care to staff.

The office addressed potential legal and reputational risks, as well as risks of hostile or abusive working environment, through internal mechanisms to report harassment, sexual exploitation and abuse of authority.

There was a robust results framework that effectively mitigated the risk of inadequate tracking of results. Cooperation, collaboration and wide ownership of results by key stakeholders was secured through extensive collaboration with the Government and alignment with national priorities. This also reduced the risk of administrative or political hurdles that could have constrained delivery of results to children. Further, timely reporting to donors and well-managed donor relationships mitigated the risk of funding gaps that could have constrained achievement of results.

However, the audit identified several areas where key risks to UNICEF's activities could be better managed and mitigated. Inadequate alignment of office's structure and resources with programmatic and operational needs increased the risk of not achieving programme objectives. This was further exacerbated by major increases in programme expenditure and the cuts in staff positions.

Inadequate or insufficient assurance activities increased the risk of funds not being used for intended purposes. The audit also noted that the office disbursed US$ 25.1 million to 189 partners in 2018 and US$ 37.4 million to 183 partners as of November 2019. The office implemented a significant proportion of the planned assurance activities on this expenditure, but several of those activities had not been properly carried out – mainly due to inadequate supervision and training of staff. Several unsupported payments had not been followed up; this should be done to ensure the payments were justified, and if they were not, to request refunds and determine whether fraud has occurred.

Insufficient capacity to support and monitor construction projects increased technical, legal, reputational and administrative risks, including those related to the procurement processes managed by Government partners.

Lack of supply distribution plan could lead to late distribution of supplies to meet the needs of beneficiaries. The office had procured US$ 34.4 million worth of supplies from January 2018 to November 2019, but it had no supply distribution plan. There was no effective process in place to ensure supplies were delivered on time and met the needs of beneficiaries to achieve programme objectives. In fact, 22 percent of supplies were shipped to partners late.

Poor monitoring of all key programme activities could constrain programme implementation and achievement of results. The office had not prepared a global field-monitoring strategy and plan covering all the field offices and the main office in Khartoum. The audit found that the quality of sampled field-monitoring activities was inadequate, due mainly to outdated monitoring procedures, insufficient use of monitoring tools, and insufficient training and oversight.

Following discussion with the office, the audit team has recommended a number of measures to address the risks identified. Five are regarded as high priority – that is, requiring immediate management attention. These are as follows:

- During the mid-term review of the country programme, the office should revise the programme strategy, and align the office's structure and staff capacity with the programmatic and operational needs. This will reduce risk of not achieving programme objectives.
- Clarify accountabilities and identify internal bottlenecks leading to late direct cash transfers to implementing partners. It should also establish an effective quality assurance process and train staff on assurance activities. To mitigate the risk of funds not used for intended purposes, all unsupported payments by implementing partners should be promptly followed up through appropriate measures, including special audits.
- Increase oversight, support and monitoring capacity over construction projects and activities, to mitigate the technical, legal and reputational risks involved in construction work.
- Reinforce procurement planning, including preparation of a supply distribution plan, to reduce the risk of late distribution of supplies to beneficiaries. The office should also continue to support the supply-management capacity of implementing partners and introduce an effective end-user monitoring process.
- Develop an overall field-monitoring strategy and plan to reduce the risk of inadequate coverage and quality. Clarify processes and the responsibilities of staff in the main office, field and sub-offices regarding field monitoring. Train staff and United Nations Volunteers to increase the quality of field monitoring.

Conclusion

Based on the audit work performed, OIAI concluded that the country office's governance, risk management and internal controls needed improvement to be adequately established and functioning. This is necessary if they are to effectively mitigate the above-mentioned key risks to the office's objectives, such as ensuring funds are used for intended purposes. The Sudan Country Office, the Middle East and North Africa Regional Office and OIAI will work together to monitor implementation of the measures that have been agreed.

Audit objectives and scope

The objective of the audit was to provide independent and objective assurance regarding the adequacy and effectiveness of the governance, risk management and control processes over a number of key areas in the office. These processes should ensure: achievement of the office's objectives related to 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 and contractual arrangements.

This report presents the more important risks and issues found by the audit, the measures agreed with the client to address them, and the timelines and accountabilities for their implementation. It does not include lower-level risks, which have been communicated to the client during the audit.

Audit observations

Programme strategy and office capacity

Due to the dollarization of salaries that led to a 45 percent increase in staffing costs in 2016,[1] the office had cut 33 positions during 2017. As of the time of the audit, the office had 233 approved fixed-term posts, 130 of which were in the field offices. However, despite the subsequent growth in programme expenditures, the office's structure (including field offices) and scope of operations remained mostly unchanged since 2017.

Meanwhile, the workplan covering 2018-2019 included about 1,900 programme activities by 198 implementing partners. These activities were in over 100 localities, some remote and hard to access due to poor infrastructure or high insecurity. Further, some activities included multiple sub-activities and/or included interventions such as construction or rehabilitation of buildings or facilities, requiring significant financial and human resources. The office also supported development and implementation of the annual humanitarian response plans and was the cluster lead for multiple areas, which added to the duties of some staff members. Further, from January 2018 to November 2019, the office had distributed US$ 36.78 million-worth of programme supplies.

The growth in the programme expenditures, combined with the reduction in staff, stretched the office's capacity for programme delivery and critical management activities. That is reflected in several observations in this report (see for example *Governance*; *Partnerships management*; *Construction*; *Procurement, warehousing and distribution*; and *Monitoring*). It also affected the work-life balance of staff. Field staff reported difficulties in maintaining the necessary level of partnership engagement and monitoring of programme and operations. Programme staff said that the current structure supported mainly basic field service delivery and did not adequately allow for proper upstream and advocacy work, especially at the field and state levels.

To cope with additional workload and reduced staff, the office had augmented its capacity primarily through consultancies to minimize the risk of business disruption. It had contracted 62 consultants from January 2018 to November 2019. This represented an additional annual cost of US$ 1.4 million, an increase of approximately 35 and 40 percent compared to 2016 and 2017 respectively. The increased use of consultants also presented additional managerial and administrative challenges.

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[1] The dollarization was made necessary by local inflation, which had reduced staff members' real incomes.

The rest of this report highlights several other risks caused by the capacity gaps described above. The office was aware of these gaps and had planned to address them during the mid-term review (MTR), which had commenced shortly before the start of the audit fieldwork and was due to be presented in mid-April 2020.

Agreed action 1 (high priority): The office agrees to revise the programme strategy to align the office's structure and staff capacity with programmatic and operational needs.

Responsible staff members: Deputy Representative Operations and Deputy Representative Programme
Date by which action will be taken: 31 May 2021

Risk management, including fraud risk

The office had carried out an annual risk assessment in March 2019. The office rated four risks as high and 10 as medium and monitored the status of mitigating actions to address them.

Adequacy of risk assessment: Based on the work performed, the audit found that the office's risk assessment and ratings assigned to the individual risks did not fully capture the evolving operating environment and the conditions in the field. The risk assessment exercise was centralized in Khartoum. There was limited input from field offices, despite significant field presence (six field offices and five sub-offices). The audit visited two field offices that faced context-specific risks such as high-level insecurity and restricted access in remote areas, but these offices did not conduct any specific risk assessments to inform the office-wide exercise.

The audit also noted that some risks (such as poor infrastructure at the state level, license revocation of local NGOs and transitional government) had been reported in the office's other management documents, but had not been included in the risk register to ensure that the risks they presented would be actively managed by the office.

Fraud risk: The audit especially noted the criticality of fraud risk in the country context. The Transparency International Corruption Perceptions Index 2019 ranked Sudan 173 out of 179 countries assessed, indicating a very high risk of corruption and fraud. The office carried out an annual fraud risk assessment, as required by the UNICEF anti-fraud strategy issued in August 2018. It identified five fraud-related risks that were rated medium and high (such as misuse of supplies by implementing partners and fraudulent disbursements billing schemes like use of phony vendors). However, several key risks related to collusion, conflicts of interest, corruption, bribery or kickbacks were either omitted or rated as low.

The office's antifraud approach relied on internal control components such as segregation of duties, training of staff to detect red flags, oversight by internal governance committees, due diligence measures built into processes, procedures and tools, and assurance, oversight and monitoring. However, as outlined later in this report, the audit revealed several key controls that were not functioning well, including those for potential fraud and wrongdoing. For instance, several sampled spot checks and audits of implementing partners identified expenditures without supporting documentation – a major red flag that funds might not have been used for intended purposes. Meanwhile the office itself raised red flags related to tendering processes for construction projects managed by implementing partners (see also observations *Management of cash transfers to partners* and *Construction*). Further, the office had no processes for identifying and reporting anomalies and abnormal trends in programme delivery, operations and resource levels.

As of the time of the audit, 89 percent of staff had completed training on fraud awareness and ethics and integrity. However, partners had not had this training, apart from four of those based in Khartoum. The audit interviewed staff of implementing partners (NGOs and Government) based in Khartoum and two field-office locations and found they were not aware of UNICEF fraud reporting requirements, or of the processes for reporting potential proscribed practices.

In 2018 the office had created the post of Operations Specialist (Internal Control) to oversee and reinforce preventive and detective internal controls – including integrated review missions to field offices that looked at different aspects of operations (e.g. assets, finance and procurement). However, there was no annual workplan defining scope of work and planned activities. Based on the observations in this report, the audit found the scope of the oversight work of the Operations Specialist was limited because he was often requested to carry out tasks outside his main core functions.

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

i. Review its risk management processes and practices to ensure that they consider new emerging risks.
ii. Seek broader collaboration and input in its risk assessments from field offices, and include risks specific to their contexts.
iii. Consider institutional risks related to corruption, bribery and kickbacks in the annual fraud-risk assessment.
iv. Regularly train implementing partners on fraud prevention and reporting; convey information on fraud reporting requirements and tools to partners and beneficiaries; and establish mechanisms to ensure that partners report fraud to the office.
v. Ensure the Operations Specialist (Internal Control) develops an annual workplan that includes regular testing of the adequacy and effectiveness of key internal controls, risk management and governance, with a focus on fraud prevention and detection.

Responsible staff members: Deputy Representative Operations; Operations Specialist – Internal Control
Date by which action will be taken: 31 October 2020

Governance

The office set priorities to provide direction and focus to staff. It had also established the statutory committees that should operate in country offices, including the country management team (CMT) and the contract review committee (CRC). However, the audit also noted the following.

Priority setting: The audit reviewed a sample of two of the six office's priorities and found the strategies and planned actions generally adequate. However, performance indicators for the priorities were either lacking, or were inadequate to measure progress against established targets for those two results. Further, for the priority *Efficient operations to support programme implementation*, there were no indicators and targets for the planned action *Partners capacity assessment (programme and operations)*, though the capacity of partners is one major risk constraining programme implementation.

The office set planned results for the priority related to staff wellbeing. As of the end of September 2019, eight out of the 12 performance targets had been met (for example, flexible work processes), and three were ongoing, including team building and recognition of success. However, some indicators measured the quantity and not the quality of the interventions and several planned actions had no indicators. This had constrained measurement of progress.

The office measured progress against established priorities quarterly and submitted reports to the CMT. The office allocated priority results to result managers to increase accountability for results. However, two out of three sampled priority results were not clearly included as planned deliverables in the 2019 performance evaluation reports of the managers responsible; this is necessary if they are to be held accountable for actual achievements against planned deliverables.

Accountability: Unclear accountability could weaken coordination among staff and field offices, lead to inefficiencies and reduce performance. The office had not clarified the respective responsibilities and accountabilities of the main office, field offices and sub-offices with respect to key functions such as risk management, planning, monitoring, implementation, evaluation and reporting. This had been set as a priority to be completed by 31 March 2019 but there was little progress as of the time of the audit in December 2019 due to other demands on the office.

Internal committees: **T**he office has established several committees to oversee the management of programmes and operations, including partners and donor relationships, and staff well-being. This is normal procedure in UNICEF country offices. The functioning of the office's committees can have an important bearing on the efficiency and effectiveness of programme delivery.

The purpose, scope, composition and frequency of meetings of the CMT and CRC committees were adequately defined. The CMT met regularly in 2018 and 2019. In October 2019, the CMT reviewed the performance of the CRC. However, the indicators focused on volume and timeliness, and none related to quality of the CRC's work. Further, not all CRC members had completed the mandatory online training as required by Supply Division. As of the time of the audit, the performance of the property survey board (PSB) and joint consultative committee (JCC)[2] had not been monitored by the CMT.

The JCC met three times in both years, 2018 and 2019, to address human resource issues related to staff wellbeing identified in the GSS and Pulse surveys.[3] Staff association representatives in field offices were regularly consulted. The office had an improvement plan in response to the surveys and monitored its implementation. The office had also started to review how to tailor and implement the recommendations stemming from the Independent Task Force (ITF) report on *Workplace Gender-Discrimination, Sexual Harassment, Harassment and Abuse of Authority*, considering the context of the Sudan country office. As of the time of the audit, the office was planning to develop a strategy and action plan with indicators and targets to implement the ITF report recommendations.

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

i. Establish indicators and targets linked to key risk mitigating actions for each key planned action that contributes to the achievement of priority results.
ii. Hold a survey to measure staff satisfaction regarding actions taken on staff wellbeing.
iii. Include the priority results assigned to results managers in their performance evaluation reports.

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[2] The JCC is a body composed of management and staff representatives that meets at regular intervals to discuss matters of joint concern.

[3] UNICEF's Global Staff Survey (GSS), first launched in 2008, is an exercise to increase understanding between staff and management by gathering opinion on a range of staff-related issues. All staff are invited to participate; the responses are confidential, and the results are anonymized. The Pulse surveys are follow-ups to the GSS.

iv. Revise the accountability framework between the main office, field offices and sub-offices so as to strengthen coordination, collaboration, exchange of information and decision-making.
v. Ensure the performance of all statutory committees is reviewed by the CMT, and all members of the CRC complete mandatory training regarding supply management.

Responsible staff members: Staff Association; Human Resources Manager; Representative; Deputy Representative Operations; and Chiefs of Field Offices
Date by which action will be taken: 31 May 2021

Partnership management

From January 2018 to August 2019, the office signed 69 programme cooperation agreements (PCAs), amounting to US$ 43.4 million, with 48 NGOs. In line with normal UNICEF practice, the office had a Partnership Review Committee (PRC) to review proposed PCAs and advise the Representative as to whether they should go ahead.

The audit noted that only one of the office's 48 implementing partners had been identified through open selection.[4] The audit could not obtain reasonable assurance that the office had selected the best available partners for the remaining 47 (several of which had partnered with UNICEF for several years). In an environment where the risk of corruption is high, this increases the risk of irregularities in the selection of partners. The audit acknowledges that there were constraints to open selection in Sudan, primarily due to Government policies that require NGOs to obtain clearance to operate in the country. At the time of the audit, the office had started mapping potential partners and conducting open selection. The office planned to request potential partners to register on the UNPP[5] and include their profile on its database, as a requirement for open-selection submission.

The audit also found that the partner financial contribution to partnerships with UNICEF was sometimes limited. For instance, for 23 out of 69 PCAs, partners contributed less than 10 percent to the overall cost of programme implementation. Insufficient financial and/or technical contributions from partners could weaken programme delivery and value for money.

In November 2019, the Government revoked the operating permits of several NGOs. This reflected the changed climate in the country. The office informed the audit that it had two active PCAs with the banned NGOs. At the time of the audit, the UN agencies including UNICEF agreed to terminate agreements with blacklisted NGOs, and it was also agreed that OCHA,[6] on behalf of UN agencies in the country, would lead the efforts to recover funds held in bank accounts frozen by the Government.

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

i. Increase the contribution of partners to partnerships whenever feasible, and/or better reflect the technical contribution of partners in the programme documents, to strengthen programme delivery and obtain best value for money.

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[4] Offices can select implementing partners through open or closed selection. With closed selection, the office will approach a single partner it thinks is appropriate, whereas open selection allows all potential partners to respond to a call for expressions of interest. The office will then assess the results for prequalifying partners and update the partners' database. Though open selection is not mandatory, it can increase efficiency gains and transparency. It can also be used for identifying potential partners in case of need to expand/accelerate implementation.
[5] The UN Partner Portal, a site through which NGOs can find potential partners in the UN system. See www.unpartnerportal.org.
[6] Office for the Coordination of Humanitarian Affairs

ii. Complete mapping of potential implementing partners, choose selection criteria, and ensure open selection of partners where appropriate, to obtain the best comparative advantage for UNICEF.

Responsible staff members: Deputy Representative Programme; Resource Mobilization and Partnership Manager; Section Chiefs; and Chiefs of Field Offices
Date by which action will be taken: 30 September 2020

Contributions management

Funds from donors have a fixed term of validity during which they must be spent; if they are wholly or partially unutilized on the date they expire, they must either be returned, or an extension requested from the donor. This means that any failure to utilize donor funds before they expire risks a loss of resources.

From January 2018 to December 2019, the office obtained extensions for 38 grants because of delays in programme implementation and late receipt of funds from donors. As of 25 November 2019, the office had eight grants expiring on 31 December 2019 with amounts totalling US$ 8.3 million not yet utilized. In one case, 62 percent of a grant totalling US$ 5.2 million had yet to be committed. For three grants, the unutilized funds exceeded 25 percent of the programmable amount. The office told the audit that donors had agreed to extend the expiry dates of grants at no cost at year end because some emergency funds were transferred to UNICEF towards the end of the third quarter.

A high percentage of funds not utilized while nearing expiry date could increase the risk of funds having to be returned. It could also risk errors and inappropriate transactions, due to a rush to avoid grants expiring with unutilized balances. The audit analyzed all transactions posted within 45 days of grant expiry for the period of 1 January 2018 to 11 November 2019. In 193 cases, the office committed funds of US$ 1.7 million through purchase orders within 45 days of grant expiry. During the same period, it paid US$ 1.6 million in direct cash transfers (DCTs) to implementing partners within 45 days of grant expiry (see also observation *Procurement*, below). This was mainly due to weak management of grants and could increase the risk of loss of unutilized funds if the donors refuse a grant extension.

The office had not analyzed the causes of untimely utilization of funds.

Agreed action 5 (medium priority): The office agrees to revise the management of grants to minimize the risk of late utilization of funds close to the expiry date, or loss of unutilized funds if a grant extension is not approved by donors.

Responsible staff members: Deputy Representative Programme; Grant managers and Programme associates; Section Chiefs; Chiefs of Field Offices; Supply and Logistics Manager
Date by which action will be taken: 31 October 2020

Management of cash transfers to partners

The office disbursed US$ 25.1 million to 189 partners in 2018 and US$ 37.4 million to 183 partners as of November 2019. The audit reviewed the way the office managed disbursements to partners, and the extent to which it obtained assurance on their use.

UNICEF (along with two other UN agencies) uses the Harmonized Approach to Cash Transfers. This is a risk-based framework that involves an assessment of the risk involved in working with a partner; the type and number of assurance activities will be set accordingly. They include programmatic visits, to verify that activities are proceeding as planned; spot checks of financial records; and audits.

The audit noted the following.

Cash disbursements: Timely processing and release of funds to partners will increase their capacity to implement programme activities within the agreed timeframe. In 2019, 122 transactions amounting to US$ 8.1 million (out of US$ 37.4 million or 22 percent) exceeded the UNICEF processing benchmark of 14 days. The finance unit often rejected fund requests from implementing partners; this was for multiple reasons, including a lack of supporting documentation and inaccurate financial information. There was also frequent duplication of claims, with partners asking for money for activities that had already been funded. This indicates not only that partners lack of sufficient capacities, but also that the office failed to detect issues with fund requests at an early stage of the process. Further, the office issued approximately 3,180 DCTs from January 2018 to November 2019, from which 17 percent or 530 transactions were low-value DCTs (US$ 2,000 or less). A high volume of DCTs, particularly of low value, increased transaction processing costs and staff workload, and reduced the office capacity to control all funds disbursement.

Planning assurance activities: As of November 2019, the office had completed 97 percent of the 327 planned and minimum required programmatic visits, 86 percent of the 91 planned and minimum required spot checks, and 100 percent of the scheduled audits. However, the assurance plan was not fully risk-based. For instance, in eight cases, the office did not plan nor conduct spot checks or audits for implementing partners who received cash transfers exceeding the HACT framework threshold (US$ 50,000), while 11 partners receiving funds below the threshold were assessed.

Programmatic visits: The audit reviewed a sample of eight reports. It was noted that in six instances the status of implementation of programme activities was not compared against the annual workplan targets. Further, in three cases, no feedback was obtained from the beneficiaries. In five cases, the reports did not describe the extent to which the beneficiaries had been reached. Only four out of eight sampled programme visits reports included end-user monitoring; this risks the office not knowing whether supplies have reached the right beneficiaries at the right time, and whether they are of good quality.

Programmatic visit results were not systematically analyzed to identify possible trends, recurrent issues and lessons learned related to programme implementation.

The office did not have a quality assurance process to review the quality of programmatic visits.

Spot checks: Nine out of the 10 spot-check reports sampled by the audit identified significant issues and red flags, such as a lack of supporting documentation to justify disbursements to implementing partners. Further, one spot check found no signatures to confirm receipt of payments for eight out of 10 beneficiaries, and no information on who reviewed and/or approved pay sheets for family support to five communities. In two other cases, the reports raised concerns on the adequacy of tendering processes related to construction. This indicated that partners lacked the relevant capacities for financial management and therefore required improved guidance and training – and governance and oversight by the partners themselves. It also suggested the need for more due diligence by programme sections.

Importantly, it also underscored the risk of diversion due to errors and fraud. Despite this, the office did not systematically follow up the red flags identified to determine if fraud had occurred and, if appropriate, request refunds from implementing partners. Nor did it immediately follow up to obtain the missing documentation and/or stop cash transfers with the partners in question until supporting documentation was obtained to justify the payments. The audit also noted that sampled spot-check reports done by the office showed no verification of cash payments to vendors; neither was there verification that the right beneficiaries had received cash payments from implementing partners.

Scheduled audits: Scheduled audits conducted during the period under review raised high-priority issues similar to those identified in the spot-check reports, such as a lack of supporting documentation. The office did not follow up these issues through special audits to determine if fraud or wrongdoings had occurred, and did not attempt to recover funds.

Follow-up*:* The office followed up recommendations arising from assurance activities using the UNICEF eTools[7] monitoring dashboard. At the time of the audit, however, there were some delays in the implementation of recommendations by partners. For instance, 21 out of 115 high-priority recommendations were overdue (18 percent). This indicates that the follow-up process was ineffective and could increase the risk of inefficient use of funds and fraud and irregularities. Additionally, the office did not systematically analyze recurrent issues, and identify trends and lessons learned related to programme implementation. This indicated a lack of quality assurance, and insufficient accountability and oversight by immediate supervisors.

Agreed action 6 (high priority): The office agrees to:

i. Clarify accountabilities of staff for cash disbursement, and identify the root causes of low-value cash transfers and internal bottlenecks; and take corrective action accordingly. Ensure increased training for partners to minimize processing errors.
ii. Ensure the assurance plan is fully risk-based so that those partners representing the highest risk get adequate coverage.
iii. Establish a quality assurance process and train responsible staff to ensure that programmatic visits and spot checks are adequate, so as to detect and mitigate risk of loss of funds due to fraud and irregularities.
iv. Strengthen current spot-check procedures to include verification that vendors and/or beneficiaries have indeed received payments from partners to ensure funds are used for intended purposes.
v. When supporting documentation is lacking, take immediate action to obtain it from implementing partners to justify payments or request refunds for unsupported payments. The office should also consider carrying out special audits to determine the causes of lack of supporting documentation and establish whether fraud or wrongdoing has occurred.

Responsible staff members: Chiefs of Field Offices; Section Chiefs; Programme Associates; Operations Officers; and Finance Officer
Date by which action will be taken: 31 May 2021

Construction

The office spent US$ 6.3 million on construction projects across various programmes during 2018 and 2019 (up to the time of the audit in December). Projects were implemented through both contractors (US$ 4.4 million) and implementing partners (US$ 1.9 million). The office faced challenges due to the unusual operating environment, lack of vendor capacity, and grant restrictions on specific areas that affected several programmes. The audit noted the following.

[7] UNICEF's eTools is a suite of applications designed to help country offices monitor and organize various functions, including assurance activities and other HACT operations.

Oversight and support: During the period covered by the audit, the office had engaged 14 international and national NGOs to implement construction activities, particularly in the education and water, sanitation and hygiene (WASH) programmes, for total value of US$ 1.9 million. However, as stated in the observation on partnerships, the office did not select the NGOs on a competitive basis. Neither did the office assess their technical expertise, experience, and resources with respect to managing construction contracts.

The office also paid direct cash transfers to Government partners to implement construction projects. Government partners then used the funds to select and manage contractors for construction activities. The audit found the office participation in the tendering process was limited to reviewing proposed designs submitted by vendors. At the time of the audit, the office did not have information available on the total amount of construction work done through Government (via direct cash transfers), or on its value. Neither did it have a consolidated list of all construction work, which was spread over several programme activities.

The office had only one in-house engineer, which was insufficient to manage and monitor the number and complexity of construction projects implemented by contractors and implementing partners. This increased the risk of not detecting and promptly resolving problems with construction projects, and could result in not meeting the agreed civil work standard and delay project completion. This could affect UNICEF's reputation with local population and donors. At the time of the audit, the office was in the process of contracting two additional engineers to reinforce internal oversight capacity.

Monitoring capacity*:* Given that the office had only one engineer, it relied on programme staff, UN Volunteers (UNVs), Government engineers and contracted monitors to oversee the quality and completion of projects. For projects implemented through NGOs, monitoring was done in collaboration with Government engineers. However, according to the interviews conducted by the audit, the latter did not always have the technical skills or knowledge to conduct proper monitoring – and most programme staff do not have civil engineering education and experience. For example, a programmatic visit to a school construction site assessed only whether progress was on track. It did not review whether the construction work met established technical standards. The audit's field visit to a construction site in Kassala noted the poor quality of construction, which was due mainly to the limited capacity of the local vendor and to ineffective monitoring.

The audit also reviewed five construction project monitoring reports prepared by the office's engineer. Three out of the five reports referred to poor-quality construction work or delays in implementation. For example, the visit to the project in Kassala noted that the design was inadequate and led to poor accessibility for the disabled, poor electrical installations, hazards and poor-quality materials (doors and windows). Also, insufficient monitoring capacity meant there was a risk of not detecting significant gaps in safety and security of construction work that could lead to death, injury, additional costs and litigation.

Agreed action 7 (high priority): The office agrees to increase oversight and support, and enhance monitoring capacity, to ensure that construction project risks – including those related to the procurement and bidding processes managed by Government partners, quality of construction, delays and UNICEF's reputation– are adequately identified, assessed and responded to.

Responsible staff members: Deputy Representative Programme; Deputy Representative Operations; Supply and Logistics Manager; Section Chiefs; and Chiefs of Field Offices
Date by which action will be taken: 31 October 2020

Procurement, warehousing and distribution

From January 2018 to November 2019, the office procured and received approximately US$ 34.4 million worth of programme supplies and services. Challenges faced by the office included lengthy customs clearance process, weak capacity of partners and the country's economic and political situation. The audit noted the following.

Supplies and services delivery: The 2019 procurement plan considered the needs in terms of services, supplies and construction projects. However, the plan was unrealistic and had not been adjusted during the year. As of November 2019, the Health and Nutrition and Child Protection sections had exceeded their expected procurement expenditures significantly (by 50 and 197 percent respectively). On the other hand, WASH and Education sections expenditure did not reach 50 percent of planned procurement expenditure. The audit found that 92 purchase orders (worth US$ 1.7 million) were created within 45 days of grant expiry. Moreover, the office's supply dashboard indicated late delivery of 54 percent and 39 percent of purchase orders in 2018 and 2019 respectively as of 5 December. Data in the UNICEF system also showed 22 percent (US$ 15.4 million) of total supplies and services were received after the agreed timeline.

The procurement process begins at the field level. Programme sections communicate supply needs to the supply section in Khartoum and the procurement unit concludes it with the purchase of commodities. The need to improve planning to improve lead times was highlighted as an area for improvement by programme sections and operations at both country office and field office levels. The field offices also said that late fund allocations to their cost centres contributed to last-minute requests, which increased the risk of late receipt of supplies to be delivered to implementing partners; this delayed implementation.

Supplies distribution*:* From January 2018 to November 2019, the office distributed US$ 42.9 million worth in supplies to Government and NGO partner warehouses. Twenty-two percent (US$ 9.3 million) of supplies were shipped from UNICEF warehouses after the recommended delivery date. The office relied heavily on partners to distribute supplies to the beneficiaries who were the end-users. The audit visited NGO and Government partners and found that the capacity to handle and distribute supplies on time was sometimes insufficient. A visit to a Government counterpart warehouse in El Fasher noted a large number of supplies pending delivery. The Ministry of Education said it was facing significant difficulty in covering transportation costs, which had led to delays in the distribution of school materials. Donors interviewed by the audit noted substantial delays in the delivery of supplies.

Oversight*:* At the time of the audit, the office did not have data to quantify the value of inventory held by NGO partners as part of programme activities or emergency prepositioning. The feedback obtained from partners suggested that in some instances UNICEF was not aware of their delivery shortcomings; on multiple occasions, partners said they were not required to submit distribution plans or results of stock counts.

Quality of supplies: The audit visited implementing partners in Kassala and found several risks. One partner said that the blackboards received from UNICEF were not the right dimensions and needed to be cut to meet their needs. The partner also said that they did not last long. Further, it added that the end-users found that the quality of recreational kits such as those for football and volleyball was not good. The audit also visited a One-Stop Centre in the region and the end-user said that the tables were of good quality but not the beds for children. This could have been due to inadequate specifications and/or poor-quality review of programme supplies received. The latter could have been due to not selecting the right supplier.

End-user monitoring: At the time of the audit, supply monitoring was mostly limited to verification of supplies held by partners (although as stated above, the office often had limited knowledge of these), and to gather distribution information as per the partner records. The office did not have the means to track supplies to the last mile and ensure they were delivered to the intended recipients, impairing the office's ability to validate results reported to UNICEF by partners and therefore by UNICEF to donors. The audit also met one donor who confirmed the lack of end-user monitoring as the most important risk; lack of monitoring of this type could mean the office might not know when supplies had not reached beneficiaries.

Agreed action 8 (high priority): The office agrees to, with the support of the Regional Office:

i. Reinforce procurement processes through lessons learned, revision of current practices and training of staff.
ii. Develop a sound supply distribution plan that fully takes into account partners' capacity to deliver programme supplies and includes specific targets date for delivery.
iii. Assess, and continue to support, the capacity of implementing partners that handle significant amounts of supplies.
iv. Implement an end-user monitoring process to ensure supplies are delivered on time, are of good quality and meet the needs of the recipients.

Responsible staff members: Section Chiefs; Chief Planning, Monitoring and Evaluation; and Supply and Logistics Manager
Date by which action will be taken: 30 September 2020

Monitoring

Monitoring is a key area for country offices. A lack of monitoring systems will increase the risk of not detecting major gaps in the use of resources and non-achievement of results for children.

The Sudan Country Office did have monitoring systems in operation. Monitoring staff were based in Khartoum and field offices (including sub-offices). However, there was an unclear division of monitoring responsibilities and accountabilities between field offices on the one hand, and the programme sections and the Programme Monitoring and Evaluation (PM&E) section in Khartoum on the other. Most programme monitoring staff in field offices (usually two to three staff members) were UNVs. The office confirmed that only some monitoring staff and UNVs received comprehensive training on results-based monitoring, including programme monitoring. This increased the risk of gaps in quality and coverage of monitoring activities.

The office did not have a global field-monitoring plan indicating coverage targets (such as frequency of visits by programme outputs and/or activities), methodology, and responsibilities during 2018 and 2019. Instead, programme sections in Khartoum drew up monitoring plans covering primarily Khartoum-based activities, while field offices developed their own plans, which included the programme sections' plans as well as the monitoring sections' plans. These plans had not always been effectively coordinated, increasing the risk of inefficiencies, potential gaps and inadequate monitoring of high-risk programme activities (such as construction), particularly in remote or high-insecurity areas.

The office told the audit that the high number of activities (estimated at over 1,900) also constrained the establishment of realistic coverage and targets. The audit team and the office were both unable to assess the adequacy of coverage given lack of comprehensive data on field monitoring.

The audit reviewed a sample of field-monitoring reports and other assurance activities and found gaps in coverage and quality. For instance, the scope was at times unclear; the status of programme activities was frequently not assessed against indicators and targets; and corrective actions were not followed up. This was mainly due to outdated standard operating procedures, inadequate use of UNICEF guidance and tools, and insufficient training and oversight of monitoring activities.

The office had issued guidance on field monitoring, including tools, targets and reporting, in 2015. However, this guidance was outdated and not often used. Some field offices had developed their own monitoring checklists, templates and reporting formats. At the time of the audit, the office was developing a field-monitoring strategy to provide clearer direction and further align with the *UNICEF Guidance on Field Monitoring* issued in 2018.

The office did not use eTools effectively. Field-monitoring reports and relevant supporting documentation were not always uploaded, constraining the office's capacity to monitor the coverage and quality of field-monitoring activities, and the extent of follow-up.

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

i. Develop a global field-monitoring strategy and plan to ensure adequate coverage and quality of field-monitoring activities.
ii. Update standard operating procedures to clarify processes and the respective responsibilities of staff in the main office, field and sub-offices regarding oversight over field-monitoring activities.
iii. Review the adequacy of resources available for monitoring, and train staff and United Nations Volunteers with monitoring responsibilities, to increase the quality of field-monitoring activities.

Responsible staff members: Planning, Monitoring and Evaluation Sections at Khartoum and field level; Chiefs of Field Offices; and Section Chiefs
Date by which action will be taken: 31 May 2021

Safety and security

Adequate attention to security risks is critical to protecting staff and resources, as well as creating a safe and positive work environment. To address this risk, the office maintained a security risk management (SRM) system to review threats, identify risks and recommend minimum requirements for vehicles, premises, movements and operations. The most recent SRM covered the period from 1 August to 31 December 2019. The audit was told that an update on security risks was provided daily to the Representative. Staff were made aware of security clearance requirements and the office had reported only one case of non-compliance in the period under audit. It had also built a database of incidents for use by all UN agencies.

The office reported that all staff except two had completed the mandatory course on basic and advanced security in the field as of 30 November 2019. The security section in Sudan had conducted three joint security and administrative team visits in field offices.

However, the audit also noted the following.

REDACTED In July 2019 the office's security assessment identified 19 unmet security requirements. As of 17 November

2019, 15 out of the 19 were still not met REDACTED At the time of the audit, the office was considering a complete renovation of the warehouse. The office also had outstanding security recommendations stemming from the security review of two warehouses that stored UNICEF supplies REDACTED

Offices: UNICEF has one main office, six field offices and five sub-offices in Sudan. The office had conducted a facility safety and security survey (FSSS) of the main office, four field offices and one sub-office during the period of January 2018 to 5 December 2019.

The audit found that several security requirements identified in a sample of four FSSS reports had not yet been met. It also noted significant lags between security reviews. For instance, the most recent security review of one field office, in February 2019, had been three years and eight months after the previous review. For another field office, it was two years and five months.

UNICEF had started implementing security recommendations from the FSSS reports REDACTED As of the time of the audit, however, the office had not submitted a consolidated compliance report for all the security recommendations to the CMT.

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

i. Implement safety and security recommendations promptly. A consolidated compliance report should be submitted regularly to the CMT to enable comprehensive monitoring of safety and security risks to premises.
ii. Complete facility safety and security surveys of all offices and warehouses regularly.

Responsible staff members: Staff Security Officer
Date by which action will be taken: 31 October 2020

Reporting on results

Inaccurate reporting by a UNICEF office or programme could put donor relations and funding at risk, as well as creating broader reputational risk for the country office and UNICEF in general. The office discloses results internally in the results assessment module (RAM)[8] and in its annual report to the Executive Director, and externally in donor reports.

In 2019 the office reported in RAM that four of the six programme outcomes and 19 out of the 23 outputs were on track and two outcomes and four outputs were constrained in 2019. The office had issued 73 donor reports in 2018, and 89 in 2019 as of the time of the audit. All reports were issued on time.

The audit reviewed a sample of three results statements in the office's 2018 RAM, annual report and donor reports. It found that the office relied on the information submitted by implementing partners in their progress reports. Progress/final reports obtained from Government partners represented one key primary source of information. However, there was no consistent process in place to review the accuracy of self-reporting by partners, even on a sample basis. This had increased the risk of undetected inaccuracies in results reported internally to the Executive Director and externally to donors.

[8] An online portal to which UNICEF offices upload their results, making them visible across the organization.

Agreed action 11 (medium priority): The office agrees to implement an effective mechanism to obtain reasonable assurance over the accuracy of key results reported by implementing partners before using them in its own reports. It will consider obtaining this assurance through testing the accuracy of a sample of reported results.

Responsible staff members: Chief Planning, Monitoring and Evaluation; Chiefs of Field Offices; and Section Chiefs
Date by which action will be taken: 31 May 2021

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.