

Internal Audit of the India Country Office

September 2018

Office of Internal Audit
and Investigations (OIAI)



Report 2018/05

Summary

The Office of Internal Audit and Investigations (OIAI) has conducted an audit of the India Country Office. The objective of the audit was to provide assurance as to whether there were adequate and effective controls, risk management and governance processes over key areas in the office. The audit team visited the office from 4 to 22 June 2018, and the audit covered the period from January 2017 to 22 May 2018.

The current India country programme covers the period 2018-2022. It consists of seven inter-related programmes components: *Reduction of child and maternal mortality; Reduction of undernutrition of children and adolescent girls; Safe and sustainable water, sanitation and hygiene services; All girls and boys learn; Protection of children from violence, abuse and exploitation; Inclusive social policy; and Public- and private-sector engagement for child rights.* There is also a cross-sectoral component. The total budget is US\$ 651.6 million, of which US\$ 301.6 million is Regular Resources (RR) and US\$ 350 million is 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.

The country office is in Delhi. There are 14 offices (including the country office in Delhi) that cover 16 States throughout India. There are 454 approved posts, of which 79 were vacant at the time of the audit.

The 2011 census reported that India's population stood at 1.2 billion, with 37 percent (444 million) younger than 18 years. In line with UNICEF's global Strategic Plan, the goal of the country programme is to contribute to national efforts to progressively fulfil children's rights, and develop their full potential in an inclusive and protective society. The country programme had prioritized support to the Government in mainstreaming the Sustainable Development Goals into policies, plans and monitoring at the national and decentralized levels, and in strengthening capacity to generate and use quality data.

The audit noted several areas which were functioning well. There were established management structures to support the implementation of the country programme. The development of the country programme document and workplans was participatory, and there were periodic reviews of the country programme involving national and state-level implementing partners.

Action agreed following the audit

The audit identified a few areas where further action was needed to better manage risks to UNICEF's activities. In discussion with the audit team, the country office agreed to take measures to address these risks. Two of these actions are being implemented as a high priority – that is, to address risks that require immediate management attention:

- The office will finalize its OR mobilization strategies and assign accountabilities and responsibilities for their implementation.
- The office will finalize its review and implement its strategy for the technical assistance to the Government through consultants.

Conclusion

Based on the 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.

The India Country Office, the South Asia Regional Office and OIAI will work together to monitor implementation of the measures that have been agreed.

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Objectives

The objective of the country office audit was to provide assurance as to whether there were adequate and effective controls, risk management and governance processes over key areas in the office. In addition to this assurance service, the audit report identifies, as appropriate, noteworthy practices that merit sharing with other UNICEF offices.

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

Audit Observations

Mobilization of financial resources

A material shortage of other resources (OR) limits an office's ability to implement planned activities. Also, a limited number of donors does not guarantee sustainability of funding for a country programme and may result in an office focusing its efforts on donors' priorities when other interventions are also needed. To manage such risks, a country office should have a resource mobilization¹ strategy that not only aims at a broad donor base, but also strongly supports the mobilization of OR to fund high-priority areas that have been unable to attract specific funding.

Results of mobilization efforts and OR target: The office had raised only US\$ 242 million (45 percent) of its approved OR ceiling of US\$ 540 for the 2013-2017 country programme. Overall, 54 percent of the funding for the 2013-2017 country programme came from three donors. The shortfall was mainly because a major donor, seeing India as a middle-income country, ceased funding of the programme and due to the significant reduction in funding for polio-eradication activities following the removal of India from the list of polio-endemic countries in 2014. One other major donor, which had contributed about US\$ 14 million per year, informed the office in May 2018 that it was changing its grant strategy – a decision that may have a negative impact on its contribution to UNICEF programme activities. Consequently, for the 2018-2022 programme cycle, the office set its OR target at US \$350 million, representing a significant reduction of US\$ 190 million (or 35 percent) from the target for 2013-2017.

In the view of the audit, the current target for 2018-2022 country programme still appeared to be high and the office will need to significantly scale up its resource mobilization activities to meet this target. The target was US\$ 118 million more than the actual inflow for the previous 2013-2017 country programme and there was already a projected funding gap of about US\$ 54 million for 2018-2019 planned activities. As of June 2018, the office had US\$ 77 million in OR funding, which comprised US\$ 67 million in multi-year grants that were rolled over from the previous programme and only US\$ 10 million in new funding (i.e. the office had raised approximately US\$ 1.67 million per month since June 2018).

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

The office had started to take some measures to address its projected funding gaps. For example, it had taken steps to track funding gaps at output level, developed targeted fundraising action plans, and begun gathering donor intelligence on 'other' potential funding sources, including traditional Government donors. The office had also identified private-sector fundraising (PSFR) as a key mechanism/tool to raise more OR (see below).

Private-sector fundraising (PSFR): The office had developed a PSFR strategy and estimated that PSFR activities would generate approximately US\$ 31 million by 2022. However, these activities had not generated as much revenue as expected. In 2017, the PSFR target was US\$ 6.4 million, but the office raised only US\$ 4.6 million (about 72 percent). In 2018 as of May, the office had only raised US\$ 2.1 million through PSFR activities.

There had been support from other UNICEF offices, and recommendations from various peer reviews and support missions by private-sector fundraising experts on how to increase PSFR contributions. However, the PSFR section had no system in place for monitoring the implementation of such suggestions.

In discussion with the audit team, the country office underscored some challenges to PSFR. Firstly, the office was not allowed to issue tax exemption certificates – which made it difficult for it to attract and retain individual or corporate donors. Secondly, with the 2013 Corporate Social Responsibility (CSR) law, the office anticipated that some potential corporate donors might limit their contributions to social services to the minimum amount authorized by the law, which is two percent of their net profits. UNICEF and all other UN agencies, programmes and funds are ineligible to receive funding through the CSR law. Therefore, the office decided to encourage the private sector to direct the CSR funds towards children's issues. To this end, the office said that it had already established agreements to leverage the CSR funds and started to work with the CSR Council on this. In the view of the audit, the office still needed to clarify and formalise the modalities and its approach to leveraging the CSR funds.

Resource-mobilization strategy: The office had not drawn up a comprehensive resource-mobilization targeting not only the private sector but also UNICEF traditional donors, to meet its OR target. A comprehensive strategy should also seek to leverage the skills and expertise residing not only in the PSFR Section but also other programme sections that routinely interact with potential donors during their day-to-day operations. To the extent feasible, specific resource mobilization responsibilities needed to be assigned to staff members outside the PSFR Section. Moreover, the PSFR section had 11 of its 19 posts vacant, including that of the chief. The vacant posts exacerbated the resources mobilization challenges for the office.

Agreed action 1 (high priority): The office agrees to:

- i. Implement a comprehensive resources mobilization strategy that meets the financial requirements of the country programme.
- ii. Assign some resources mobilization accountabilities and responsibilities to key staff (such a programme and State Office Chiefs) outside the Private Sector Fund Raising (PSFR) section, and clearly delineate them from those of the PSFR staff.

Target date for completion: December 2018

Responsible staff members: Deputy Representative and Chief of RMP, Chief of RMP, Chief of Planning and PPSE Manager

Agreed action 2 (medium priority): The office agrees to strengthen the Private Sector Fund Raising (PSFR) section by:

- i. Timely filling all key vacant posts.
- ii. Implementing a monitoring system for the implementation of recommendations arising from peer reviews and support missions by private-sector fundraising experts.

Target date for completion: November 2018

Responsible staff members: Chief of RMP and Chief of HR

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

- i. Advocate to Government, through headquarters divisions as necessary, that UNICEF be eligible to issue tax certificates to individuals and corporations making contributions to it.
- ii. Strengthen the leveraging of Corporate Social Responsibility (CSR) resources by addressing challenges noted in the PSFR strategy, including ensuring that, at all office levels, there is a mutual understanding of CSR and Child Rights and Business.

Target date for completion: December 2019

Responsible staff members: Representative, Chief of RMP, Chief of SPME, PPSE Manager

Programme development

The office had followed the recommended steps for development of the 2018-2022 country programme, leading to its approval by the UNICEF Executive Board and eventual signing of a country programme action plan (CPAP)² by the government. Appropriate strategy notes were prepared in collaboration with various partners at the national and state levels.

However, the audit's review of the results framework, situation analysis (SitAn), and the UN Sustainable Development Framework (UNSDF) noted the following.

Results framework: The country office had developed its results matrix for the 2018-2022 country programme and included it in the CPAP. However, out of 171 outcome baseline indicators listed in the results matrix, eight did not yet have the values that would be required for them to be useful in measuring progress towards targets. At the time of the audit, the office was still assessing the quality of data from relevant information systems to see if they could fill these data gaps. The country office expected that all the baselines will be established by April 2019. Therefore, the audit team is not making a recommendation on inclusion of values for all baseline indicators, as the office was already pursuing this.

SitAn: A SitAn, or situation analysis, is a document a UNICEF office prepares during a country programme cycle to inform the design of the one that follows. It describes the situation of children and women in a country and identifies the key areas to be addressed. Preparation of the SitAn requires consultation with the government at appropriate levels, civil society, academia etc. Inevitably, a SitAn may cover sensitive issues concerning the rights of children and women, such as discrimination, exploitation, gender-based violence, disparities in

² The CPAP is a formal agreement between a UNICEF office and the host Government on the programme of cooperation, setting out the expected results, programme structure, distribution of resources and respective commitments during the period of the current country programme.

resource allocation and more. The SitAn contributes towards the office's advocacy role sharing a formal report of it can contribute to national ownership and support. Sharing a formal report of the SitAn can also enhance its usefulness to the Government and other stakeholders in drawing up their policy and strategy, budgeting, programme implementation, monitoring, and evaluation.

A SitAn had been completed in 2016. Per the SitAn, it had been built on several previous analyses of issues affecting the rights of vulnerable children and informed by the results of the 2011 census, a 2013-14 rapid survey of children, and the mid-term review of the 2013-2017 country programme. The SitAn had identified areas that needed strengthening and interlinked development themes that would be key to promotion of the rights of children during the 2018-2022 country programme cycle.

In discussion with the audit team, the office confirmed that the SitAn had not been published and shared with the Government and other stakeholders as required. However, the office said it had consulted the Government at national and state levels, civil society and academia in preparing the SitAn and discussed the results in various fora during the development of the country programme. The office further stated that a team from UNICEF Headquarters had been involved and that the report of the team was further evidence of its consultations.

UN Sustainable Development Framework: The UNSDF, also referred to as the UNDAF,³ provides a system-wide overview of key UN activities and functions at country level, in support of national policies, priorities and plans. Development and implementation of the UNSDF is typically led by the UN's Resident Coordinator. The UN organizations participating in the UNSDF are expected to align their programming with the UNSDF, and its strategic priorities, outcomes and joint workplans provide a basis for planning by individual organizations.

The development of the India UNSDF for 2018-2022 took place in 2016 at around the same time that the UNICEF 2018-2022 country programme was being prepared. However, at the time of the audit in June 2018, the UNSDF had – unlike the UNICEF country programme – not yet been finalized and agreed upon by the UN and the Government of India. The audit's review of communication between the Resident Coordinator's office and National Institution for Transforming India⁴ showed that the Resident Coordinator was still dealing with unresolved questions regarding consultation with the Government on the finalization of the UNSDF, budgeting, programme outcomes and activities. In view of this, the audit was concerned that the UNICEF 2018-2022 UNICEF country programme might not be fully aligned with the final version of the UNSDF.

A review of the UNICEF results matrix, which is part of the UNICEF country programme, showed that it was aligned with the draft UNSDF submitted by the Resident Coordinator to the Government and the office confirmed that submitted draft was not materially different than the one used in preparing the country programme. The office also stated that the UNICEF Regional Director was the chair of the UNSDF Group; this meant UNICEF was well informed

³ The United Nations Development Assistance Framework (UNDAF) is a broad agreement between the UN and a national Government, setting out the latter's chosen development path, and how the UN will assist.

⁴ The Institution (<http://www.niti.gov.in>) describes itself as the premier policy 'Think Tank' of the Government of India, providing both directional and policy inputs; besides programme and policy design, it provides relevant technical advice to India's Government and to the States.

about changes being made to the UNSDF. Therefore, the audit team is not making a recommendation regarding the alignment of the country programme with the UNSDF.

Agreed action 4 (medium priority): The office agrees to formally share the report of the Situation Analysis (SitAn) with the Government, solicit its comments/feedback and address any areas of divergence.

Target date for completion: September 2018

Responsible staff members: Chief of SPME

Programme workplans

The office had prepared multiple rolling workplans⁵ – one workplan at national level in Delhi and 13 others for the State offices. Each plan covered a two-year period ending 31 December 2019. Detailed instructions for the development of the rolling workplans were distributed in October 2017. The workplans generally met UNICEF content requirements. They were endorsed promptly by Government departments, and the implementation of activities started at the beginning of 2018.

Where workplans are implemented at decentralized levels, UNICEF programming guidelines require the articulation of accountability for workplans up-front. However, the office circulated its accountability framework “UNICEF India Accountability Framework” in late June, long after the workplans had been endorsed and the implementation of activities had started. Since the accountability framework had been distributed, no further actions are recommended.

A review of the workplans showed that it was difficult to determine exactly when several planned activities were expected to be implemented. For each activity, all the eight quarters of the two-year period had been marked as the implementation timeframe. This indicated that the sequencing of planned activities was not properly considered during work planning. Furthermore, several outputs had multiple sub-activities and many indicators (in some cases exceeding five). This complicated programme monitoring (see observation *Monitoring programme results*, below). These were mainly because the office’s guidance for the development of the workplans did not adequately cover the sequencing of activities and the number of and type of indicators that could be used for planning purposes at the national and state levels.

The lack of clear timeframes makes effective and efficient monitoring of the delivery of outputs difficult. In addition, it meant that the workplans could not be effectively used by the implementing partners to plan and request programme inputs at the right time.

Agreed action 5 (medium priority): The office agrees to enhance its instructions for future work planning by providing guidance on:

⁵ Per UNICEF’s Programme Policy and Procedure Manual (PPPM), workplans can be developed on an annual or multi-year basis, or as rolling workplans. In the latter case, the workplan is subject to interim review – for instance, it may be for 18 months, but the government and UNICEF will agree to periodic technical review of its outputs, say every six months, with an adjustment based on the review of the remaining 12 months. At the same time, an additional six months will be added on to the rolling workplan to make up a new 18-month cycle.

- i. Sequencing of activities and timeframes for implementing planned programme activities.
- ii. The number of activities and indicators for each programme output.

Target date for completion: November 2018

Responsible staff members: Chief of Planning

Monitoring programme results

The office had put in place key monitoring and reporting processes, including network meetings among key partners, quarterly internal and external programme meetings, field and programme visits, and periodic reviews with partners. The results assessment module (RAM)⁶ was updated mid-year and annually to record progress made in delivering programme outputs. In line with UNICEF practice, progress was recorded as “on track”, “constrained” or “met”.

The audit reviewed the minutes of the annual reviews of the 2013-2017 country programme and periodic reviews with the implementing partners. (These constituted a number of different documents, as reviews are held at both State and country level.) The audit found that the minutes of the annual review for the 2013-2017 country programme did not show review or discussion of the cumulative results. Neither did the minutes of the periodic reviews with partners, though they did mention some achieved results.

In the RAM, the cumulative results reported for outputs included the status of all the outcomes at the completion of the country programme. A review of the RAM for the 2013-2017 programme showed that all the outcome results areas were reported as “on track” as of 31 December 2017. Since the office had been able to raise only 45 percent of the resources required, the report that all outcomes were “on track” makes the audit question the reliability and integrity of the information in the RAM.

Moreover, the office did not update the RAM with the results achieved in two major programme areas (programme effectiveness and cross-sectoral) that had a total budget of over US\$ 67 million and expenditure of about US\$ 57 million during 2013-2017. The audit was not provided with evidence of the periodic review of progress made in these two programmes. Given that the records/minutes of periodic reviews with implementing partners contained little information on the overall results monitoring, it was difficult for the audit to verify the accuracy of the information reported in RAM. The audit attributed the above gaps to the multiple activities and indicators that were being used to assess the status of each output (see previous observation, *Programme workplans*). Where progress was made only on some activities or indicators, it was difficult to correctly determine and report the status of the result overall.

The audit team’s discussions with government and UNICEF staff indicated that there was the lack of effective tools for monitoring programme results.

⁶ UNICEF offices, including country offices, upload their results to the RAM so that they can be viewed across the UNICEF system, allowing easy access to information and comparability and aggregation of results.

Agreed action 6 (medium priority): The office agrees to strengthen programme reviews and results monitoring through the following steps:

- i. Ensure that the periodic reviews with implementing partners cover and document the cumulative results achieved for each output and show that they are linked to the country programme outcomes. To this end, the office will develop tools for monitoring that demonstrate the aggregate results of programme activities and the way in which they have contributed to the planned result.
- ii. Review and rationalize the number of indicators that measure progress made on the workplan outputs, and use them to record progress made in the results assessment module (RAM).
- iii. Ensure that periodic reviews cover all key programme areas and that their results are recorded in the RAM.

Target date for completion: January 2019

Responsible staff members: Chief of Planning

Harmonized Approach to Cash Transfers (HACT)

HACT is a risk-based framework in which offices assess the risks attached to a partner and determine the best way to transfer cash to that partner. The risk assessment, known as a micro-assessment, also allows the office to decide the nature and number of assurance activities needed to ensure the correct use of the cash transfers. Under HACT, these assurance activities include programmatic visits, spot checks and scheduled and special audits.

The audit reviewed the office's implementation of HACT and found that micro-assessments were conducted as recommended. However, there was scope for improvement in assurance activities, as noted below.

Spot checks: A review of a sample of 22 spot checks completed in 2018 (as of June) noted that in 14 cases, there was no timeline for the implementation of the agreed actions arising from the spot-check findings, or it was not specific. Also, in 13 instances, the staff responsible for conducting follow-up were not assigned and in seven cases, findings and recommendations did not have risk ratings.

These weaknesses arose partly because the office used two different report formats to capture the information gathered during the spot checks. One format did not require information such as who would be responsible to follow up on agreed actions, the date by which it should be implemented, or require the assignment of a risk rating.

Scheduled audits: HACT policy requires partners receiving more than US\$ 500,000 to be audited once during the country programme cycle. In line with the office's assurance plan for 2017, 37 scheduled audits had been performed. The audit reviewed a sample of five audit reports and noted that external auditor's findings appropriately highlighted issues related to financial management and internal controls, such as lack of proper accounting records or sufficient documentation to support reported expenditure, and poor segregation of duties. Further, four reports mentioned partners' failure to comply with previous recommendations from assurance activities.

Follow-up of assurance activities: The office had HACT committees at state and national levels to provide oversight on all HACT processes, including planning and implementation of

assurance activities and follow-up on issues arising from them. A review of minutes of meetings held during 2017-2018 found that the committees focused only on monitoring the implementation of the HACT plan. There were no formal follow-up mechanisms to monitor the status of implementation of high-priority recommendations stemming from assurance activities. This could impair the office's ability to ensure significant issues are addressed promptly. (The audit also noted similar gaps regarding some assistance missions and peer reviews conducted by the office.)

Agreed action 7 (medium priority): The office agrees to strengthen its implementation of the Harmonized Approach to Cash Transfers by ensuring that recommendations arising from assurance activities are specific and timebound, and that responsibility is assigned for their implementation. It will also more closely monitor the follow-up of priority recommendations arising from assurance activities, including spot checks and scheduled audits.

Target date for completion: December 2018

Responsible staff members: Chief of planning

Technical assistance to Government

The office was providing technical assistance to the Government at the national and state levels in nearly all sectors (e.g. Health, Education, etc.) of its operations. The technical assistance was being provided through consultants hired and administered by third-party service providers on behalf of the office to fill capacity gaps of the Government and to transfer skills. In the health sector, consultants were being used for cold chain and immunization coverage monitoring and for building the capacity of the Government for cold chain repairs and maintenance, generation of evidence to support effective advocacy for immunisation demand generation, mapping, micro-planning for routine immunization, recording and reporting of immunization data, etc. (see also observation immediately below on *Immunization activities*). Eight Long-Term Agreements (LTAs) had been established, under which the office entered into contracts with the service providers to recruit and administer consultants to meet specific technical assistance needs.

For the 2013-2017 country programme, the service providers hired and/or administered over 1,400 consultants on behalf of the country office throughout the country. For some situations, consultants were placed in government offices under the supervision of the respective government officials. Assessment of the technical performance of the consultants was conducted by the respective government officials supervising the activities carried out by them. The country office was not directly involved in the evaluation of the performance of the consultant. Instead, it obtained assurance on their performance directly from the respective government officials through field visits and routine visits made by programme staff. In other situations, such as in one state visited by the audit to review immunisation activities, consultants worked under the director supervision of UNICEF staff. The cost of consultants for the 2013-2017 country programme to UNICEF over the five-year programme cycle amounted to US\$ 81.6 million.

An effective way of deploying technical assistance would be to provide for a finite period based on demonstrated need and the understanding that the Government will eventually make its own arrangements. However, in meeting with the audit, some government officials emphasized the need for the continuing deployment of the consultants to support the government. This indicated that some government departments were becoming increasingly dependent on consultants, which was not sustainable. The office had started reviewing the

continued need for the technical assistance support of the Government through long-term consultants. It had asked programme sections and State offices to draw up their technical assistance strategies, which would be used to develop a technical assistance strategy for the whole office. However, at the time of the audit, it was not clear when the strategy would be finalized and implemented.

Agreed action 8 (high priority): The office agrees to finalize and implement its review of the technical assistance strategy. The strategy should be informed by lessons learned and the needs of relevant departments, and UNICEF interventions should demonstrate support that can be taken to scale by the Government.

Target date for completion: January 2019

Responsible staff members: Deputy Representative, Chief of Field Services, and Chief of Operations

Immunization activities

In conducting the country office audit, OIAI also carried out a specific review of UNICEF immunization activities in India. The review was part of OIAI's multi-country review of UNICEF's immunization management, for which a consolidated report will be issued separately in due course; meanwhile the observations specific to India are presented in this observation.

To improve immunization coverage, the India Country Office was working with other UN entities and supporting the Government at the state and national levels to implement various strategies and evidence-based immunization activities. UNICEF was utilizing its comparative advantage in:

- Communication and social mobilization - This involved the development of strategic and operational guidelines and tools for integrated communication campaigns, organizational workshops to support the launch of new vaccines, and the development of communication plans and monitoring tools. In one state visited, the office was building the capacities of the media on social and ethical reporting and partnering with educational institutions on the development of curriculums to improve esthetical reporting of social issues such as immunization being championed by UNICEF.
- Procurement of vaccines, forecasting of demand, and distribution planning, capacity-building to strengthen vaccine management.
- Cold chain management – This involved the procurement of cold chain equipment through the Supply Division based in Copenhagen to bridge urgent programmatic need or to support introduction of new cold chain technologies; installation, monitoring, repair and maintains of cold chain equipment; and training of cold chain technicians. In one state visited, the office reported to have contributed (through the use government monitors equipped with relevant tools) to monitoring of all 2,900 cold chain points annually compared to the goal of only five percent.
- Immunization coverage management – In one stated visited, the office was supporting the Government in generating evidence to strengthen advocacy, increase and sustain demand for services such as immunization, and implementing capacity development activities to (for example) improve micro-planning for routine immunization, immunization coverage monitoring, scheduling, tracking of left-outs and drop-outs, and recording and reporting of immunization data.

In 2014, two government training centres were built with the support of UNICEF (UNICEF prepared the concept note for the centre technical assistant through consultants). The office supported the development of: National Cold Chain and Vaccine Logistics Action Plan (2017); operational guidelines for the introduction of new vaccines; and strategic and operational guidelines and tools for integrated communication campaigns.

The audit noted two areas for improvement: strengthening of immunization through consultants; and in vaccines wastage.

Consultants: The audit noted the use of consultants as part of UNICEF's technical support to the Government (see also observation immediately above on *Technical assistance to Government*). During the visits to the State offices, Government officials emphasized the need for the continued use of these staff. However, this may not be sustainable as funding may run out and the government needs to continue effective supervision of immunization coverage. As the action agreed for the prior observation addresses this risk, no separate agreed action is presented here.

Wastage: A key factor to consider for vaccine forecasting and needs estimation is wastage. The audit noted that the last comprehensive assessment of vaccines wastage was completed in 2010 by UNICEF and another partner. It covered five States of India. The report found that there was poor documentation of vaccine wastage at all levels, and made suggestions to address them. It is not clear whether the issues raised had been addressed. In view of the time elapsed since the last assessment, another formal assessment is necessary.

Agreed action 9 (medium priority): The office has agreed to advocate a formal assessment of vaccines wastage in the country and use its results to encourage action by the Government to address any vaccines wastage issues noted.

Target date for completion: June 2019

Responsible staff members: Chief of Health and Immunization Specialists

Management of consultants

A review of a sample of 10 consultants' contracts noted the following:

- In two cases, the terms of reference described generic functions to be performed by the consultants, rather than stipulating specific, measurable, and time-bound deliverables.
- In four cases, the consultants were paid monthly rather than such payments being linked to specific deliverables.
- In five contracts, expenditures such as out-of-pocket miscellaneous contingencies were included in the contract budgets to allow contractors to request reimbursement of any such expenditure incurred. However, there were no descriptions of what these amounts should cover, risking claims for reimbursement of ineligible expenditures.
- Three consultants were selected on a single-source basis. In another three cases that were shown as competitively selected, a minimum of three candidates were not considered.
- In two instances, the work to be performed included staff functions such as oversight and UNICEF representation.

It was noted that the office did not effectively monitor contracts that were finalized but not closed in VISION.⁷ There were 52 contracts that remained open after their expiry dates. This did not allow a chance for the office to reallocate any unspent balances to other activities.

Agreed action 10 (medium priority): The office agrees to strengthen its hiring and management of individual consultants by ensuring that:

- i. The consultants are recruited on a competitive basis.
- ii. They have clearly defined and measurable outputs that exclude staff-like functions.
- iii. They are paid in accordance with UNICEF policy and with the contracts established with them.
- iv. The relevant contracts are properly closed when completed.

Target date for completion: February 2019

Responsible staff members: Chief of Operations and Chief of Supply

Goods and Services tax (GST)

The Government introduced a GST in 2017. Although the Basic Cooperation Agreement between the UN and the Government exempts UNICEF from paying taxes on locally procured goods and services, the office was asked by the government to make GST payments to vendors and the accrued amounts were supposed to be subsequently reimbursed by the Government upon the receipt of a monthly request.

The UN, through the Resident Coordinator's office, had tried to secure enforcement of the exemption clause from the Ministry of Finance so that payments could be made excluding GST. However, these efforts had not been successful. As of June 2018, the UNICEF office had US\$ 6.3 million in unreimbursed GST accrued from local procurement.

The office had signed four long-term agreements with third-party service providers to follow up and collect the outstanding amounts throughout the country (the GST is collected at State level). The fees for the collections were based on the number of monthly transactions to be handled by the service providers, and not necessarily on actual collections. These LTA terms were not favourable to UNICEF, since providers could claim fees even where they were not successful in getting UNICEF refunds. As of June 2018, there had been no GST refunds through the efforts of the third-party service providers.

Agreed action 11 (medium priority): The office agrees to:

- i. Pursue its efforts, through the Resident Coordinator's office, to persuade the Government to apply the provision in the Basic Co-operation Agreement granting exemption from tax in the procurement of local goods and services.
- ii. Review its processes for pursuing the refund of the outstanding Goods and Service Tax amount (over US\$ 6.3 million as of June 2018) through third parties, and consider assigning follow up responsibilities to UNICEF staff.
- iii. Periodically review third-party contracts to ensure their terms are favourable to UNICEF.

⁷ VISION is UNICEF's management system (from Virtual Integrated System of Information).

Target date for completion: March 2019

Responsible staff members: Chief of Operations, Chief of Admin & Finance and Chief of Supply

Partnerships management

During 2017 and 2018 (as of June), funds transferred to NGOs totalled about US\$ 25.5 million. UNICEF relationships with these NGOs were set out in programme cooperation agreements (PCAs) and small-scale funding agreements (SSFAs). The office had established a partnership review committee (PRC) in Delhi for PCAs with over US\$ 50,000 in contributions from UNICEF. The PRC had adequate terms of reference (ToRs). The SSFAs were issued to implementing partners where the total transfer of UNICEF resources was US\$ 50,000 or less in a 12-month period. The SSFAs were issued in Delhi and at all State offices. There was no requirement for the SSFAs to be subject to review by the locally established partnership review committee (LPRC) at the State office level.

In 2017 and 2018, the office had signed 766 agreements with NGOs, of which 387 (51 percent) were SSFAs; these were worth about US\$ 5.4 million, or 21 percent by value of the agreements signed during the period. A review of 20 SSFAs noted that in 16 cases, the purpose of these agreements constituted vendor relationships, rather than partnerships as defined in UNICEF guidelines.

The audit also noted that the office benchmark for the PCR to process agreements was 45 working days (from the date of submission to signature by both parties). However, in eight out of 10 PCA submissions the process exceeded this; the delays ranged between 10 and 91 days. Although the office was tracking performance against the benchmark quarterly, it had not acted to address the causes of the delays. Discussions with staff at State and country office levels indicated that some of the causes of the delays included lack of a quorum of PCR members to review the PCAs, and submissions lacking the necessary supporting information and documentation from State offices, causing lengthy correspondence. Further, the procedures for approval of PCAs included two rounds of reviews and approvals, first by the local PRC and then by the PRC in New Delhi; this added to the delays.

Agreed action 12 (medium priority): The office agrees to review and strengthen its procedures for managing agreements with NGOs through the following steps:

- i. Establish a process to ensure that proposed SSFAs meet UNICEF guidelines.
- ii. Identify and address bottlenecks in the review of proposed agreements.

Target date for completion: March 2019

Responsible staff members: Chief of Field Services and Chief of Operations

Contributions management and donor reporting

The audit reviewed the accuracy of budget data in VISION, and the management of grants, to establish whether funds received were spent on time, financial commitments expensed before the financial closure of the grants, and any grant extension requested promptly. As of June 2018, the office had 106 active grants with total value of US\$ 176.2 million. The audit noted the following.

Grant extensions: No grants expired with significant unutilized amounts during the period from January 2017 to June 2018. However, a review of grant implementation during 2017 and

2018 showed that 69 *ad hoc* requests for supplies, totalling US\$ 3 million, and Direct Cash Transfers (DCT) to implementing partners amounting to about US\$ 500,000, that were placed and disbursed within a month of the grant expiry date. A review of 11 grant extension requests found that in seven cases, the requests were submitted from two to nine days before expiry of grants. Late requests for grant extensions could lead to use of funds on unplanned activities and/or ineligible expenditure against a grant.

Donor reports: During 2017 and 2018 (as of June), the office issued 88 donor reports, 58 in 2017 and 30 in 2018. In 2017, only one report was sent late, while in 2018 five out of 30 donor reports were sent late. The delays ranged from two to 45 days.

Although the office had standard operating procedures (SOPs), including a checklist to review and clear the reports before issue, this was used only for selected donors. A review of six donor reports issued during 2016-2018 found that in four reports, there was no analysis of constraints and challenges or, if applicable, the specific actions taken or planned to address them. Two reports lacked outlines of future plans and an appeal for future funding from the donor. They also omitted a comparison of the results agreed in the donor agreement with those in the donor report. In six cases, no donor feedback had been received in response to the donor report, and the office had not followed up.

The audit also reviewed six results statements included in six donor reports to determine whether they were fully supported. In two cases, the office provided only spreadsheet lists of activities implemented or items purchased. In one of these two cases, the information was not correct, and was insufficient to support the data reported. In the remaining four cases, there was no supporting documentation that could confirm the accuracy of the reported results.

Inaccuracies in donor reports are a reputational risk and could affect future fundraising. The office stated that responsibility for the quality review of donor reports had previously been assigned to a staff member in the programme section, but this responsibility had been reassigned to the PSFR section, which did not focus on quality review of donor reports due to vacant posts in the section.

Agreed action 13 (medium priority): The office agrees to strengthen its controls over the management of grants and donor reports through the following steps:

- i. Monitor so that grant funds are fully utilized before grant expiry dates, and extension requests are timely and are made well in advance of the expiry dates of the grants.
- ii. Assign accountability for the quality review of donor reports before they are issued.

Target date for completion: October 2018

Responsible staff members: Chief of Planning

Annex A: Methodology, and definition 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 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 regional 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 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 regional-office management but are not included in the final report. |

Conclusions

The overall conclusion presented in the summary falls 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.