Internal Audit of the Egypt Country Office

July 2018

Office of Internal Audit
and Investigations

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Summary

The Office of Internal Audit and Investigations (OIAI) has conducted an internal audit of the Egypt Country Office. The objective of the audit was to assess the office's governance, risk management and internal control, with a focus on key risk and activity areas. The audit team visited the office from 22 April to 11 May 2018. The audit covered the period from January 2017 to April 2018.

The 2018-2022 country programme has three main components: *Social inclusion*; *Child survival and early childhood development*; and *Learning and child protection*. There is also a cross-sectoral component. The total approved budget for the country programme is US$ 94.2 million, of which US$ 14.2 million is Regular Resources (RR) and US$ 80 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 such as a particular programme, strategic priority or emergency response, and may not always be used for other purposes without the donor's agreement. An office is expected to raise the bulk of the resources it needs for the country programme itself (as OR), up to the approved budget. The office planned to raise a further US$ 25.8 million in 2018 to respond to the needs of refugees, mainly but not exclusively from Syria. This type of funding is known as Other Resources (Emergency), or ORE.

The country office is located in the capital, Cairo. As of April 2018, the country office had a total of 97 approved posts, of which 19 were for international professionals, 55 for national officers and 23 for general service staff. Of the 97 established posts, 29 were vacant (a vacancy rate of 30 percent). The total budgets were US$ 16.5 million in 2017 and US$ 30.6 million in 2018. The larger budget in 2018 reflects the refugee response, together with an unrelated large grant from one donor.

The audit noted a number of positive practices, including mainstreaming of Communication for Development (C4D) as part of the 2018-2022 country programme and a robust approach to system strengthening, particularly in the area of child protection. There was also cross-sectoral programming around early childhood development (ECD) and elimination of violence against children. Moreover the office had a focus on adolescent girls, which is an organizational priority for UNICEF.

Action agreed following the audit

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

- The country office will further strengthen its approach to assessment and reporting of results.
- The country office will take steps to expedite recruitment into key vacant positions and to maximize value for money from its use of consultants.

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Conclusion

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

The Egypt Country Office, the Middle East and North Africa Regional Office (MENARO) and OIAI will work together to monitor implementation of the measures that have been agreed.

| Office of Internal Audit and Investigations (OIAI) | July 2018 |

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Objectives

The objective of the country office audit is to provide assurance as to whether there are adequate and effective controls, risk management and governance processes over a number of 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 client in the process of the audit.

Audit observations

Results structure and planning
UNICEF practices results-based management (RBM), and planned results should be evidence-based and reported against defined indicators and baselines.

The audit found that the 2018-2022 country programme was aligned with UNICEF's strategic plan and that, in line with good practice, the office had prioritized cross-sectoral programming through integrated outcomes. The country programme consists of three programme components (outcomes) and 13 programmatic outputs. The results structure had been developed in close consultation with the regional office. The overall logic of the results framework was sound, and the outcomes, outputs and the indicators were generally at the appropriate level (as per RBM standards). However, the audit noted the following.

Indicators: Three out of 16 results statements were not fully captured by the selected indicators – this concerned three output indicators measuring behaviour change. According to the office, one of these indicators was chosen for output level because it pertained to a project, the achievements of which the office wanted to measure.

One indicator was poorly formulated: 'Percentage of pregnant women who are anaemic before delivery, with support of UNICEF, in targeted areas, disaggregated by location (governorate/district)'. This did not quantify what the desired percentage reduction would be. In addition the audit found that at least one indicator did not adequately reflect the work undertaken by the office. This was indicator 3.2.3, which referred to rehabilitation and construction; in fact, the work planned for 1,700 target schools did not fit that description – it consisted of minor repair works and establishment of 200 resource rooms.[1]

The office had yet to select standard indicators;[2] it said this was because it was awaiting finalization of all RAM standard indicators at headquarters level.

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[1] The latter were prefabs without air-conditioning, which made their usage during summer questionable.

[2] UNICEF policy is that a results structure should use a mixture of standard indicators, common to other country programmes, and indicators that are specific to the actual programme. The first allow comparability across the organization, and global measurement against UNICEF's priorities. However, the second type can reflect local goals and priorities, and also enable use of whatever data happens to be available locally.

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DHS data: A review of the country programme results framework for the 2018-2022 country programme found that all four Outcome 2 indicators and two of the three Outcome 3 indicators relied on Demographic and Health Survey (DHS)[3] data. The reliance on the DHS will cause challenges, as there is insufficient alignment between the duration of the programme and the timing of the DHS.

At the time the results structure was drawn up, it seemed there would be such alignment, as a DHS was planned for 2017, which could provide baseline data; and another was expected for 2021, making data available for the end-programme result assessment. However, the 2017 DHS had been delayed and had yet to be undertaken at the time of the audit (May 2018). When completed, this DHS data will likely become the source of data on the end-of-programme result achievement, as data from the subsequent DHS will now only become available after the end of the country programme. The office was aware of this and was looking into the selection of other means of verification (MoV) or alternatively the selection of alternative outcome indicators.

Baseline and target setting: A substantial number of baselines and/or targets had yet to be established. More specifically, two of the 11 outcome[4] indicators and 10 of the 52 output indicators lacked baseline and/or target data. Eight of the 11 indicators with pending baselines and/or targets awaited the completion of Knowledge, Attitude and Practices (KAP) surveys (these are surveys that help establish a target group's understanding of, attitude to, or behavior regarding a given subject).

Positively, the 2018 Integrated Monitoring and Evaluation Plan (IMEP) included two activities that were to provide the outstanding baseline information. However, both studies were delayed at the time of the audit due to staff turnover and challenges obtaining Government approval to undertake the research. The terms of reference (ToRs) for one of them had been finalized and selection of a consultant was underway, but the Government had yet to approve the ToRs for the other (a nutrition KAP study). According to the office, the two research activities would provide baseline information for all indicators relying on a KAP.

The office had prepared a first draft of proposed annual milestones for the 2018-2022 country programme and had outlined them in strategy notes. The audit found that the milestones in many cases needed to be refined to ensure that they adequately measured progress against the result framework. The office planned to do this as part of development of workplans.[5] However, review of 2018-2019 workplans found that annual targets had only been established for 23 out of 38 indicators.

As of April 2018 the office had yet to finalize and upload the result structure for the 2018-

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[3] The DHS programme is an international effort to collect accurate health and population data. It is funded by USAID but also receives contributions from other organizations, including UNICEF. For more information (including the reports), see https://dhsprogram.com/..

[4] UNICEF results planning distinguishes between an outcome, which is a planned change in the situation of children and women, and an output, which is a a change in a defined period that will contribute to such an outcome. Thus an output might include (say) the construction of a school, but that would not in itself be an outcome; however, an improvement in education arising from it would.

[5] UNICEF offices agree workplans with their implementing partners. They should detail outputs, indicators, targets, baselines, activities to be carried out, the responsible implementing institutions, timelines and planned inputs from the partners and UNICEF. Workplans serve as basis for programme disbursements to partners.

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2022 country programme into the results assessment module, or RAM (see following observation). The office was aware of the need to finalize this work, and has since reported that it has been done.

Agreed action 1 (medium priority): The office agrees to accelerate the finalization of annual targets, and the determination of baselines and targets (or alternatively the revision of indicators and/or Means of Verification).

Responsible staff members: C4D Section and Programme Section Chiefs and M&E Specialist
Date by which action will be taken: October 2018

Results achievement (assessment and reporting)

UNICEF offices, including country offices, upload their results to a Results Assessment Module (RAM) so that they can be viewed across the UNICEF system, allowing easy access to information and comparability and aggregation of results. UNICEF requires that the results be evidence-based, and that they be reported against defined indicators and baselines.

The office outlined result achievements for 2017 in its end-year 2017 RAM reporting. It is positive that the office also clearly described achievement of overall 2013-2017 country programme results in the RAM narrative section, as 2017 was the last year of the country programme. Guidance and timelines for end-year reporting were shared with all programme sections, and quality assurance was done by the Programme Monitoring and Evaluation (PME) Section and the Deputy Representative.

Overall it was found that the RAM narratives were of adequate quality. However, the office's approach to assessing indicators and rating results achievement in RAM could be improved. According to the office's self-assessment, three out of five 2013-2017 programme outcomes were achieved and two were on track. Moreover, the office reported that nine out of 26 2013-2017 outputs were met (35 percent), seven were on track (27 percent) and 10 were constrained (38 percent). However, as the country programme had come to an end, the office should not have used the on-track rating, but instead determined whether the planned result had been achieved (met) or not achieved (constrained /no progress).

Further, the review of the RAM found that it was not possible to determine if the office had achieved the planned country programme results. This was because the assessment and rating of outcomes, outputs and indicators were not always consistent. For example, in the education component, the outcome pertaining to the 2013-2017 country programme was rated as on track, although three out of four outputs were constrained and only one of three outcome indicators had been achieved. The other two outcome indicators were not achieved as per data included in the status update, but were nonetheless rated fully achieved.

Results achievement assessment and reporting at indicator level in RAM was stronger for other programme components. However, in the area of child protection the outcome was rated as met despite three out of six outputs being rated as constrained (50 percent), and none of the three outcome indicators having been achieved. Similarly, the Child Survival and Development (CSD) outcome was rated as met although no update had been provided for three of the six outcome indicators, and one of the three indicators that were reported against had no target. In view of this, determining result achievement was not feasible. There was also inadequate alignment of status updates and ratings for CSD outputs.

It is important to note that that the above assessment is based on an analysis of RAM data, and that there have been good results in the area of nutrition (e.g. the percentage of U5 children who are stunted). Good results have also been achieved in the adolescence programme. The latter was demonstrated by an evaluation, which had been the only one conducted in 2014-2017. The determination of results achievement would have been assisted by a stronger evaluation function. (The new country programme does envisage greater emphasis on evaluation, which OIAI supports, and for that reason no observation on it is included in this report.)

Agreed action 2 (high priority): The office agrees to further strengthen its approach to result assessment and reporting.

Responsible staff members: M&E Specialist and Deputy Representative
Date by which action will be taken: November 2018

Monitoring and assurance activities

UNICEF offices monitor programme implementation through a number of activities. Some are purely for monitoring the progress of programme implementation. Others are part of the Harmonized Approach to Cash Transfers (HACT),[6] which provides assurance on the use of programme funds by partners. There is properly considerable crossover between the two, as HACT involves some programmatic monitoring as well as reviews of partners' financial procedures. This observation includes one or two aspects of monitoring not related to HACT, but mostly concerns those assurance activities that do come under its procedures (programmatic visits, spot-checks and audits).

The office monitored the implementation of the assurance plan as part of the country management team's review of Key Performance Indicators (KPIs).

Some shortfalls were noted in the implementation of assurance activities.

Visits: Firstly, the audit found that the quality of the visits themselves could be improved – in order to avoid risking a waste of effort, and also possibly giving the office inadequate assurance. A review of a sample of five programmatic visit reports found, in all five cases, that there was clear linkage to workplans. However, it also noted that:

   I.   Progress of programme implementation was not systematically assessed against expected achievements.
   II. Follow-up on the implementation of previous recommendations was not done.
   III. Recommendations were not always issued, even though some important issues were noted.

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[6] The Harmonized Approach to Cash Transfers (HACT) is a set of procedures used by several UN agencies to ensure that cash transfers to partners are used as intended. Its principle is to do a risk assessment (a 'micro-assessment') of the specific partner, and manage the relationship with the partner accordingly. This is meant to cut down on bureaucracy, but without reducing vigilance in cases where fraud seems more likely. HACT procedures include a micro-assessment of the partner to determine the risk level, which should then determine the level of assurance activities used with that partner. These activities include spot checks, scheduled audits, special audits where necessary, and programmatic visits; the latter review progress on funded activities.

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In addition to the above review, the audit sampled all HACT assurance activities for six partnerships. It noted the need for better follow-up of recommendations from spot-checks and audits. It would also be helpful if the tracking sheet could be disaggregated by individual partners, which would make it easier for programme staff to take the sheet when visiting them.

Audits: These are one of the assurance activities that takes place under HACT. In Egypt they were performed for the office by an audit firm (Mazars Mostafa Shawki). The OIAI audit noted that the reports from this service provider could have been improved.

The audit reports for all four partners audited were watermarked "per discussion purpose only", were not signed, and did not indicate whether the high-risk observations had been discussed and agreed with the partners and UNICEF before the report was finalized. In addition, the audit scope statement stated that they were required to verify that the expenses in the FACE forms[7] were in accordance with the approved budget (and workplan) and reconciled to appropriate supporting documentation. However, whether the expenditure was spent for intended objectives in line with the approved budget was not clearly stated. This was despite the fact that the audit opinion on one partner was unsatisfactory, and the internal controls of two more were found to be only partially satisfactory. The audit team also noted that the contract with the service provider (Mazars Mostafa Shawki) was expiring in June 2018, but the competitive procurement process for the spot check/audit service had not yet been started as of 5 May.

Improvements made: Notwithstanding the above shortcomings, it is important to note that the office had already taken several steps in 2016-2017 to strengthen its monitoring. This included the introduction of a programme visit report template to ensure more consistent reporting, a quality assurance template to help section chiefs assess programmatic visit reports, and a tracking sheet to monitor the implementation of recommendations from assurance activities.

The reporting template had been devised to be in alignment with E-tools, an online platform that is in preparation for use by UNICEF offices to track monitoring activities. This platform is not yet available, and in 2016 the office had decided to use SharePoint as the platform to manage assurance activities. There had been some delays in developing the SharePoint database and it was only ready for use in late 2017. Three briefings had been provided to staff on the tools in 2017. The office had also clearly communicated to staff the definition of what constituted a programmatic visit under HACT (in essence, it is to obtain evidence on the status of the implementation of the programme, and provide assurance that results reported by the partner are accurate).

In late 2017 the office checked whether programme sections were using the programme monitoring tools, and in 2018 the Monitoring and Evaluation (M&E) specialist assessed the quality of reports uploaded to SharePoint. These exercises found that use of the tools should be strengthened and the quality of reporting should be improved. Similar findings were found by the OIAI audit visit in April 2018. The quality of reports is discussed above; with regards to use of the tools, the audit found that only 20 programme visit reports had been uploaded to SharePoint as of 1 May 2018, although the audit team understood that many

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[7] The Funding Authorization Certificate of Expenditure (FACE) form is used by the partner to request and liquidate cash transfers. It is also used by UNICEF to process the requests for and liquidation of cash transfers. The FACE forms should reflect the workplans, which set out the activities for which funds are being requested, or on which they have been spent.

more programmatic visits than this were taking place. Moreover, only one section seemed to use the tracking tool to monitor the implementation of programme visit recommendations. However, other sections did provide evidence that the tool was used to track recommendations coming out of spot-checks.

Access constraint: The Government has designated Northern Sinai a no-go area. At the time of the audit visit there were no UNICEF interventions there; the office was in discussion with the Government on this, but for the moment the lack of access did not raise questions regarding assurance activities.

However, the office did also face access constraints with regards to monitoring in schools (in general, not just in Northern Sinai). This is due to schools being considered sensitive sites, and the Government's concern regarding use of data. The restrictive policy on data-collection and information sharing also affect child protection programming. As the office was in an ongoing dialogue with the Government on access, the audit is making no recommendation on this.

Reviews: Annual reviews were conducted jointly with the Government. The 2017 review systematically reviewed achievement of the priorities in the annual management plan, and there was a session on learning from challenges and problems in the course of their achievement. This was found to be a good initiative, as it was undertaken to promote 'seeking opportunities' and taking informed risks. Further, the individual sections systematically compared planned *vs.* achieved results in their annual review with the Government counterpart. With regards to the mid-year and annual reviews, the office appeared fully engaged and the audit need make no recommendation.

Agreed action 3 (medium priority): The office agrees to further strengthen its approach to monitoring and assurance activities to ensure the quality of programmatic visits, spot-checks and audit reports and the timely follow-up of recommendations stemming from these.

Responsible staff members: Programme Section Chiefs, M&E Specialist, HACT Officer and Deputy Representative
Date by which action will be taken: November 2018

Contribution management

The office is highly dependent on one large donor, and one grant accounted for 84 percent of non-emergency OR grants with a validity date covering the 2018-2022 country programme. The office was working on diversifying its donor base; it had successfully leveraged support from another large donor and been contracted for the verification function in the area of health. Action taken in this regard was found to be adequate. This included engaging in private-sector fundraising. In the meantime, however, the overwhelming dependence on one donor made the management of donor contributions especially important.

A contribution management standard operating procedure (SOP) had been introduced in August 2016. However, the audit team noted the following.

Reporting: The SOP outlined action to be taken, responsible people and timelines. However, the SOP was not fully adhered to and there were some shortcomings, for example in timeliness of donor reporting: three donor reports were submitted late in 2017**.** The office

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said that the delays had been due to vacancies. (The high vacancy rate of 30 percent had already been noted. See also the section on *Staffing structure* below.)

Besides timeliness, it was found that the quality of reporting could be improved. The reports were fairly descriptive and focused on activity level (often on procedural achievements). More focus should have been on analytics, outlining areas for improvement and ways to address them. In several cases this reflected the fact that sections submitted reports to the Reports Officer and the Deputy Representative shortly before the reporting deadline, giving insufficient time for quality assurance.

Implementation: A review of the implementation of a sample of donor agreements found that the office faced challenges implementing interventions as planned. According to the office this was mainly due to the reform agenda of the Ministry of Education, a change of Government leadership, and lengthy security clearance procedures required for NGOs. Despite challenges in the implementation of a large-scale grant, the donor's April 2018 results-oriented monitoring (ROM)[8] report found that the project was delivering high-quality outputs, and recommended that the donor consider approving a proposed re-programming. At the time of the audit, this reprogramming had been agreed with the donor's local office in Egypt but approval from the its head office was still pending.

Implementation challenges in Egypt were also evident from low OR budget utilization (21 percent as of 8 May 2018) and the outstanding direct cash transfers (DCTs) to implementing partners; 25.7 percent of DCT had been outstanding six to nine months and 1.2 percent more than nine months. Improving utilization of funds and fundraising are mentioned as priorities in the office's 2018 Annual Management Plan.

The audit team noted some delays in allocation of contributions, partly in view of delays in approval of the new country programme workplans, that could lead to delays in budget utilization – for example, the contribution from the largest donor had not yet been allocated at the start of OIAI's field audit (23 April), amounting to US$ 7.7 million in 2018 out of a total grant of US$ 28.3 million expiring in 2020. The office has reported that an amount of US$ 3.7 million was subsequently allocated to Education. The office is aware of the need to strengthen contribution management and had identified it as an area for improvement in the 2017 annual review.

Approvals: Since issue of a simplified HACT process (known as eZHACT) in October 2017, all DCT approvals have been workflow-based, allowing the DCT approvals to be work-flowed to the appropriate function or person for approval. For a medium-size, medium-risk office such as Egypt, a three-level DCT release strategy is applied and approvals are to be done up to US$ 50,000 by programme chiefs, up to US$ 100,000 by the Deputy Representative, and above US$ 100,000 by the Representative.

In the DCTs sampled prior to the release of eZHACT, however, programme chiefs were approving DCTs over US$ 100,000. The approving (Programme L2) role for approving DCT payments was given in the office's Table of Authority to programme chiefs. However, no financial limits were specified. The office is aware of the good governance requirement of tiered approvals and is working on assigning financial limits to the roles in the Table of Authority.

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[8] ROM is a monitoring system used by the EU. Interventions are reviewed by independent external monitors, who assess them for relevance, efficiency, effectiveness and sustainability.

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The audit reviewed 14 DCTs in expired grants amounting to US$ 638,196, and obtained the office management's assurance that there was no need to re-programme or return the funds, or write off the outstanding DCTs.

In general, the audit team considered that the office should revise its approach to transferring DCTs to implementing partners. However, OIAI understands that this is already being done, and is therefore making no specific recommendation with respect to management of DCTs.

Agreed action 4 (medium priority): The office agrees to strengthen the implementation of its contribution management Standard Operating Procedures by ensuring that adequate time is provided to quality assurance of donor reports.

Responsible staff members: Deputy Representative and Reports Specialist
Date by which action will be taken: October 2018

Partnership management

The office implemented its programme through 59 partners in 2017 and in 2018 up till the start of the audit. Of these partners, 32 were Government institutions and 27 were NGOs. A total of US$ 6.2 million in DCT was transferred to partners in 2017-2018. The vast majority of partners (44, or 75 percent) were rated as high risk under HACT standards. Most high-risk partners had been rated as such because Government institutions had not agreed to be micro-assessed, and HACT procedures specify that a partner must be rated high risk at least until such an assessment has been done. High-risk partners received U$ 4.1 million in 2017-2018.

The audit noted the following.

Timeliness of programme document/PCA development:[9] During a meeting with six implementing partners, three of them mentioned that they had experienced gaps of one or two months between the expiry of one programme document and the approval of the next, which affected service delivery. According to the office, the delay was caused by the uncertainty of funding source with regards to the emergency programme. However, the office was not monitoring the PCA development process, and the audit team was therefore not able to establish if the concern raised by the three partners was part of a broader trend.

According to the office, the PCA development process is the responsibility of section chiefs. The office strongly discouraged development of a separate procedure for monitoring that process to avoid extra work, to focus staff time on the quality of results. However, in view of the evidence of a gap in service delivery, the audit found that there was a need for the office to strengthen the office-wide monitoring of PCA development.

Cost-effectiveness of partnerships: The audit reviewed six partnerships (they concerned the same six partners met by the audit team). It found that the cost of doing business with NGOs was relatively high, as in five of the cases implementing partners' contribution to direct programme cost and total budget was low; also, in three of them, the indirect costs could be further negotiated to reduce the overhead cost, although the present negotiated costs were in line with the global CSO guidelines.

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[9] The Programme Cooperation agreement, or PCA, is the formal partnership document. The programme document is produced by the partner and the relevant programme section in the UNICEF office, explaining what the proposed collaboration will do, and includes the budget and result framework. These documents will be submitted together to the office's PCA Review Commmittee.

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A review of the programme documents for these partnerships also found that the result frameworks could be further strengthened. The office noted that quality assurance was undertaken of programme documents but sections in some cases could improve their performance with regards to addressing comments.

Timeliness and quality of input provision (DCT and supplies): Three of the partners noted that there were delays in release of DCT. In one case this was because the first tranche awaited security approval of the NGO. In another case the delay – which was more than three months – was due to cost adjustment being submitted in December and thus the transfer collided with end-year closure. With regards to supply, the partners said that delays had occurred and in some cases the quality was insufficient. (For further details and recommendations, see observations on *Contribution management* above, and *Programme supplies* below).

NGO law: The audit noted that the NGO law introduced by the Government in 2017 had significant implications for the implementation of planned interventions. Due to a lengthy clearance process, the office had in several cases altered its approach and relied on partners that were already approved by the relevant line ministry, rather than working with NGOs identified through open selection.

Moreover, rather than solely engaging NGOs through PCAs and SSFAs,[10] the office transferred funds (DCT) to the National Committee for Childhood and Motherhood (NCCM), which, as a part of the Government, had pre-approval for working with some NGOs. The NCCM then contracted 18 NGOs to implement elements of the child protection programme. At the time of the audit only 12 of the 18 NGOs receiving funds through NCCM had liquidated the first tranche. The office had engaged in significant capacity-building of NGOs, but further training of the NCCM, and of NGOs contracted through it, on financial management and reporting was required in order to ensure timely liquidation.

Agreed action 5 (medium priority): The office agrees to ensure that programme documents with partners are drawn up promptly, and to further improve quality assurance of programme documents. Additionally, the office agrees to seek ways to increase the contribution of NGOs to partnerships and reduce the overhead ratio while taking into account the programming context.

Responsible staff members: Representative and Deputy Representative
Date by which action will be taken: July 2018

Agreed action 6 (medium priority): The office agrees to further develop the capacity of NGOs receiving funds through NCCM (on UNICEF's behalf), particularly on funds management and reporting requirements.

Responsible staff members: Finance Officer and Child Protection Section Chief
Date by which action will be taken: November 2018

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[10] An SSFA (Small-Scale Funding Agreement) is a simplified alternative to a PCA that offices can use for activities under US$ 50,000.

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Staffing structure

The office had finalized the new CPMP 2018-2022 as at 30 August 2017 after obtaining the PBR approvals. [11] However, recruitment has been slow, and the office still had a substantial number of vacancies (29) as of 1 April 2018. It had filled the gap partly through the use of consultants.

The audit reviewed both the office's recruitment processes, and the way it managed its use of consultants. It noted the following.

Staff recruitment: In its 2017 annual management plan, the office had identified a possible inability to deliver results due to delayed recruitment, and a risk that that might also cause demotivation of staff due to workload and poor work/life balance. During the period under audit there had been delays in filling five out of the 10 positions sampled, at various stages of recruitment; the office had not met the target in its own management plan of 80 percent of recruitments to be completed within 60 days.

There were specific delays recruiting and on-boarding for certain key positions (such as Chief CSD and Chief of Operations). In general, however, the office ascribed delays to an inadequate number of HR staff; there was one National Officer and a GS5 Assistant on a TA (temporary) contract and one staff member on stretch assignment. The office had to use two ex-UN staff as consultants to help in HR activities such as recruitment during 2016-17, at a cost of about US$ 197,500. The recruitment and onboarding of a P3 HR Specialist (selected on time from the talent pool) and a UN volunteer (UNV) were underway – but in the meantime both the TA and stretch assignment positions were due to expire in June 2018. The office stated that it was reviewing the HR capacity and would take appropriate action after HR recruitments were completed in June 2018 and will progress further in the recruitments in the next few months.

The audit looked at a sample of 10 staff recruitments. In one sampled case, a National Officer position had been put on hold, reportedly because two attempts at recruiting a suitable candidate yielded no result. This was despite the technical review during the PBR having noted strong national capacity, in both the office and the local market generally. Given that capacity, it would appear that the recruitment process itself needed to be strengthened. Suggestions made in the Regional Management Team meeting in May 2017 included more creative advertising and recruitment materials to enhance UNICEF's image as an employer of choice.

Out of the sample of 10 recruitments, three had not even started, reportedly because the funding was not confirmed. The technical review had noted that the large number of proposed fixed-term (FT) positions represented a 25 percent increase in the staffing structure and had advised the office that it would need to ensure sustainable funding. In particular, it noted that the new structure was mostly dependent on Other Resources (Emergency), which is not sustainable because this type of funding is mostly project-based and is secured for two years only. The office had prepared an 'affordability analysis' for the Regional Office, to justify the funding for the posts. However, the office noted during the field audit that it is time-consuming and difficult sometimes to raise funds with the donors for fixed-term positions in

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[11] When preparing a new country programme, country offices prepare a country programme management plan (CPMP) to describe, and help budget for, the human and financial resources that they expect will be needed. The programme budget review (PBR) is a regional-level review of a proposed management plan for its forthcoming country programme. It will examine – among other things – the proposed office structure, staffing levels and fundraising strategy, and whether they are appropriate for the proposed activities and objectives.

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a low middle income country such as Egypt; sustainability of funding for these and similar unfunded positions and any impact on staff needs and work pressures are being reviewed.

Recruitment of consultants: Meanwhile, the office continued to recruit local and international consultants (institutional and individual), partly to fill the gaps. Consultant contracting was one of the key lines of expenditure. The recruitment of consultants, including the foreign consultants, was done through headhunting or through advertisement. The CPMP had identified a three-pronged approach to fill the capacity skill gap (converting consultancies into FT posts where applicable, getting foreign technical expertise as needed, and proportionate increases in supporting staff). The audit reviewed a sample of consultant files, and held discussions with the staff and management.

The audit noted that the files contained the assessment of three or more potential candidates (except in one case where two candidates were evaluated). However, it also noted that the completeness and quality of the ToRs were not consistent (they should include tangible and measurable outputs, objectives, milestones and targets, as well as specific activities to achieve these). In a related point, in the view of the audit, the ToRs for a consultancy should contain the key tasks to be performed under the contract. The ToRs can then be more easily used to track the consultant's performance and certify them at the end of the contract, in the evaluation.

Withholding fees against completion: The office withheld one month's fee for local consultants, or the last instalment in the case of international consultants, pending full and satisfactory completion of work, knowledge transfer and return of assets. However, these sums may not always have been large enough to ensure satisfactory completion.

For example, a consultant was designing a database at Ministry of Education (see also the observation on *Information security* below). While the term of the consultant's contract had expired, the database had not been completed and handed over to the Ministry. While the office had retained 25 percent of the contract amount, it was not clear whether the amount retained was enough to ensure completion of the work by the consultant (who was an international, based outside Egypt). In case of local consultants, the office usually paid the consultancy fees in monthly instalments; in such cases, it retained 1/12 of the contract fee at the end pending completion, but again, it was not clear if that was a big enough part of the fee to ensure completion of the work. However, the office reported that the SoPs on consultancies and the Contract Review Committee (which reviews proposed consultancies) were being fine-tuned.

Terminal expenses: For official travel to or from the duty station, a staff member is entitled to payment of "terminal expenses" at rates and under conditions established by the UN. However, the Regional Chief of Operations' (RCO's) visit report of June 2017 raised concerns on the payment of terminal expenses *vis-à-vis* the mode of transport used. Consultants could buy a train ticket at modest cost and then claim for journeys made by train, which triggered payment of terminal expenses (about US$ 152 per trip). They could then actually make the journey by another method that would not have entitled them to these expenses. This exposure could have been avoided by including estimated travel costs for programme visits in the consultant's contract, as specified in UNICEF HR policy.   The RCO's visit report recommended that, where this was not possible or appropriate, the office could use the rates set for implementing partners.

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In general, the office was paying daily subsistence allowance (DSA) for international consultants on longer contracts, which may not be the most cost-effective approach for programme implementation. The office had conducted a survey of DSA and hotel expenses for various cities in Egypt that could be used as benchmark for estimated travel and living costs for both national and international consultants.

Expired contracts: Finally there were 18 long-expired contracts that were not closed out in the system as of the date of OIAI's audit visit (23 April 2018). The office stated that they have now dealt with this.

Agreed action 7 (high priority): The office agrees to consider ways to expedite recruitment of key positions. It should also update and implement the consultant SOPs, with directions for including estimated travel and related costs to be reimbursed at actual expenditure; and for foreign consultants with long-term contracts, to include estimated living costs in the contracts instead of paying DSA.

Responsible staff members: Country Representative, HR Officer, Chief of Operations
Date by which action will be taken: September 2018

Programme supplies

Supply was the second largest input of the country programme, after direct cash transfers to implementing partners. Most was related to the procurement of furniture supplies for the Ministry of Education. The audit reviewed the office's supply management function with a view to assessing whether supplies were delivered on time and were of expected quality.

The Supply Plans were prepared in time and the office's Contract Review Committee (CRC) had a good approving process for institutional contracts and supply procurement. However, there was a considerable delay between the supply order (SO) dates (July-August 2017) and the purchase order (PO) dates (December 2017) in five out of the seven furniture-supply contracts reviewed. The office said that the competitive bidding process had been started in October for all of these SOs together, and the POs were issued in December 2017. Three out of the six implementing partners sampled also noted that delays in delivery had occurred and in the case of three of the partners, the quality had been inadequate. The office stated that some of these included offshore supplies, which had longer lead times.

Three out of the seven sampled furniture supplies to the Ministry of Education had drawn negative comments about the furniture quality. Delays and quality issues raised by Government partners were noted by UNICEF staff and consultants in the Northern Governorates (e.g. Alexandria). The Supply Section was aware of these issues and was working with the suppliers to rectify the situation. The office later reported that the supplier had taken action after the audit; however, there had as yet been no confirmation from the partners that the situation had been rectified.

While the furniture procurements for the schools continue, entering into long-term arrangements (LTAs) would assist orderly procurement, in manageable lots, on time. Also, the furniture is delivered at the Governorate (Mudriya) level, and it is not known whether the supplies are well received at the school level, in terms of quality and quantity. UNICEF corporate policy requires end-user monitoring of supplies, which assesses the extent to which programme supplies provided to partners have been used as intended and found appropriate. The office showed the audit team the report of one of the school visit to monitor the

procurement of supplies, but said that such monitoring was not very frequent. The report had noted that monitors were not installed, teachers' reference books were shelved unused, and educational material was not sufficient. This suggests that more frequent visits might be helpful. The office told the audit that its Supply team would participate in programme visits to check on the quality and quantity of the delivered supplies at end-user (school) level; however, this had not been done as of 10 May 2018.

The supply process in UNICEF foresees the use of pre-inspection visits to the supplier premises. However, the office had not done pre-inspections to ensure that the quality of the furniture was acceptable before delivery to the partners (although it was said to have been done for ICT equipment). These pre-delivery inspections are useful in ensuring that the mass production of furniture matches the approved sample and may avoid potential complaints that may be received after delivery.

Open balances: The audit also noted dollar balances against the POs where deliveries had been completed. The office was reviewing them with the relevant headquarters divisions to assess whether the balances need to be returned to the grants.

Supply cost in partner budgets: It was noted in one of the partner budgets that there were supplies totalling over US$ 100,000, although when the Partnership Review Committee (PRC) originally considered the activity, the submission was showing 'zero' supplies. The office stated that Chief of Operations reviews and signs the PRC submissions; however, in the above sample it could not have entailed a cost comparison, as there was no supply list and the PRC submission was showing 'zero' supplies. Had there been a detailed supply list available among the submission documents, it would have been possible to assess the suitability of the items and whether the cost was competitive. The audit noted two other cases in which, by contrast, the supplies were being procured by the office for the partners, and which did have detailed supply lists included in their programme budgets, enabling a cost comparison. The office stated that they will obtain the supply list and will continue to have Operations review the reasonableness of cost of supplies that are being procured for or by the partners.

Agreed action 8 (medium priority): The office agrees to enter into Long-Term Agreements with school-furniture suppliers, conduct pre-delivery inspections, and implement end-user monitoring where possible.

Responsible staff members: Programme Section Chiefs and Supply Officer
Date by which action will be taken: December 2018

Information security

Country offices are required to protect sensitive information. UNICEF has a duty of care to safeguard individuals' data that it holds; moreover concerns about disclosure or misappropriation of private personal information could deter people from seeking essential protection and health services. Data breaches also carry significant reputational risk. The audit noted the following.

Vendors and information security: The audit noted a message from the Regional Chief of ICT in September 2017, in which security clauses were circulated for inclusion in vendor/consultant agreements to ensure compliance of such third-party agreements with the Policy. Not doing so increases the risk of missing significant vulnerabilities, leading to possible

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breaches of information security – and also reputational risk for UNICEF, particularly in the case of vendors or consultants used in programme interventions for the Government.

The audit noted a case where a consultant was building a database at Ministry of Education premises; however, he was not assessed for compliance with the requirements of the UNICEF Policy on Information Security. While 20 days of testing data was required in the contract, which may have involved working on sensitive data remotely, inadequate security clauses were added to his contract (the clauses should have enabled the compliance check with the Policy and enhanced the security over the Ministry's sensitive data).

In this case, the audit noted that a front-end application to the Ministry database in question was certified by the Regional Chief of ICT and installed on a desktop in the UNICEF office, requiring secure data transmission between UNICEF systems/networks and the Ministry. At the time of the audit fieldwork in April 2018, the consultant's contract had expired but the office had noted that the database had not yet been installed and handed over to the Government; not completing the contract on a timely basis and to the satisfaction of the Ministry jeopardizes programmatic results and could also have broader reputational risks.

ICT: ICT consultants issued with an office laptop had not signed the non-disclosure agreement, as the office thought that only ICT staff, not consultants, were required to do so. There were 27 consultants with office laptops who had not signed. This increased the risk of inadequate protection through contract clauses with third parties that have access to sensitive information stored on SharePoint and shared drives. The office has now reported that they have addressed this oversight.

DRP: UNICEF's Disaster Recovery Plan (DRP) guide requires country offices to conduct an annual simulation test of the DRP and the ICT infrastructure; however, the office had not done this for many years. These simulation tests should include the failsafe availability testing of ICT infrastructure such as servers, firewalls and various connectivity links.

Securing of data: While the UNICEF Disclosure Policy clauses were included in the PCAs with implementing partners, the guidance to the partners on how to secure sensitive data, particularly paper-based data including (for example) case-management files, could be further improved. This was confirmed in discussion with the six partners sampled and during a visit to a partner's premises in Alexandria. In discussion with the six partners, the audit noted that adherence to disclosure policy provisions is not discussed when the office staff visit the partner premises. This increased the risk of an undetected breach of sensitive data.

The audit noted a good practice by way of the Regional Chief of Operations visit to Cairo office in June 2017. However, while some of the above information security issues may have been noted in such a visit, no onsite technical peer review of the ICT function had been conducted since 2013. The audit noted that the Regional Chiefs of ICT were responsible for operationalization of the Information security policy in their respective regions, including, but not limited to, adequate security of sensitive data and peer reviews.

Sanctions list: The audit noted that the details of the implementing partners were checked against the UN consolidated sanctions list.[12] However, the office was not doing this for vendors and consultants (the CRC process list confirmed this). This exposed the office to

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[12] Compliance with UN Security Council Resolutions 1267 (1999) and 1989 (2011) includes verification that neither the organization nor any of its members is mentioned on the consolidated list of individuals and entities belonging to, or associated with, terrorist organizations.

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possible security and reputational risk. The regional office argued that UNICEF's Global Shared Services Centre (GSSC) in Budapest would be doing this check at the time of adding the vendors' details to the Vendor Master Data file. However, the audit noted that this may still expose the office to reputational risk if the vendor is on the UN sanctions list as, by the time the GSSC performs this step, the selected vendor is at such an advanced stage in the procurement process.

Agreed action 9 (medium priority): The country office agrees to address the above information security issues with the advice of the Regional Chief of ICT.

Responsible staff members: HR Officer, Chief of Operations and ICT Officer
Date by which action will be taken: September 2018

Agreed action 10 (medium priority): The Middle East and North Africa Regional Office agrees to expedite an onsite ICT peer review of the Egypt Country Office, and on a timely basis to take any remedial action required as a result.

Responsible staff members: Regional Chief of ICT
Date by which action will be taken: September 2018

PSEA and PSHAA

At a global level, UNICEF has already put in place important preventive and response mechanisms for Prevention of Sexual Exploitation and Abuse (PSEA) and Prevention of Sexual Harassment and Abuse of Authority (PSHAA). The audit team was pleased to note that in the Middle East and North Africa (MENA) region, the Regional Director, in an email dated 1 March 2018, stated: "Zero tolerance is not only a policy but also a culture that we as senior leaders need to live and nurture any given moment."

The audit noted the following.

Implementation plan: An implementation plan had been drafted at the time of the audit, to support – among other requirements – annual PSHAA reporting. However, the implementation of the plan needs better to consider some aspects of this requirement to put in place important preventive and response mechanisms for PSEA and PSHAA. Under UNICEF's PSHAA policy, the Director, Division of Human Resources, in collaboration with Heads of Office/Divisions, is required to provide annual reports to the Executive Director, which will include an overview of all preventive measures taken with a view to ensuring a harmonious work environment and protecting staff from prohibited conduct, and any corrective measures taken, as well as any evaluations or assessments of such measures and/or activities. However, implementation of the plan needs to consider adequate provision for evaluations or assessments of measures taken internally (within the office) or externally (e.g. partners, vendors etc.). Also, the office's monitoring procedures and tools (e.g. the Programme monitoring tool/ form) need to include the evaluation or assessment of any measures taken by partners, as required by the PSEA Bulletin and/or PSHAA policy.

It was also noted that countries such as Egypt and Jordan were hosting Syrian and other refugees and asylum seekers (five nationalities were noted in the audit team's field visit to Alexandria), and that they (refugees and asylum seekers) were adopting negative coping strategies such as child labour and child/forced marriages. There is, therefore, a particular need to include information in all communications on how to identify, address and report

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policy violations. This is required by UNICEF's Executive Directive on PSHAA and the Secretary-General's PSEA Bulletin.

Proper and detailed training and communication of reporting options will make staff, consultants, vendors, contractors and partners aware of any PSEA/PSHAA violations so that they can be quickly reported and then, addressed by management.

Training for stakeholders: The audit noted, as good practice, the fact that in April 2018 the office had given training (albeit brief, lasting one hour) to 19 partners on their responsibilities regarding PSEA/PSHAA. However, important activities such as training need to be comprehensive and include all stakeholders (so that all understand what conduct and occurrences constitute policy violation and how to document the occurrence if there is non-compliance). Stakeholders to be considered during the implementation of the plan include vendors, contractors, and partners such as the 18 NGOs receiving funds through NCCM (on behalf of UNICEF) to implement elements of the child protection programme (see the observation *Partnership management* above). The implementation tasks need to specify due dates for the internal and external activities related to PSEA and PSHAA. Many of the activities were shown as 'ongoing' in the implementation plan; however, identification of specific dates will help the office in monitoring to avoid delays or for timely removal of bottlenecks.

Communication: There is a need to ensure that in implementation of the plan, there is sufficient clarity on and communication of the PSEA/PSHAA activities, such that they can be integrated into programme and operational activities by the staff, partners, vendors and consultants. Also, considering the 2017 Global Staff Survey (GSS)[13] results, it is good to re-assert the anonymous reporting avenues open to the staff and consultants such as the hotline, new online reporting etc. The Global Staff Association's efforts on 'Speak-up culture' subsequent to the GSS can also be re-asserted to complement the office's efforts in PSHAA. This would help staff and consultants to report any deviations from harmonious work environment and/or impediments to protecting staff and beneficiaries from prohibited conduct.

Informing donors: The audit also noted that the Regional Office had circulated a letter from the Executive Director to keep donors informed of UNICEF's policy and its mechanisms to prevent and address any form of harassment. However, at the time of the audit, the office had yet to identify the key donors to which this letter should be sent.

Agreed action 11 (medium priority): The office agrees to implement the PSEA/PSHAA plan according to the corporate policy and directions.

Responsible staff members: Country Representative
Date by which action will be taken: December 2018

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[13] UNICEF's Global Staff Survey, first launched in 2008, is an exercise to increase understanding between staff and management by gathering opinion on a range of staff-related issues, including internal relationships and communications, transparency and accountability, work/life balance and efficiency. All staff are invited to participate; the responses are confidential, and the results are anonymized.

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

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

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Conclusions

The conclusions presented in the report summary fall into four categories:

[Unqualified (satisfactory) conclusion]
Based on the audit work performed, OIAI concluded at the end of the audit that the office's governance, risk management and internal controls were generally established and functioning during the period under audit.

[Qualified conclusion, moderate]
Based on the audit work performed, OIAI concluded at the end of the audit that, subject to implementation of the agreed actions, the office's governance, risk management and internal controls were generally established and functioning during the period under audit.

[Qualified conclusion, strong]
Based on the audit work performed, OIAI concluded that the office's governance, risk management and internal controls needed improvement to be adequately established and functioning.

[Adverse conclusion]
Based on the audit work performed, OIAI concluded that the office's governance, risk management and internal controls needed **significant** improvement to be adequately established and functioning.