

Internal Audit of the The Kingdom of Swaziland Country Office

December 2016



Office of Internal Audit
and Investigations (OIAI)
Report 2016/16

Summary

The Office of Internal Audit and Investigations (OIAI) has conducted an audit of the Kingdom of Swaziland country office. The audit sought to assess the office's governance, internal risk management and internal controls. The audit team visited the office from 4 to 8 July 2016, and the audit covered the period from January 2015 to June 2016.

The 2016-2020 country programme comprises of three components: *Young child survival and development*; *Adolescent protection, learning and development*; and *Programme effectiveness*. HIV programming is at the heart of the country programme. The total approved budget for the country programme is about US\$ 19.7 million, of which US\$ 6 million is regular resources (RR) and US\$ 13.7 million is Other Resources (OR). Regular Resources are core resources that are not earmarked for a specific purpose, and can be used by UNICEF wherever they are needed. Other Resources 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 Other Resources), up to the approved ceiling.

The country office is located in Mbabane; there are no zone offices. As of June 2016, the country office had 23 approved posts: five international professional; eight national officers; and 10 general service staff. The total annual country office budget was US\$ 5 million in 2015 and, as of June, US\$ 5.9 million for 2016.

Action agreed following the audit

The audit found a number of areas in which controls were functioning well. The 2016-2020 country programme was evidence-based; its design had taken into account the results of a Situation Analysis updated in 2014 and a Multiple Indicator Cluster Survey (MICS) conducted in 2014. The latter is a survey technique developed by UNICEF to provide rigorous data across a range of fields from households, from women, from men and concerning under-fives. MICS is designed to provide internationally comparable data on the situation of children and women.

Further, there was evidence that the office had effectively advocated for the rights of children. For instance, it supported the government to dedicate the month of June every year as a nation-wide children month with coverage on children rights in the media across the country.

The rolling workplans for 2015-2016 were drawn up with partners and signed on time.

However, following the audit, and in discussion with the audit team, the country office has agreed to take a number of measures to address weaknesses and/or opportunities for improvement. Two have been identified as high priority – that is, they address an issue that required immediate management attention. They are as follows:

- Improve assurance of the use of cash transfers to implementing partners by strengthening implementation of the Harmonized Approach to Cash Transfers (HACT). This will be done through a number of actions, including: Review the application of financial controls by all partners; ensure that the office's HACT Committee monitors assurance activities and their follow-up; conduct assurance activities as planned; and

help partners address weaknesses identified in financial management, including the Government partner visited by the audit.

- Review and strengthen management of programme evaluations to ensure evaluations of key programme components are adequately planned with sufficient resources, prioritized and carried out within a programme cycle; and submit monitoring and evaluation plan for review and input by the Regional Office and obtain its approval by the Representative.

Conclusion

Based on the audit work performed, OIAI concluded that the controls and processes over the office needed improvement to be adequately established and functioning.

The Swaziland country office, the regional office and OIAI will work together to monitor implementation of the measures that have been agreed.

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Objectives and scope

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.

Audit observations

Cash transfers to implementing partners

During the period from January 2015 to June 2016, the Kingdom of Swaziland Country office disbursed cash transfers to implementing partners amounting to US\$ 2.2 million (US\$ 1.4 million to NGOs and US\$ 800,000 to government partners). This was 44 percent of all funds (US\$ 5 million) utilized during the period.

For cash transfers to partners, offices are required to implement the Harmonized Approach to Cash Transfers (HACT). With HACT, the office relies on implementing partners to manage and report on use of funds provided for agreed activities. This reduces the amount of supporting documentation UNICEF demands from the partner, thus cutting bureaucracy and transaction costs, while maintaining sufficient assurance on the use of funds.

HACT makes this possible by requiring offices to systematically assess the level of risk before making cash transfers to a given partner, and to adjust their method of funding and assurance practices accordingly. HACT therefore includes micro-assessments of the individual implementing partners (NGOs). There should also be a macro-assessment of the country's financial management system. As a further safeguard, the HACT framework requires offices to carry out assurance activities regarding the proper use of cash transfers. Assurance activities include spot checks and programme monitoring, plus scheduled audits for any partners receiving large amounts in transfers.

The audit visited three partners, one Government ministry and two NGOs. It reviewed their financial management, and also looked more generally at the office's implementation of HACT.

The first partner visited was a Government ministry, which had received US\$ 170,000 of cash transfers during the period from January 2015 to July 2016. The audit noted inadequate capacity for managing cash transfers. There were no accounting staff assigned by the partner to manage the account into which the office made cash transfers. In the absence of such staff, and without access to accounting records, the audit could not confirm the actual balance in the account, nor the existence and effectiveness of the partner's internal controls.

Further, the Government staff did not know the requirements for getting the funds from the bank account managed by the treasury accounting staff, and the partner's programme staff informed the audit that it took them more than a month to get funds from their bank account after they had been received from UNICEF. This had delayed implementation of activities on several occasions. Further, the liquidation of these funds took more than nine months. In June 2016 the UNICEF office had discontinued more transfers to the account until long-outstanding cash transfers were liquidated. This had stalled the implementation of activities.

In the case of the second partner visited (an NGO), there was inadequate segregation of duties in relation to the preparation of the bank reconciliation. The staff member who performed bank reconciliations was also responsible for approving bidding tabulations, authorizing purchase orders and approving payments. Inadequate segregation of duties in this way can lead to errors or inappropriate transactions going undetected.

Finally, the third partner, also an NGO, had received US\$ 169,000 of cash transfers in 2015. The office told the audit team that it had planned to conduct two spot checks in 2015, but was unable to conduct them due to competing priorities relating to preparation of the new country programme. However, it was able to conduct a spot check in May 2016, and noted weaknesses including infrequent bank reconciliations.

The audit noted that the first partner had not been micro-assessed, and the office had not conducted financial spot checks of the partner during the period from January 2015 to July 2016. However, the audit reviewed micro-assessments conducted during the last three years. It noted that the office had not followed up recommendations from micro-assessments, and had no system for ensuring that it did so. So even had the micro-assessment taken place, there was no assurance that any action would have been followed through.

Assurance activities could also have detected some of the weaknesses noted above. The office prepared risk-based assurance activities plans in 2015 and 2016. It completed 50 programmatic visits¹ in 2015 against 39 planned. In contrast, however, the office planned to conduct 13 spot checks in 2015 but had not undertaken any as of 31 December. Given that most of the partners had not been micro-assessed, this further reduced the office's assurance that the funds were used for the intended purpose.

However, the audit noted that even where spot checks have been carried out, they should – like micro-assessments – be followed up to ensure that any recommendations are implemented. In the case of the second partner mentioned above, a spot check by the UNICEF office in April 2016 had identified similar observations with regard to segregation of duties. Other points were also noted. Recommendations were made to address the weaknesses; the partner was to have been implemented them by the end of May 2016. However, at the time of the audit in early July, it had not done so. The office stated that that additional spot checks would also be done to follow up. In the case of the third partner, the spot check resulted in recommendations that the partner stated it had started to implement. However, it had still not done bank reconciliations for the last three months.

The office told the audit that it planned to micro-assess all three of the partners discussed above during 2016. As of July, the office had conducted four financial spot checks as planned, and it had further spot checks planned for later in the year. It also noted that it had tried to conduct spot checks with two government ministries in 2015 but the partners were not available. It also stated that it had limited personnel being trained on HACT, and also competing priorities, including the preparation of the new 2016-2020 country programme.

¹ According to the latest UNICEF-specific HACT procedure issued in 2014 (page 2), programmatic visits are defined as “a review of progress towards achievement of planned results, challenges and constraints in implementation and ways to address them performed with the partner at the programme site. Depending on the nature of the partnership, programmatic visits may be undertaken at a field location (field monitoring), the partner's office and/or in the form of a meeting involving key stakeholders. Programmatic visits focus on programmatic issues, including attention to matters of financial management.”

However, the audit noted that governance of HACT implementation was a factor. The office had a HACT committee that was expected to meet monthly, but did not always do so in 2015. When it did meet, no minutes were taken. It had not met at all in 2016 (as of July). The office said that, since the departure of the chairperson of the HACT committee in the third quarter of 2015, HACT implementation had been reviewed during the programme coordination meetings (PCMs) in 2016. The PCM minutes did not contain adequate evidence of this. In the audit's view, weak functioning of the HACT committee contributed to the lack of follow-up mechanisms for weaknesses identified by assurance activities, and the recommendations made to address them.

The audit also noted that the macro-assessment of the public financial management system, conducted in 2013, found that the scope of work done by the country's Supreme Audit Institution (SAI) was limited due to capacity constraints. As of the time of the audit, the office had not reviewed, together with other UN agencies, the results of the macro-assessment. It had also not recorded its decision on whether to rely on the SAI for the conduct of scheduled audits of government partners.

Agreed action 1 (high priority): The office agrees to improve assurance of the use of cash transfers to implementing partners by strengthening implementation of the Harmonized Approach to Cash Transfers (HACT) through the following actions:

- i. As far as possible, review the application of financial controls by all partners through micro-assessments or, where appropriate, simplified financial checks.
- ii. In collaboration with other UN agencies, determine whether the Supreme Audit Institution will be relied upon to audit government partners, and record this decision.
- iii. Ensure that the UNICEF HACT committee regularly monitors the implementation of assurance activities and takes follow-up actions as needed.
- iv. Establish mechanisms to follow up recommendations stemming from micro-assessments and spot checks.
- v. Ensure that financial spot checks of partners are conducted as planned.
- vi. Conduct a financial spot check for the funds given to the first partner in 2015 and 2016 by testing the functioning of key internal controls over the management of cash transfers, in order to provide assurance that funds are used for intended purposes. Follow up with this partner regarding its commitment to assign a member of accounting staff for handling cash transfers and ensure that the individual assigned is trained by UNICEF in the management of cash transfers paid to the Government ministry.
- vii. Assist partners as needed in addressing identified weaknesses, and follow up implementation of the recommendations made as a result of the financial spot checks conducted by the office for the second and third partners.

Responsible staff members: Deputy Representative, Operations Manager and HACT chairperson

Date by which action will be taken: 30 October 2017

Partnerships with NGOs

The office had partnerships with 14 NGOs, and had 10 active Programme Cooperation

Agreements (PCAs) and four Small Scale Funding Agreements (SSFAs)² for a total value of US\$ 1 million during the period from January 2015 to June 2016. The audit review noted the following.

PCA process: In two of five cases reviewed, the PCA process took a long time – 95 and 173 days from the submission of programme document by the partner to the signing of the PCA (against the benchmark of 45 days). Staff at two NGOs visited by the audit team reported that the PCA preparation and negotiation processes in which they had been involved had taken over seven months from the start of the negotiations to signature. This was partly due to UNICEF staff turnover associated with transition to the new 2016-2020 country programme. This late signature of PCAs delayed programme implementation.

Reporting: The audit reviewed progress reports submitted by the two NGOs. The reports presented a general description of activities implemented in line with the PCAs. However, the reports lacked a comparative analysis of results achieved against defined indicators and targets established in the results matrices that were in the programme documents. The partners said this was due to insufficient guidance given by the office. The two NGOs visited by the audit stated that they had not been given any specific format for the preparation of progress reports. In addition, none of the partners received written feedback on the progress reports submitted.

The office said that, after the audit, it had shared the reporting templates with the partners and would also give the partners a programme implementation manual. It also said that it would provide refresher training to UNICEF staff to ensure that proper guidance was provided to partners.

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

- i. Complete Programme Cooperation Agreement processes in a timely manner and within established standards.
- ii. Provide all partners with guidance on preparation of progress reports, along with templates specifying format and contents; and also provide written feedback on major weaknesses in the reports.
- iii. Organize refresher training for the office's programme staff on collaboration with NGOs, including programme reporting.

Responsible staff members: Deputy Representative and Chiefs of Sections

Date by which action will be taken: 30 March 2017

Fundraising

The audit reviewed the office's funding for the country programme in 2015 and 2016, and assessed the adequacy of the office's resource mobilization³ activities and external

² With effect from 1 April 2015 the guidelines for partnerships have been UNICEF's *Procedure For Country and Regional Office Transfer of Resources to Civil Society Organizations* (FRG/PROCEDURE/2015/001). Under these, Programme Cooperation Agreements are required for larger activities, but the simpler SSFAs can be used up to a threshold of US\$ 50,000.

³ 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.

stakeholders' relations. The following was noted.

Funding situation: During the country programme 2011-2015, out of the planned amount of US\$ 31.75 million in Other Resources (OR), US\$ 12.8 million was funded, leaving a funding gap of US\$ 18.9 million (60 percent) as of December 2015. In 2015, the office raised US\$ 3.1 million, or 50 percent of the planned OR amount for the year. Inadequate funding limited the office's ability to achieve planned results.

For the 2016-2020 country programme, total funds available as of 31 May 2016 (US\$ 5.4 million) was 150 percent of the planned amount for the year 2016. However, some funds received (close to US\$ 2 million) were for future years. There were therefore funding gaps in some important programmes. For example, there was a funding gap of US\$ 1.66 million (57 percent of the planned amount) for drought emergency response interventions as of 30 June 2016, two months after the declaration of the drought emergency.

The office took several steps to improve funding. It had appointed a focal point for resource mobilization (the Communication Specialist) in 2016, and had put together a set of resource mobilization guidelines. The Representative visited two National Committees for UNICEF (NATCOMs),⁴ and hosted visits by NATCOM staff to give them exposure of the funding situation and opportunities in Swaziland. It also maintained contact and engagement with donors in Pretoria and within the region. With support from the regional office, the office was collaborating with other UNICEF offices in the BNLSS⁵ sub-region to prepare joint proposals on intervention areas of common interest. It was using innovation through U-Report⁶ to reach young people with information on HIV to enhance monitoring and demonstrate UNICEF's ability to track the use of resources invested for children in Swaziland.

Resource mobilization: The office had a resource mobilization strategy in 2015 for the country programme 2016-2020. The strategy contained a number of key approaches, such as leveraging and advocacy, convening and brokering partnerships, and maintaining donor confidence. As of July 2016, the office had submitted seven funding proposals, of which three had been funded (total US\$ 780,000). There had been good support from the regional office, which had participated in a number of meetings with donors. The office had also established partnerships for leveraging resources with the Korean NATCOM (the Korean Committee for UNICEF) and the Global Partnership on Education (GPE), and arranged contributions-in-kind in the form of medical supplies and equipment from the US Fund for UNICEF.

To assist implementation of the strategy, the office had established a resource mobilization committee with terms of reference, and prepared an action plan that contained activities with key performance indicators. However, there were no targets for the indicators defined in the action plan. Establishing targets and monitoring progress against them would help the office identify and address constraints promptly.

Agreed action 3 (medium priority): The office agrees to establish annual targets in the resource mobilization plan; regularly monitor progress against the targets; and implement specific actions to fill major gaps.

⁴ NATCOMs are the bodies that support, and fundraise for, UNICEF in higher-income countries.

⁵ Botswana, Namibia, Lesotho, Swaziland and South Africa.

⁶ U-Report was devised by UNICEF as a text-based service through which young people could express their opinions and needs on (for example) health and training. UNICEF and its partners can then collate and map these views in order to build up a picture of a given area or region.

Responsible staff members: Representative

Date by which action will be taken: 15 December 2016

Priority-setting and risk management

The audit reviewed the way the office tracked progress against its annual priorities and monitored the key risks to the programme.

An office sets out its priorities for the year in its Annual Management Plan (AMP), which ensures that that office's human, financial and other resources remain focused on the country programme and its hoped-for outcomes for children and women. To this end, it establishes key priorities, and assigns staff responsibilities for them. Progress on these priorities should normally be monitored by an office's country management team (CMT), which advises the Representative on the management of the country programme and on strategic programme and operations matters. It consists of senior staff from Programme and Operations sections, and staff representatives.

The office had identified its annual key priorities for 2015 and 2016 in the AMPs. The 2015 AMP stated that progress on achievement of management priorities was to be reviewed as a standing agenda item in the Country Management Team (CMT) meetings held on monthly basis. However, the audit noted several priorities that were not consistently reviewed in the CMT meetings. Inadequate monitoring of priorities reduced the assurance on their timely implementation. The office stated that the priorities were reported on by the PCM monthly and at mid and year end reviews. However, the minutes of the PCMs showed that the PCMs reviewed progress on programme activities, not the management priorities established in the AMP.

The audit also reviewed the office's risk management. Under UNICEF's Enterprise Risk Management (ERM) policy, offices should perform a Risk and Control Self-Assessment (RCSA). The RCSA is a structured and systematic process for the assessment of risk to an office's objectives and planned results, and the incorporation of action to manage those risks into workplans and work processes. The risks and their mitigation measures are recorded in a risk and control library.

The office had updated the RCSA and its risk library in 2015 and 2016. The RCSA identified mitigating actions with assigned responsibilities and indicators. However, there was no evidence that the status of the RCSA action plan was systematically monitored; there were no progress reports on mitigating actions being prepared, or being reviewed by management.

Agreed action 4 (medium priority): The office agrees to ensure that the Country Management Team consistently reviews implementation of office priorities during its meetings; and that it regularly reviews and records the status of implementation of risk mitigation actions identified by the Risk and Control Self-Assessment.

Responsible staff members: Representative

Date by which action will be taken: 1 April 2017

Supervisory committees

The 2015 Risk and Control Self-Assessment (RCSA) had stated that the office had well-established management structures with committees, but it also acknowledged that there

was room for improvement regarding decision-making and timely implementation of actions. The audit review confirmed the accuracy of the self-assessment, noting the following.

Property Survey Board (PSB): Most of the PSB's recommendations from 2015 had not been implemented as of June 2016. Examples included disposal of old office vehicles, identification of obsolete ICT equipment to be disposed of, a physical inventory count and reconciliation of physical count results with records in VISION. The office reported that this was mainly because the staff responsible had been very busy. It had assigned these responsibilities to another staff member in March 2016 and they had started to take action.

Joint Consultative Committee (JCC):⁷ The JCC held its meetings quarterly, in accordance with its terms of reference. The minutes of the JCC identified action points and responsible staff. However, some key staff concerns raised in this forum had remained unaddressed. For example, in March 2015 it was agreed that procedures would be developed for obtaining medical services from local service providers under the staff Medical Insurance Policy (MIP). This had not been done as of July 2016.

The delays had arisen because the minutes gave no target date for implementation or review of status of agreed actions. For example, the minutes of the JCC meetings held in 2015 and 2016 repeatedly identified concerns being raised by staff that indicated underperformance of some staff members that had led to insufficient services and support in the office. The JCC minutes also noted that, in November 2015, staff members had expressed in writing dissatisfaction with delays in addressing underperformance issues.

With the assistance of the regional office, the office had prepared an action plan that identified specific actions to address staff concerns. At the time of the audit in July 2016, the office had started implementing planned actions.

Agreed action 5 (medium priority): The office agrees to ensure that agreed actions arising from meetings of the Property Survey Board and Joint Consultative Council are regularly followed up and implemented in a timely manner.

Responsible staff members: Deputy Representative

Date by which action will be taken: 15 Dec 2016

Programme monitoring

The office monitored programme implementation through field visits, mid-year reviews, annual management reviews, and annual programme reviews with implementing partners. The office also reviewed progress through monthly programme coordination meetings. The audit review noted the following.

Field monitoring: The office prepared field-monitoring plans in 2015 and 2016. However, the office did not monitor their implementation, which would have enabled it to identify and address gaps. The office said that this was done in section meetings, but no minutes or other record of this monitoring was available. In addition, the total visits conducted were not compared to the number planned, and the office had not assessed the visits' effectiveness (such as the extent to which they reviewed progress, and accuracy of results reported by implementing partners). Neither had the office assessed the efficiency of field monitoring and

⁷ The JCC is a forum for management and staff to discuss issues arising, especially those concerning staff conditions.

use of allocated resources.

Results measurement: Offices upload targets, and the progress made against them, to a portal called the Results Assessment Module, where they are easily accessible across UNICEF. The indicators and baseline data for the new 2016-2020 Swaziland country programme had been entered into the RAM as of July 2016. However, the baseline year for all indicators was incorrectly stated as 2016, although the data had in fact been gathered from various years. In addition, some indicators were not clearly defined, making it difficult to measure and assess progress. For example, for the indicators stated as “population practising open defecation” and “Children less than one year receiving Penta-3 and Measles vaccine”, there was no indication as to whether progress was to be measured numerically or by percentage. Further, some indicators were not relevant or were not linked to the outcomes to be achieved. Examples included an indicator “Proportion of HIV-positive mothers receiving ARVs⁸ therapy or prophylaxis for PMTCT”⁹ being used as an indicator for an outcome relating to children under outcome no 1. Inadequate indicators could lead to poor assessment of progress.

Mid-year and annual reviews: The office, with its implementing partners, conducted mid-year and annual reviews in 2015 to review the achievement of results for children. It documented progress made on results and also identified challenges and lessons learned. The annual review report stated that, as of December 2016, eight out of 12 planned outputs were on track and the remaining four were constrained. However, the review reports did not document specific action points, with assigned responsibilities and timeline, to address these constraints.

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

- i. Periodically review the outcomes of field visits to assess the efficiency and effectiveness of field monitoring, so as to inform future planning.
- ii. Review performance indicators of programmes and revise them to make them specific, measurable and clearly linked to planned results, with correct reference years for the baselines.
- iii. Ensure that the review reports stemming from mid-year and annual programme reviews include specific action points with assigned responsibilities and timelines to address any constraints identified to the achievement of results.

Responsible staff members: Deputy Representative, Section Chiefs, M&E Specialist

Date by which action will be taken: 15 March 2017

Programme evaluation

Key components of a country programme should be evaluated at least once during a programme cycle. However, the only one evaluated during the 2011-2015 country programme related to PMTCT. This evaluation had been conducted in 2014 by the Ministry of Health with UNICEF’s assistance in the form of financial input and technical review of work and recommendations. Programmes related to education, Water, Sanitation and Hygiene (WASH), child protection and nutrition had not been evaluated. One evaluation (of *Inqaba* schools¹⁰) had been planned for 2013 but had not been completed as of July 2016. In 2016,

⁸ ARV: Anti-retroviral.

⁹ PMTCT: Prevention Of Mother-To-Child Transmission.

¹⁰ A community-centred, multi-stakeholder schools-improvement programme intended the promotion of healthy lifestyles, values of gender sensitivity, equality and dignity for all.

the office planned to conduct one evaluation.

The office said it had delays in the completion of planned evaluations were partly due to the protracted process of ensuring full government ownership. Other causes included insufficient human-resources capacity and lack of funding to undertake evaluations. Sufficient evaluation of programmes will enable the office to use opportunities to demonstrate accountability for achievement of results; share knowledge and draw lessons to inform future programming.

The office did not submit the 2015 monitoring and evaluation plan to the regional office for technical review, and it was not formally reviewed and approved by the Representative. However, the 2016 plan had been reviewed by the Research Committee on 30 June 2016 and was scheduled to be approved by the Representative after review by the regional office.

The office was aware of the weaknesses noted above and had started taking action to address them. For example, it had established the research committee in 2015. The office was also participating in an initiative for “demonstrating UNICEF’s contribution to results” with the Field Results Group at headquarters (New York) by focusing on two selected outputs to be monitored throughout the country programme cycle. The office will also explore the possibility of conducting evaluations in collaboration with other UN agencies.

Agreed action 7 (high priority): The office agrees to, with support from the regional office, review and strengthen its programme evaluation, and to take the following specific steps:

- i. Ensure evaluations of key programme components are carried out within a programme cycle, and that they are adequately planned, with sufficient resources and priority.
- ii. Submit the monitoring and evaluation plan to the regional office for review and input, to ensure adequate coverage; and obtain approval by the Representative so as to increase accountability.

Responsible staff members: Research & Evaluation Committee, M&E Specialist

Date by which action will be taken: 15 February 2017

Recruitment

As of 7 June 2016, the office had 23 established posts, of which five were international professional (IP), eight national professional (NO) and 10 general service staff (GS). As of June 2016, six posts, or 26 percent, of total established posts were vacant for up to five months. The vacant posts included heads of two programme sections: Child Survival and Development (L-4) and Youth and Adolescent Development (L-4).

The office completed three recruitments between January 2015 and June 2016. Recruitments in UNICEF should normally take no more than 90 days from the closing date for applications to the issue of an offer letter. However, the audit found that the three recruitments had taken an average of 112 days, ranging from 109 to 120 days. The delays were particularly noted in conducting interviews following the closing of advertisements. For example, the time taken between the closing date of advertisement and the interview in two of the three cases was 40 days and 53 days respectively. (The third case was an international recruitment handled by NYHQ, and the office did not know the time taken for this stage.) This put a burden on the existing staff, who had to do additional tasks because the posts were empty; this in turn delayed programme and operational activities, and had an impact staff morale.

Various factors contributed to delays in filling the posts, including difficulties in getting suitable candidates to fill vacant posts. The office had to rely on the regional Human Resources Hub based in South Africa¹¹ because of insufficient human-resources capacity within Operations. The CMT regularly monitored the status of recruitment and was therefore aware of delays in recruitment. The office had suggested it establish a post for Human Resources Assistant, but this had not been approved since human-resource support services for both its local and international post recruitments were provided through the Hub.

Further, the shift in programming approach under the new country programme, with more focus on upstream work, meant that the positions needed skills and experience in policy, advocacy and technical capacity building; these skills were not readily available. The office stated that it was getting support through stretch assignments and through the hub.

Agreed action 8 (medium priority): The office agrees to review its recruitment processes and practices to identify and address root causes, and ensure that delays in recruitments are addressed.

Responsible staff members: Operations Manager, HR focal point

Date by which action will be taken: 15 Feb 2017

Donor reporting

From January 2015 to June 2016, the office received US\$ 3 million in OR funds. These are accounted for to donors through the preparation of donor reports. During that period, the office issued 11 such reports. The audit reviewed the timeliness and quality of donor reports and noted the following.

Timeliness: Five of the six reports due in 2015 were submitted after the due date agreed with the donor, by five weeks in one case. One of the five donor reports so far due in 2016 (as of the time of the audit in July) was submitted four weeks after the due date. The office said the reason for the late report in 2016 was that the project implementation period was planned and approved for 2016, and that no funds had been utilized or committed against the grant when the report was due in mid-February 2016. However, reports should still be submitted by due date even if no progress has been made, and this gives the office an opportunity to explain what the constraints have been.

The office also said that the delays in 2015 had occurred as all six reports were due in the same four-week period in February/March, and that this also coincided with the development and submission of the 2016-2020 country programme document, the finalization of the annual workplan, and also that of other planning documents including the AMP.

Quality: The audit reviewed four donor reports. The results presented in the reports were well supported. However, in two cases, the financial utilization section presented only cumulative amounts without indicating current and prior years' expenditures, outstanding cash transfers and prepayments as required. In one case, the financial figures for

¹¹ The Human Resources Hub for Southern Africa was established by the Regional Office in January 2014 as a shared initiative between UNICEF's country offices in Botswana, Namibia, Lesotho, Swaziland, South Africa and Angola. The Hub is physically located in the South Africa country office. The primary objective was to pool resources to improve efficiency and effectiveness in managing human resources.

commitments stated in the project summary page differed from those in the financial utilization section. Also, in another report, while the report provided a comparative analysis of the amount spent against budget with variances, the reasons for such variances were not adequately explained.

The audit noted that the office had not received written feedback from donors on the quality of the donor reports submitted in 2015 and 2016. This was mainly due to the fact that, in all four cases reviewed, the office did not attach forms requesting donors' feedback on the donor reports submitted. This lack of feedback had limited the office's ability to identify any concerns which donors may have had regarding the quality of the reports. One key donor interviewed by the audit team commented on the need for the office to improve the quality of donor reports. The donor specifically noted that the donor report received did not clearly set out the progress made, and there was no clear linkage between funds utilization and the achievement of specific results.

The office was aware of the above weaknesses in donor reporting and had started taking actions to address them. For example, in August 2016 it had undertaken training on results-based management, including a session on improving the quality of reporting.

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

- i. Donor reports are submitted in a timely manner.
- ii. Internal processes for ensuring quality of donor reports are revised and improved.
- iii. Feedback forms on donor reports are requested to obtain written feedback from donors to identify and address any specific concerns.

Responsible staff members: Deputy Representative

Date by which action will be taken: 31 December 2016

Financial management controls

The audit reviewed the application of financial management controls by staff and noted the following.

Outstanding direct cash transfers: During the period from January 2015 to July 2016, the office disbursed Direct Cash Transfers (DCTs) amounting to US\$ 2.2 million. The audit noted that, as of 30 May 2016, according to inSight¹² reports, the outstanding balance on Direct Cash Transfers (DCT) was US\$ 495,000, of which US\$ 163,000 (27 percent) had been outstanding for more than six months; of this, US\$ 31,000 (6 percent) was outstanding for more than nine months. The reasons for late liquidation of funds were delays to partners' submission of liquidation documents and to action by the office to liquidate the cash transfers. Delays in liquidating cash transfers reduced assurance on the status and use of unliquidated cash transfers.

Delegation of authorities: Each office is required to maintain a Table of Authority (ToA), setting out the authorities delegated to each staff member. The office had a review process

¹² inSight (sic) is the performance component in UNICEF's management system, VISION (Virtual Integrated System of Information). inSight streamlines programme and operations performance management, increases UNICEF staff access to priority performance information, and assists exchanges between country offices, regional offices and HQ divisions, as everyone sees the same data/information.

for updating the ToA to allow adequate segregation of duties. It had also established a financial limit for authorization of transactions less or equal to US\$ 25,000 by five designated officers in the ToA. However, the office did not specify who should perform the authorization of transactions (Programme L2) exceeding US\$ 25,000. As a result, they were authorized by staff not delegated to do so in the ToA.

Year-end closure of accounts: The completion of year-end closure activities was not done in accordance with the deadlines established by the Division of Financial and Administrative Management (DFAM) in 2015. Eight of 20 accounts-closure activities were completed after the established deadline, with delays ranging between nine to 109 days. Late activities included physical count, verification and certification of property, plant and equipment. This was partly due to inadequate assignment of responsibilities for performing the tasks. Delays in completion of year-end tasks can lead to delays in closure of accounts and processing of annual financial statements.

Month-end balances: The office maintained month-end balances that exceeded the established limit of two weeks' estimated need. In nine of the 16 months reviewed, the month-end balances were above the threshold of two weeks' cash requirement for both local currency and US dollar accounts, ranging from 112 percent to 527 percent of the following months' actual disbursements. This reduces investment income available to UNICEF centrally. This was due to weak oversight and monitoring on forecasting for cash requirements.

Dependency allowance: The audit found that two national staff members were being paid dependency allowances for children who were over 21 and therefore not eligible. One of the staff had been in receipt of these entitlements ineligibly for about two years, the other for over one year. The office was unaware of these cases and said that it would commence recovery of the overpayments from the staff members' payrolls.

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

- i. Review the cash-transfer liquidation status, and provide guidance to staff members and partners to ensure cash transfers are accounted for and liquidation is made not later than six months from disbursement date.
- ii. Clearly define responsibilities for authorizing transactions over US\$ 25,000 and assign them in the Table of Authority.
- iii. Assign staff responsibilities for year-end account closure activities for 2016 to ensure that they are completed on time.
- iv. Strengthen cash forecasting to ensure optimal month-end cash balances are maintained.
- v. Monitor dependency allowances and ensure that they are provided in accordance with eligibility, ensure staff members aware of the current policy, and take immediate action to recover from staff members any dependency benefits paid in excess of their entitlements.

Responsible staff members: Deputy Representative, Operations Manager, Finance Officer, and HR focal point

Date by which action will be taken: 15 February 2017

Annex A: Methodology, and definitions of priorities and conclusions

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

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

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

The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditors. OIAI also followed the reporting standards of International Organization of Supreme Audit Institutions.

Priorities attached to agreed actions

- High:** Action is considered imperative to ensure that the audited entity is not exposed to high risks. Failure to take action could result in major consequences and issues.
- Medium:** Action is considered necessary to avoid exposure to significant risks. Failure to take action could result in significant consequences.
- Low:** Action is considered desirable and should result in enhanced control or better value for money. Low-priority actions, if any, are agreed with the country-office management but are not included in the final report.

Conclusions

The conclusions presented in the summary fall into one of four categories:

[Unqualified (satisfactory) conclusion]

Based on the audit work performed, OIAI concluded at the end of the audit that the control processes over the office were generally established and functioning during the period under audit.

[Qualified conclusion, moderate]

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

[Qualified conclusion, strong]

Based on the audit work performed, OIAI concluded that the controls and processes over the office needed improvement to be adequately established and functioning.

[Adverse conclusion]

Based on the audit work performed, OIAI concluded that the controls and processes over the office needed **significant** improvement to be adequately established and functioning.

[Note: the wording for a strongly qualified conclusion is the same as for an adverse conclusion but omits the word "significant".]